## IMPORTANT NOTICE

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached prospectus (the ''Prospectus''), and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. The Prospectus has been prepared for the purposes of (i) a public offering to prospective investors in the Netherlands, and (ii) a private placement to certain prospective investors in various other jurisdictions. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Company (as defined in the Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S., ISRAEL OR OTHER JURISDICTIONS AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S., ISRAEL OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR ANY ISRAELI PERSONS.

THE ATTACHED PROSPECTUS WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE ATTACHED PROSPECTUS IN A FORMAT THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of Your Representation:** In order to be eligible to view the attached Prospectus or make an investment decision with respect to the securities described therein, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act'')), and be outside the United States; provided that investors resident in a Member State of the European Economic Area other than the Netherlands must be a qualified investor (within the meaning of Article 2(1)(e) of Directive European Economic Area), (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) or (iii) if an Israeli person, (A) be a ''qualified investor'' (as defined in the First Appendix to the Israeli Securities Law) who is not an individual (a ''Qualified Israeli Investor'') and (B) complete and sign a questionnaire regarding qualification as a Qualified Israeli Investor and deliver it to Goldman Sachs International or Morgan Stanley & Co. International plc, as applicable. You have accessed the attached Prospectus on the basis that you have confirmed to each of the underwriters set forth in the attached Prospectus (collectively, the ''Underwriters''), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) you have not accessed the attached Prospectus in the United States, its territories and possessions, any state of the United States or the District of Columbia; ''possessions'' include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (and if you are resident in a Member State of the European Economic Area other than the Netherlands, you are a qualified investor), (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission or (C) you are a Qualified Israeli Investor and have an exemption from Israeli withholding taxes on interest.

The attached Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Underwriters, any person who controls any Underwriters, the Company or any of their respective subsidiaries or affiliates, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Underwriters.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this Prospectus to any other person. You will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Underwriters.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Underwriters or any affiliate of the Underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Underwriters or such affiliate on behalf of the Company in such jurisdiction.

Altice S.A. (the ''Company''), is offering up to 30,303,030 newly issued ordinary shares in the capital of the Company (the ''New Offer Shares'') for subscription and Next L.P. (the ''Selling Shareholder'') is offering up to 22,424,242 ordinary shares in the capital of the Company (the ''Existing Offer Shares'' and, together with the New Offer Shares, the ''Offer Shares'') (the ''Offer''). The Offer Shares will constitute not more than 25.6% of the issued and outstanding share capital of the Company immediately following Admission.

The Offer consists of: (i) a public offering to prospective investors in the Netherlands, and (ii) a private placement to certain prospective investors in various other jurisdictions. The Offer Shares are being offered: (i) within the United States, to qualified institutional buyers (''QIBs'') as defined in Rule 144A (''Rule 144A'') under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act''), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S under the U.S. Securities Act (''Regulation S'').

Prior to the Offer, there has been no public market for the Ordinary Shares. Application has been made to list and admit all the Ordinary Shares to trading under the symbol ''ATC'' on Euronext in Amsterdam (''Euronext Amsterdam''). Subject to acceleration or extension of the timetable for the Offer, trading on an ''if-and-when-delivered'' basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or about January 31, 2014 (the ''First Trading Date'').

**Prospective investors should read this entire document (the ''Prospectus'') and, in particular, Part II (*Risk Factors*) for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. Prospective investors should be aware that an investment in the Offer Shares involves a degree of risk and that if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly an investment in the Offer Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.**

# Altice S.A.

(a public company with limited liability (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with number RCS B 183391)

**Offer of up to 52,727,272 Offer Shares at a price (the ''Offer Price'')**
**expected to be between €24.75 and €31.25 (inclusive) per Offer Share (the ''Offer Price Range'') and admission to listing and trading on Euronext in Amsterdam**

*Joint Global Coordinators and Joint Bookrunners*

**Goldman Sachs International** **Morgan Stanley**

*Joint Bookrunners*

**Credit Suisse** **Deutsche Bank** **HSBC**

*Joint Lead Managers*

**Crédit Agricole CIB** **ING**

The Offer Price Range is indicative. The Offer Price and the exact number of Offer Shares will be determined after the Offer Period (as defined herein) has ended, and after taking into account the conditions described in Part VII of this Prospectus (*Details of the Offer*). Prior to allocation of the Offer Shares (''Allocation''), the number of Offer Shares can be increased or decreased and the Offer Price Range can be changed. Any increase in the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. Any such change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company's website. The Company shall notify such change to the Luxembourg Commission de Surveillance du Secteur Financier (the ''CSSF'') as soon as reasonably practicable prior to the publication of such release. The Offer Price and the exact number of Offer Shares will be set out in a pricing statement (the ''Pricing Statement'') that will be deposited with the CSSF and published in a press release on the Company's website and on the official website of Euronext Amsterdam N.V. Printed copies of the Pricing Statement will be made available at the registered office of the Company.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy Offer Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Offer Shares, if any, have not been and will not be registered under the U.S. Securities Act. Each purchaser of Offer Shares offered hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in Part XX of this Prospectus (*Selling and Transfer Restrictions*).

Delivery of the Offer Shares is expected to take place on or about February 5, 2014 (the ''Settlement Date'') through the book-entry systems of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland (''Euroclear Nederland''), in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

If the closing of the Offer does not take place on the Settlement Date or at all, the Offer will be withdrawn, all applications to purchase the Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings prior to settlement and delivery of the Offer Shares are at the sole risk of the parties concerned. The Company, the Selling Shareholder, the Underwriters, the Listing Agent (each as defined herein) and Euronext Amsterdam N.V. do not accept any responsibility or liability with respect to any person as a result of a withdrawal of the Offer or the related annulment of any transaction in Ordinary Shares on Euronext Amsterdam. For more information regarding the conditions to the Offer and the consequences of any termination or withdrawal of the Offer, see Part VII of this Prospectus (*Details of the Offer*).

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the European Union (EU) Directive 2003/71/EC (the ''EU Prospectus Directive'') (as amended) and has been prepared in accordance with the Luxembourg law of July 10, 2005 (as amended) implementing the EU Prospectus Directive in Luxembourg relating to prospectuses for securities (as amended) (the ''Prospectus Law'') and the rules promulgated thereunder. This Prospectus has been filed with and approved by the CSSF for the purposes of admission to trading of the Ordinary Shares on the regulated market of Euronext Amsterdam N.V. In accordance with article 7.7 of the Prospectus Law, the CSSF assumes no responsibility as to the economic and financial soundness of the transaction and the quality or solvency of the Company. The CSSF will provide a notification of the approval, together with a copy of the approved Prospectus, to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financële Markten*) (*the ''AFM''*) and the European Securities and Markets Authority. This Prospectus and any Supplement to this Prospectus will be published on the official website of Euronext Amsterdam N.V. at https://europeanequitites.nyx.com.

The Selling Shareholder together with Penta L.P. has granted to the Joint Global Coordinators on behalf of the Underwriters the Over-allotment Option pursuant to which the Joint Global Coordinators on behalf of the Underwriters may require the Selling Shareholder and Penta L.P. to sell additional Ordinary Shares of up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer (''Over-allotment Shares'') at the Offer Price to cover short positions resulting from any over-allotment and/or from the stabilisation transactions, if any. The Over-allotment Option is exercisable in whole or in part, upon one or more notices by the Joint Global Coordinators on behalf of the Underwriters, at any time on or before the 30th calendar day after the First Trading Date. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank equally in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be subscribed for on the same terms and conditions as the Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

The date of this Prospectus is January 17, 2014.

## TABLE OF CONTENTS


| | Page |
|---|---|
| PART I—SUMMARY | 2 |
| PART II—RISK FACTORS | 17 |
| PART III—NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES | 68 |
| PART IV—DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS | 69 |
| PART V—EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS | 71 |
| PART VI—IMPORTANT INFORMATION | 72 |
| PART VII—DETAILS OF THE OFFER | 88 |
| PART VIII—PLAN OF DISTRIBUTION | 94 |
| PART IX—CAPITALISATION AND INDEBTEDNESS | 97 |
| PART X—SELECTED HISTORICAL AND POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION | 108 |
| PART XI—SELECTED HISTORICAL AND PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION | 115 |
| PART XII—OPERATING AND FINANCIAL REVIEW OF THE GROUP | 124 |
| PART XIII—BUSINESS, INDUSTRY AND MARKET OVERVIEW OF ODO AND TRICOM AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO | 178 |
| PART XIV—SELECTED FINANCIAL INFORMATION OF THE NUMERICABLE GROUP | 206 |
| PART XV—OPERATING AND FINANCIAL REVIEW OF THE NUMERICABLE GROUP | 211 |
| PART XVI—INDUSTRY AND MARKET OVERVIEW | 272 |
| PART XVII—INFORMATION ABOUT THE COMPANY AND THE GROUP | 304 |
| PART XVIII—REGULATORY OVERVIEW | 372 |
| PART XIX—DESCRIPTION OF CERTAIN INDEBTEDNESS | 415 |
| PART XX—SELLING AND TRANSFER RESTRICTIONS | 431 |
| PART XXI—DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE | 436 |
| PART XXII—TAX CONSIDERATIONS | 445 |
| PART XXIII—GENERAL INFORMATION | 454 |
| PART XXIV—GLOSSARY | 481 |
| PART XXV—DEFINITIONS | 484 |
| PART XXVI—INDEX OF FINANCIAL INFORMATION | 495 |

## PART I—SUMMARY

*Summaries are made up of disclosure requirements known as ''**Elements**'' that are prescribed by the Prospectus Directive. These Elements are numbered in Sections A-E (A.1—E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element might be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words ''not applicable''.*

**Section A—Introduction and warnings**

***Element***

| | | |
|---|---|---|
| A.1 | **Introduction and warnings** | This summary should be read as an introduction to the Prospectus.<br><br>Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor.<br><br>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of an EU Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.<br><br>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares. |
| A.2 | **Subsequent resale of securities or final placement of securities through financial intermediaries** | Not applicable: the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus. |

**Section B—Issuer**

***Element***

| | | |
|---|---|---|
| B.1 | **Legal and commercial name** | Altice S.A. |
| B.2 | **Domicile/Legal Form/ Legislation/ Country of incorporation** | The Company is a public limited company (*société anonyme*), incorporated in Luxembourg under the laws of the Grand Duchy of Luxembourg. The Company is domiciled in Luxembourg, the Grand Duchy of Luxembourg. The Company is governed by Luxembourg law. |

| | | |
|---|---|---|
| B.3 | **Current operations/ principal activities and markets** | We are a multinational cable and telecommunications company with presence in three regions—Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), Israel and the French Overseas Territories (currently comprising the French Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential and corporate customers.<br><br>International expansion through price-disciplined acquisitions is the cornerstone of our growth strategy. In addition to having consummated 9 such transactions over the past five years, we have entered into an agreement to purchase additional shares in Numericable that will enable us to acquire control over the Numericable Group through which we conduct our operations in France. We have also recently entered into agreements to acquire Tricom and Orange Dominicana (''ODO'') in the Dominican Republic. Each of these transactions is subject to regulatory approval and is expected to be completed in the first quarter of 2014.<br><br>Outside France and the Dominican Republic where network upgrades are currently underway, our cable networks enable us to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks outside France and the Dominican Republic 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. In France, in the portion of our network that has been upgraded to Docsis 3.0 (approximately 5.0 million homes as of September 30, 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 capital expenditure.<br><br>Prior to the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, we passed 3.6 million homes with 1.5 million Cable Customer Relationships, 3.2 million cable-based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1.1 million mobile telephony RGUs and had 0.1 million xDSL / non cable RGUs, as at September 30, 2013. Pro forma for the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, as at September 30, 2013, we passed approximately 13.9 million homes with 3.0 million Cable Customer Relationships, 6.6 million cable based RGUs, an average of 2.0 RGUs per Cable Customer Relationship (excluding France) and 4.6 million mobile telephony RGUs. |
| B.4a | **Recent trends** | The Company sees attractive dynamics in the key markets where it operates, including pay television, broadband internet access and mobile. |

**Broadband**

According to IDC, the global demand for fixed broadband access is strong as consumers and businesses seek faster connections to the Internet. As a result, global fixed broadband subscriptions grew in 2012 to 728.2 million, up from 649.8 million in 2011.

We believe that the growth in the numbers of new subscribers can be explained by an expanded choice of broadband packages designed to fit the needs of a growing and increasingly diverse user base and by more affordable broadband pricing.

Although growth has slowed in developed markets due to higher maturity in the markets, we believe that there is still significant potential for fixed broadband services in emerging markets.

Going forward, IDC estimates that global subscriptions will surpass 1.07 billion in 2012. Worldwide Fixed Broadband Household penetration is forecasted to be approximately 34.8% at the end of 2013.

**Pay TV**

After adding 47 million subscribers to reach a total of 864 million subscribers in 2012, the global pay TV market has continued its growth in the first half of 2013, with 23 million new subscribers, representing a 3% growth, according to ABI Research.

According to Gartner, traditional Pay TV operators are changing their initial defensive strategies in response to over-the-top service providers and are adopting business models that fully use multiscreen and Internet Protocol connectivity. New business models, which are currently emerging from the online-driven environment, will become more common in the coming years.

**Mobile**

According to Cisco, global mobile data traffic growth is expected to continue to show strong growth. The growth can be explained, among others, by a growing installed base of smartphones, affordable data plans and consumer demand for mobile access to the web and video content.

The high levels of volume growth, which will increase data revenues for operators, will also imply higher investments by operators (particularly to improve LTE network coverage). Cisco expects that by the end of 2013, the number of mobile-connected devices will exceed the number of people on earth.

According to Strategy Analytics, in 2012, the average mobile phone user consumed over 111 MB of data, up from approximately 62 MB in the previous year.

B.5 **Description of Issuer's group**

We are a multinational cable and telecommunications company with presence in three regions—Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), Israel and the French Overseas Territories (currently comprising the French Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential and corporate customers.

International expansion through price-disciplined acquisitions is the cornerstone of our growth strategy. In addition to having consummated 9 such transactions over the past five years, we have entered into an agreement to purchase additional shares in Numericable that will enable us to acquire control over the Numericable Group through which we conduct our operations in France. We have also recently entered into agreements to acquire Tricom and Orange Dominicana (''ODO'') in the Dominican Republic. Each of these transactions is subject to regulatory approval and is expected to be completed in the first quarter of 2014.

The Company is the holding company of the Group.

B.6 **Shareholders**

At the date of this Prospectus, insofar as is known to the Company, the following will be interested in 5% or more of the Company's capital:

Next L.P. (100%) which is controlled by Patrick Drahi.

All Ordinary Shares have the same voting rights.

B.7 **Selected key historical financial information**

**Income Statement Data**

| | Historical Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | € in millions | | | | |
| **Revenue** | 167.2 | 784.2 | 1,092.4 | 813.0 | 928.4 |
| **Operating income before depreciation & amortization** | 48.0 | 297.7 | 403.1 | 304.7 | 376.9 |
| **Operating profit**[1] | 9.7 | 104.9 | (42.0) | (14.4) | 86.3 |
| **Net income (loss) from continuing operation** | 49.4 | 162.0 | (180.2) | (113.4) | (80.6) |

(1) After taking into account, among other things, reorganisation and non-recurring costs. On a historical combined basis, reorganisation and non-recurring costs for the year ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 amounted to €3.9 million, €7.6 million, €20.8 million, €8.4 million and €3.4 million, respectively.

**Cash Flow Data**

| | Historical Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | € in millions | | | | |
| Cash and cash equivalents at beginning of period | 9.0 | 26.9 | 24.2 | 24.2 | 129.8 |
| Net cash provided by (used in) operating activities | (43.7) | 306.1 | 464.5 | 323.5 | 288.8 |
| Net cash provided by (used in) investing activities | (39.7) | (576.6) | (574.2) | (300.7) | (502.2) |
| Net cash provided by (used in) financing activities | 98.9 | 268.7 | 215.1 | (14.5) | 145.4 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2.4 | (0.9) | 0.2 | 0.2 | — |
| **Cash and cash equivalents at end of period** | **26.9** | **24.2** | **129.8** | **32.7** | **61.9** |

**Balance Sheet Data**

| | Historical Combined Consolidated Financial Information | | | |
|---|---|---|---|---|
| | As of December 31, | | | As of September 30, |
| | 2010 | 2011 | 2012 | 2013 |
| | € in millions | | | |
| Total current assets | 107.2 | 165.1 | 334.7 | 370.2 |
| Total non-current assets | 672.0 | 2,531.7 | 2,604.8 | 3,181.0 |
| **Total assets** | **779.2** | **2,696.8** | **2,939.5** | **3,551.2** |
| Total current liabilities | 191.8 | 569.5 | 557.6 | 566.0 |
| Total non-current liabilities | 353.1 | 1,409.1 | 2,101.9 | 3,072.2 |
| **Total liabilities** | **544.9** | **1,978.6** | **2,659.5** | **3,638.2** |
| **Total equity** | 234.3 | 718.3 | 280.0 | (87.0) |

B.8 **Selected key pro forma financial information**

## Post-Transaction Pro Forma Financial Information

### *Income Statement Data*

| | Post-Transaction Pro Forma Financial Information | | |
|---|---|---|---|
| | For the year ended December 31, | For the nine months ended September 30, | |
| | 2012 | 2012 | 2013 |
| | € in millions | | |
| **Revenue** | **3,199.3** | **2,376.6** | **2,402.3** |
| **Operating income before depreciation & amortization** | **1,282.6** | **958.9** | **1,017.1** |
| **Operating profit[(1)]** | **372.2** | **303.6** | **400.6** |
| **Net income (loss) from continuing operation** | **(157.2)** | **(85.1)** | **(26.5)** |

(1) After taking into account, among other things, reorganisation and non-recurring costs. On a Post-Transaction Pro Forma basis, reorganisation and non-recurring costs for the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013 amounted to €24.3 million, €9.8 million and €5.0 million, respectively.

***Balance Sheet Data***

| | Post-Transaction Pro Forma Financial Information |
|---|---|
| | As of September 30, 2013 |
| | € in millions |
| Total current assets | 989.1 |
| Total non-current assets | 8,181.9 |
| **Total assets** | 9,170.9 |
| Total current liabilities | 1,485.6 |
| Total non-current liabilities | 7,789.3 |
| **Total liabilities** | 9,275.0 |
| **Total equity** | (104.2) |

***EBITDA to Pro Forma Adjusted EBITDA***

| | Post-Transaction Pro Forma Financial Information[1] | | |
|---|---|---|---|
| | For the year ended December 31, 2012 | For the nine months ended September 30, | |
| | | 2012 | 2013 |
| | € in millions | | |
| **EBITDA[2]** | **1,282.6** | **958.9** | **1,017.1** |
| Equity based compensation[3] | 3.8 | 3.8 | — |
| **Adjusted EBITDA[4]** | **1,286.4** | **962.7** | **1,017.1** |
| Pro Forma Synergies for 2013 Transactions[5] | | | 9.4 |
| HOT Mobile Network Sharing Savings[6] | | | 30.8 |
| Tricom EBITDA[7] | | | 37.5 |
| Pro Forma Synergies for ODO/Tricom[8] | | | 15.0 |
| **Pro Forma Adjusted EBITDA** | | | **1,109.8** |

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

(2) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non recurring costs.

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

(4) 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. EBITDA and 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).

(5) Giving effect (on a nine months basis) to certain synergies expected to result from the 2013 Transactions (including Outremer Transaction and the ONI Transaction which were consummated in the third quarter of 2013), which is expected to include, amongst others, cost reductions related to network operations, customer service, backbone network as well as general support functions.

(6) Represents estimated cost savings (on a nine months basis) associated with our new network sharing agreement with Partner.

(7) Represents estimated EBITDA of Tricom. The Tricom EBITDA has been derived from the nine months ended September 30, 2013 management accounts of Tricom, which are prepared in accordance with US GAAP. US GAAP may not be directly comparable to IFRS.

(8) Gives effect (on a nine months basis) to certain synergies expected to result over time from the ODO Acquisition and the Tricom Acquisition in an amount of €15.0 million. See Part XII of this Prospectus ''*Operating and Financial Review of the Group—Post Balance Sheet Date Events—Potential Benefits from the acquisition of Tricom and ODO*''. We may not be able to achieve all such synergies for a number of reasons, including if we cannot consummate the ODO Acquisition or the Tricom Acquisition and we may incur significant costs in realizing the reorganization of ODO and Tricom. If we are unable to consummate the Tricom Acquisition, we do not expect to benefit from any synergies from the ODO Acquisition, and if we are unable to consummate the ODO Acquisition, we expect that synergies from the Tricom Acquisition will be limited to €5.0 million on an annual basis. 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.

**Pre-Transaction Pro Forma Financial Information**

***Income Statement Data***

| | Pre-Transaction Pro Forma Financial Information[1] | | |
|---|---|---|---|
| | For the year ended December 31, 2012 | For the nine months ended September 30, | |
| | | 2012 | 2013 |
| | € in millions | | |
| **Statement of Income Items** | | | |
| **Revenue** | | | |
| **Total revenue** | **1,441.8** | **1,076.1** | **1,102.3** |
| **Operating income before depreciation and amortization[2]** | **494. 1** | **371.5** | **429.6** |
| **Operating profit[3]** | **(11.3)** | **7.1** | **106.8** |
| **(Loss)/profit for the year** | **(219.3)** | **(142.1)** | **(73.0)** |

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of Numericable, ODO or Tricom. For details, see ''*Pre-Transaction Pro Forma Financial Information of the Company*'' included elsewhere in this Prospectus.

(2) Further referred to as EBITDA.

(3) After taking into account, among other things, reorganisation and non-recurring costs. On a Pre- Transaction Pro Forma basis, reorganisation and non-recurring costs for the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013 amounted to €21.7 million, €9.1 million and €3.9 million, respectively.

***Balance Sheet Data***

| | Pre-Transaction Pro Forma Financial Information[1] |
|---|---|
| | As of September 30, 2013 |
| | € in millions |
| Total current assets | 381.2 |
| Total non-current assets | 3,185.3 |
| **Total assets** | **3,566.5** |
| Total current liabilities | 574.9 |
| Total non-current liabilities | 3,110.8 |
| **Total liabilities** | **3,685.6** |
| **Total equity** | (119.1) |

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of Numericable, ODO or Tricom. For details, see ''Pre-Transaction Pro Forma Financial Information of the Company'' included elsewhere in this Prospectus.

| | | |
|---|---|---|
| B.9 | **Profit forecast/estimate** | Not applicable: no profit forecast or estimates have been made. |
| B.10 | **Audit report—qualifications** | Not applicable: there are no qualifications in the accountants' report on the Historical Combined Financial Information. |
| B.11 | **Insufficient working capital** | Not applicable: The Issuer has sufficient working capital for its present requirements. |

**Section C—Securities**

***Element***

| | | |
|---|---|---|
| C.1 | **Description of type and class of securities being offered** | The Offer Shares comprises ordinary shares in the capital of the Company.<br><br>The nominal value of the total issued ordinary share capital of the Company immediately following Admission will be up to €2,065,753 divided into 206,575,280 Ordinary Shares of €0.01 each, which are issued fully paid.<br><br>When admitted to trading, the Offer Shares will be registered with ISIN LU1014539529. |
| C.2 | **Currency of issue** | The Offer Shares are denominated in Euros. |
| C.3 | **Number of Ordinary Shares issued and par value** | At the date of this Prospectus, there are 3,100,000 Ordinary Shares (all of which are fully paid up).<br><br>The Ordinary Shares have a par value of €0.01. |
| C.4 | **Rights attaching to the Ordinary Shares** | The Ordinary Shares rank equally for voting purposes. Each Shareholder has one vote per Ordinary Share held.<br><br>Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up of the Company. |
| C.5 | **Restriction on free transfer** | Not applicable. The Ordinary Shares are freely transferable and there are no restrictions on transfer (other than pursuant to applicable securities laws). Ordinary Shares held by the Selling Shareholder (other than the Offer Shares) and (after Admission) by certain members of senior management are subject to a 365 days lock-up period. |

| | | |
|---|---|---|
| C.6 | **Admission to trading** | Application has been made for the Ordinary Shares in the Company to be admitted to trading on Euronext Amsterdam.<br><br>Euronext Amsterdam is a regulated market. |
| C.7 | **Dividend policy** | As of the date of the Admission, the Company does not expect to pay dividends for the year ending December 31, 2014.<br><br>In future years, the Company intends to assess the relevance of paying dividends in light of its strategy to prioritise value-enhancing acquisitions. Within this framework, the Company will at times consider returning capital to shareholders through ordinary and exceptional dividend as well as shares buy-back if deemed adequate on the basis of its review of the opportunity set for acquisitions. |

**Section D—Risks**

***Element***

| | | |
|---|---|---|
| D.1 | **Key information on key risks that are specific to the Issuer or its industry** | **Risks Relating to Our Business, Technology and Competition**<br><br>• Competitive pressure in the telecommunications services industries, including mobile services<br><br>• Weak economy and negative economic development in our principal markets<br><br>• The political and military conditions in Israel<br><br>• Terrorist attacks and threats, escalation of military activity in response to such attacks and/or acts of war<br><br>• Economic, political and other risks related to the Dominican Republic<br><br>• Dependence on a continued demand for cable based and mobile products and services and an increased demand for bundled and premium offerings<br><br>• Capital intensive nature of the business and capital expenditures may not generate a positive return or we may be unable or unwilling to make additional capital expenditures<br><br>• Possible increases in operating costs and inflation risks<br><br>• Possible failure to introduce new technologies or services, or to respond to technological developments<br><br>• Possible deployment of fibre and VDSL2 networks by our competitors may reduce the speed and power gap between our cable network and the DSL networks of our competitors<br><br>• Regulatory decisions regarding the granting, amendment or renewal of frequency licenses in the Dominican Republic<br><br>• Limitations with respect to ODO's ability to offer 4G/LTE services in the Dominican Republic<br><br>• Exposure to actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment and devices<br><br>• Potential inability to obtain or maintain favourable roaming arrangements for our mobile services |

- Reliance on interconnecting telecommunications providers to provide their services on a consistent basis without disruption
- Reliance on third parties for access to, and the operation of, certain parts of our network
- Potential inability to obtain attractive programming on satisfactory terms for our pay television services
- Potential increases to annual royalty rates and other license related payments
- Dependence on hardware, software and other providers of outsourced services, who may discontinue their services or products or seek to charge us prices that are not competitive or choose not to renew contracts with us
- Disruption to services caused by potential failures in our technology or telecommunications systems
- Product quality issues, in particular in connection with LaBox
- Customer churn and the threat of customer churn
- Potential inability to integrate operations of newly acquired business
- Potential inability to allocate sufficient managerial and operational resources as business grows
- Current operational and financial systems and managerial controls and procedures may become inadequate as business grows
- Volume and other pressure on our customer service functions
- Declining revenues from certain of our services
- Disruptions in the credit and equity markets increasing risk of counterparty default
- Reputational risks to brands
- Failure to continue to license or enforce the intellectual property rights on which our business depends
- Claims against us of intellectual property infringement
- Dependence of our conditional access systems on licensed technology which may be subject to illegal piracy risks
- Leakage of subscriber data resulting in violation of laws and regulations leading to fines, loss of reputation and subscriber churn
- Exposure to, and current engagement with, legal proceedings, including several existing and potential class action lawsuits in Israel
- Uncertainties relating to the legal framework under which we own and operate our network in France, Belgium and Luxembourg
- Ongoing regulatory proceedings in the Dominican Republic

- Historical and pro forma financial information 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. The results may not be indicative of future operating performance
- Exposure to local business risks in many different countries
- Exposure to the share price volatility of our publicly traded subsidiary, Numericable
- Shareholder and other similar agreements may reduce the liquidity and value of our interests in certain subsidiaries and our ability to take certain corporate actions in relation to such subsidiaries may be constrained
- Increased costs due to public company status

**Risks Relating to the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition**

- Uncertainties and risks relating to the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition
- Failure to realize anticipated synergies from the Tricom Acquisition and the ODO Acquisition
- Operating difficulties relating to the integration of Tricom and ODO into the Group
- Failure to establish adequate support functions for ODO
- Inability to establish a new brand identity for the products and services of ODO
- Third-party control of Tricom, ODO and the Numericable Group until the consummation of the relevant acquisitions

**Risks Relating to Legislative and Regulatory Matters**

- Present and future exposure to significant government regulation and supervision, which could require additional expenditures or limit revenues
- Dependence on licenses from the relevant governmental authorities in the jurisdictions in which we operate for the continuation of our business operations
- Lack of complete control over the programming that we provide or over some of the prices that we charge, exposing us to third party risks
- Possible significant costs in complying with city planning laws
- Difficulties in obtaining, applying and complying with certain building and environmental permits for the erection and operation of our mobile network sites in Israel, which may adversely affect the coverage, quality and capacity of our mobile network and may expose us or our officers and directors to criminal or civil liability
- Possible requirement to indemnify local planning and building committees in Israel with respect to claims against them

- Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations
- The limitation of our capacity to deduct interest for tax purposes in France
- Our potential inability to use our tax losses
- Dutch withholding tax

**Risks Relating to our Financial Profile**

- Substantial leverage
- Possible inability to generate sufficient cash flows to fund capital expenditures, on-going operations and debt obligations and possible exposure to certain liabilities
- Restrictions and limitations contained in agreements and instruments governing the Company's debt obligations
- Exposure to interest rate risk
- Exposure to currency fluctuations, interest rate and other hedging risks
- Negative changes to credit rating

**Risks Relating to Our Employees, Management, Selling Shareholder and Related Parties**

- Loss of our executive chairman, certain key executives and personnel or a failure to sustain a good working relationship with employee representatives
- Potential material differences between the laws of jurisdiction where the Offer Shares are offered and the laws of Luxembourg where the Company is incorporated vis-à-vis the rights of and duties owed to Shareholders of the Company
- The Selling Shareholder's ability to exercise control or significant influence over the Company and the Group and the Selling Shareholder's interests may be inconsistent with the interests of other Shareholders
- The Selling Shareholder has the benefit of the Warrant Instruments not made available to other Investors

**Risks Relating to the Offer and the Ordinary Shares**

- No previous public trading of Ordinary Shares may lead to volatility in their market price
- Possible depressed market price resulting from future sales (or possibility of future sales) of a substantial number of Ordinary Shares
- Potential downgrades or lack of reporting by securities and industry analysts
- Possibility of dilution resulting from attempts to raise capital through equity offerings
- Constraints on dividend payments

- Closing of the Offer not occurring on the Settlement Date or at all will result in purchases of Offer Shares being disregarded and the potential annulment of transactions that have already occurred on Euronext Amsterdam
- Potential inability of investors to effect service of process on the Company and/or members of the Company's Board in the U.S. or enforce judgments obtained in U.S. courts for U.S. securities laws violations
- Restrictions on the transfer of Offer Shares
- Possible inability of the holders of Ordinary Shares outside Luxembourg to exercise pre-emptive rights in future offerings
- Exposure to foreign exchange risk for investors with a reference currency other than the Euro when investing in the Ordinary Shares

**Section E—Offer**

***Element***

| | | |
|---|---|---|
| E.1 | **Total net proceeds/ expenses** | The Company will receive approximately €724 million net proceeds from the Offer (after deducting estimated Offer-related fees and expenses of approximately €26 million) from the Offer.<br><br>The proceeds from the Offer receivable by the Selling Shareholder will be approximately €555 million.<br><br>No expenses will be charged by the Company to the purchasers of Offer Shares. |
| E.2a | **Reasons for the Offer/ Use of proceeds** | We believe the Offer will enable the Company to continue to pursue attractive acquisitions consistent with our growth strategy. In particular, we expect the Offer will provide:<br><br>• greater financial flexibility—the listing of the Shares will provide us with a quoted, liquid acquisition currency which may be used as consideration for future acquisitions. Furthermore, the Offer will strengthen the Company's balance sheet, with net debt (on a pro forma combined basis as adjusted for the Numericable Acquisition (including Holdco debt), the Offering, and the use of proceeds therefrom) of approximately €6,232.6 million at the time of the Admission and providing increased flexibility in terms of financing potential future acquisitions; and<br><br>• improved ability to incentivise our existing and future management team and to continue to attract high calibre individuals to join our management team in the future, by way of awards of listed Shares in the Company, aligning the interests of shareholders and management.<br><br>The Company will use the proceeds of the Offer to finance its recent expansion in the Dominican Republic, pay down financial indebtedness incurred by the Company in connection with the Pre-IPO Reorganisation, pay for transaction costs associated with the Offer and for general corporate purposes.<br><br>The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholder. |

| | | |
|---|---|---|
| E.3 | **Terms and conditions of the Offer** | The Offer Shares will consist of:<br><br>Up to 30,303,030 newly issued Ordinary Shares to be issued by the Company;<br><br>Up to 22,424,242 Ordinary Shares, to be sold by the Selling Shareholder; and<br><br>the Over-allotment Option granted by the Selling Shareholder and Penta L.P., of up to 7,909,091 Over-allotment Shares (representing approximately 15% of the Offer Shares).<br><br>The Offer consists of: (i) a public offering to prospective investors in the Netherlands, and (ii) a private placement to certain prospective investors in various other jurisdictions. The Offer Shares are being offered: (i) within the United States, to QIBs as defined in Rule 144A under the U.S. Securities Act, pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S under the U.S. Securities Act.<br><br>Admission is expected to become effective, and unconditional dealings in the Offer Shares are expected to commence on Euronext Amsterdam at 9 a.m. CET on January 31, 2014. |
| E.4 | **Material Interests** | Immediately following Admission and before any exercise of the Over-allotment Option the following will be interested in 5% or more of the Company's Ordinary Shares:<br><br>Next L.P. : not less than 70.2%<br><br>Assuming the Over-allotment Option is exercised in full, the holding of Ordinary Shares of the Selling Shareholder immediately following exercise of the Over-allotment Option will be not less than 66.5%.<br><br>Not Applicable. There are no conflicting interests that are material to the Offer. |
| E.5 | **Selling Shareholder** | Next L.P. |
| E.5 | **Lock-up arrangements** | For a 180-day lock-up period commencing on the Settlement Date, the Company will not issue any interest in the Ordinary Shares without the consent of the Joint Global Coordinators subject to a carve-out which permits equity issuance only in the context of a merger or acquisition transaction following the expiry of the initial 45 days of the 180-day lock-up period. The carve-out permits the Company to issue new shares representing no greater than 50 per cent of the total issued share capital of the Company in connection with a publicly announced merger or acquisition. This carve-out may only be used once during the 180-day lock-up period. If shares are issued pursuant to this carve-out during the lock-up period, no further issue by the Company shall be permitted for the remainder of the 180 day period, or for 90 days after such issuance, whichever is longer. |

| | | |
|---|---|---|
| | | In addition, the Company is permitted to issue approximately 714,285 new Ordinary shares (based on an Offer Price at the mid-point of the Offer Price Range) to certain new employees or future employees, which shall be treated as a carve-out from the 180-day lock-up period which the Company is subject to; provided that, in each case, such employees agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.<br><br>In connection with the Pre-IPO Reorganisation, the Company will be permitted to issue additional Ordinary Shares to the OMT Managers and the Mobius Managers leading to a dilution for Company shareholders by approximately 1.1% (based on an Offer Price at the mid-point of the Offer Price Range) pursuant for a carve-out from the 180-day lock-up period; provided that, in each case, the OMT Managers and the Mobius Managers also agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.<br><br>For a 365-day lock-up period commencing on the Settlement Date, the Selling Shareholder and certain members of senior management will not dispose of any interest in their Ordinary Shares without the prior consent of the Joint Global Coordinators. |
| E.6 | **Dilution** | Up to 30,303,030 new Ordinary Shares will be issued pursuant to the Offer (including the exercise of the Over-allotment Option). The existing Ordinary Shares will represent no less than 74.4% of the total issued Ordinary Shares immediately following Admission (which excludes any exercise of the Over-allotment Option).<br><br>The Ordinary Shares held by the Selling Shareholder will represent no less than 70.2% of the total issued Ordinary Shares immediately following Admission (which excludes any exercise of the Over-allotment Option).<br><br>If the Over-allotment Option is exercised, the Ordinary Shares held by the Selling Shareholder will represent no less than 66.5% of the total issued Ordinary Shares after the exercise of the Over-allotment Option. |
| E.7 | **Estimated expenses charged to investor** | Not applicable: there are no commissions, fees or expenses to be charged to investors by the Company under the Offer. |

## PART II—RISK FACTORS

*Any investment in the Offer Shares is subject to a number of risks. Prior to investing in the Offer Shares, prospective investors should consider carefully the factors and risks associated with any such investment in the Offer Shares, the Group's business and the industries in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the Group, its industries and the Offer Shares described below are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Offer Shares. An overview of these risks is contained in Part I (Summary) of this Prospectus. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below.*

*The risks involved below are the risks which are considered to be material but are not the only risks that prospective investors may face when making an investment in the Offer Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operations and financial position. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Offer Shares is suitable for them in the light of the information in this Prospectus and their circumstances.*

### 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 fibre 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 characterised 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 Télécom, 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 1,148,000 as of June 30, 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 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 fibre 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 fibre 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 high speed Internet access technologies may enable both incumbent and new broadband 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 Télécom 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 behaviour 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 provider, Bouygues Télécom. In addition, we cannot guarantee that we will be able to provide 4G services in France as an MVNO operator, as we would need to negotiate the addition of such services to our MVNO contract. Failure to provide 4G services on a timely basis would put us at a competitive disadvantage. We are also 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 Télécom Enterprises is also a competitor in the SME segment. As of December 31, 2012, 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. We also do not have an MVNO agreement in the French B2B segment that would enable us to provide mobile telephony services to business customers, which may be a competitive disadvantage, in particular in light of mobile telephony usage gradually replacing fixed telephony usage by corporate employees. 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 fibre 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 fibre. We also face competition from consortiums of telecom operators and construction companies, such as Covage, Vinci, Eiffage and Axiom (who may lay down fibre 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 fibre 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 fibre networks and are therefore wholesale infrastructure providers (i.e., they rent the fibre 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. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Television—Access to DTT Channels—Narrow Package Proposal*).

*Broadband Internet Infrastructure Access.* Our high-speed broadband Internet infrastructure access service competes primarily with Bezeq, which provides high-speed broadband 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 fibre-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. On January 15, 2014, we received the Israeli Ministry of Communication's decision regarding the list of the wholesale services that infrastructure owners (HOT Telecom and Bezeq) will be obliged to offer to services providers. 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. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Broadband Internet Infrastructure Access and Fixed-line Telephony—Decision Regarding the Creation of a Wholesale Market*). 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 fibre, 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 (''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 92% of the total market for mobile services in Israel as of June 30, 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 recognised 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 recognised 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 commercialise 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. If we are not granted such permission, 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 network. 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. However, with approval of the Israeli Ministry of Communications, Bezeq has the capability to offer such triple-play services to its customers through an associate which provides pay television services under the brand ''YES'' on a stand alone basis. 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.

*Belgium and Luxembourg*

In the pay television market within our footprint in Belgium, we compete with Belgacom, which has a DSL-based network and is the only operator that offers national coverage. Generally, competition has been limited due to a lack of overlap among cable operators with Telenet operating predominantly in Flanders, VOO in the French speaking part of Belgium and us predominately in Brussels (with Telenet and VOO also present in the capital). Due to changes in the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013, we may face competition in the pay television market from new providers who will be given access to use our cable infrastructure. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content which is likely to increase competition in the pay television market. Also, we do not currently offer television on mobile devices, such as mobile handsets and iPods, while both Belgacom and Mobistar are starting to do so. We are currently in the process of rolling out a mobile television application. If we fail to provide more attractive service offerings or to successfully roll out our mobile television applications we may experience an increased churn of our customer base to our competitors which may have an adverse effect on our business. Although smaller compared to cable, satellite television and DTT also constitute a competitive presence in Belgium. In the broadband Internet market in Belgium, we compete primarily with the incumbent DSL provider Belgacom. DSL remains the leading technology by which broadband Internet access services are being provided in Belgium and despite cable overtaking DSL in Flanders and certain other regions, DSL retains a higher market share in Belgium. Although current trends indicate that cable technology has become an attractive and sought after alternative to DSL due to the speed and higher reliability it can offer, we may not be able to take advantage of this trend due to the competitive nature of the broadband Internet market, which may adversely affect our business. Furthermore high speed package access and LTE technology have presented a viable alternative to DSL and cable due to their ability to provide higher speeds. In the fixed-line telephony market in Belgium, we compete primarily with the incumbent DSL provider Belgacom and the saturated market has led to intensive price reductions over the years. Telephony is also increasingly bundled together with other fixed-line products rather than being sold as a standalone service. Belgacom has invested significantly in upgrading its technology, for example, by investing in VDSL and adding other services such as WiFi hotspots. Although we have seen an increase

in our fixed-line telephony RGUs due to the increase in uptake of our triple-play bundles, we may not be able to uphold this increase if Belgacom is successful in realising growth in the triple play service offerings. The mobile telephony market in Belgium, which we entered in September 2012 as a mobile virtual network operator, has three major operators: the incumbent Belgacom, Mobistar and BASE. Although operators accessing the market through MVNOs, like us, have in recent years contributed to the intensification of competition in the mobile telephony market, our ability to build and increase our market share is subject to strong competition from the incumbent operators who, amongst other things, benefit from greater brand name recognition. With respect to our multiple-play products in Belgium, we compete primarily with the incumbent Belgacom. We may face aggressive pricing from Belgacom with which we may not be able to compete. If we consider price reductions for our multiple-play packages, we may have to reduce costs and investments in other areas of our business. If we fail to attract customers despite our aggressive pricing or are unable to materialize any gains, this may have a material adverse effect on our results of operation.

Our primary competitor in the pay television broadband Internet and fixed-line telephony market in Luxembourg is the incumbent Post Telecom S.A. In the multiple-play market, we compete with certain other smaller operators since Post Telecom S.A. is currently prohibited from bundling its television offering with its broadband and telephony services. Competitive factors, particularly in the fixed-line telephony market, have led to substantial price reductions over the past years and despite our efforts to provide our customers with the most competitive price plans across all of our products, we may not be able to sustain further price reductions in the future. Our inability to keep up with the competitive price plans may lead to a reduction in our customer base and may have a material adverse effect on our business.

*Portugal*

In our footprint in Portugal, a significant portion of our cable network overlaps with our key competitors Zon Optimus (formerly Zon Multimedia) (''ZON'') and Portugal Telecom. In the Portuguese pay television market, our competitors primarily include ZON, the largest operator by number of subscribers, and Portugal Telecom. The intense competition in this segment has led certain of our competitors to offer aggressively priced packages in the market. During 2012, we took the strategic decision to cease offering certain aggressively priced packages which resulted in a high churn rate for our pay television services. If the packages offered by our competitors continue to be offered at aggressive prices or if our competitors decide to further reduce the prices we may be subject to lower sales and even higher churn rates which may have a material adverse effect on our results of operations. Furthermore, if we decide to offer aggressively priced packages as a result of the high competition in the pay television market, we may have to reduce costs in other areas of our business. With respect to broadband Internet access, fixed-line telephony and B2B services, our most important competitor is the incumbent Portugal Telecom, which historically had a monopoly in fixed-line telephony and broadband Internet access. Triple-play is increasingly becoming the norm in Portugal where we compete primarily with ZON and Portugal Telecom. Competition has been intensified by mobile operators Optimus and Vodafone with large mobile operations but a limited (although growing) fixed line network. In 2013, Optimus was merged with ZON which allowed ZON to offer quadruple-play bundles combining cable based triple-play and mobile. Certain of our competitors have begun offering quadruple play bundles, which may increase competitive pressures, although the impact such market trends may have on our business in the future cannot be predicted.

*French Overseas Territories*

We experience significant competition in the various markets in which we operate in the French Overseas Territories. Key competitors of our broadband Internet and fixed-line business include (i) Orange as the incumbent operator in the French Overseas Territories with an overall market share above 50%, (ii) MediaServ as the DSL operator with an estimated 85,000 subscribers in all French Overseas Territories (except Mayotte), and (iii) other competitors in La Réunion including DSL providers (SRR) and a cable operator (ZeOP). Competition in the Indian Ocean region has been particularly intense, which has had a negative impact on revenues from the region. We also expect the broadband Internet and fixed-line market in the French Overseas Territories to undergo some consolidation in the future, which may increase competition.

In the mobile market, we compete against large telecommunications conglomerates such as Orange, SRR (the local affiliate of SFR in the Indian Ocean, area and Digicel (only located in the Caribbean). We

expect to face additional pricing pressure in future periods as competitors respond to our attractively priced offers.

In the pay television market we mainly compete with Canal Plus and Parabole Réunion, among the strongest satellite operators in the region. Although we believe that growing demand for bandwidth and triple-play packages is going to increase to alternative access technologies such as cable, we may not be able to be successful in gaining market share, as we compete with well-known incumbent satellite operators who dominate the market.

We are currently the only operator providing quadruple-play packages in the French Overseas Territories. However, we may face competition from new operators in the future which may have an adverse effect on our growth prospects and our results of operation. Further, in the event regulations currently prohibiting larger operators such as Orange and SRR from bundling are repealed or modified, we risk facing strong competition on bundled product offerings and we may not be able to successfully maintain our market share or compete with such competition.

We further expect competition, including further price competition, from existing competitors, new start-ups and other companies to increase in the future and we cannot assure you that the tiered offerings, bundled packages and other measures that we have introduced in response to these developments will be successful in attracting and retaining customers.

*Dominican Republic*

Tricom, which provides cable and fixed line services as well as mobile services, and ODO which provides mobile services and broadband 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 affected by a deterioration in ARPU, driven in large part by 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 (38% market share), cable operator Aster (12% market share) and Wind Telecom (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% (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.

***A weak economy and negative economic development in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or, following the ODO Acquisition and Tricom Acquisition, 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 (where we will own telecommunication services providers following the Tricom Acquisition and the ODO Acquisition), 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, labour 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 have 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 neighbouring countries. Hostilities involving Israel, any interruption or curtailment of trade between Israel and its trading partners and political instability within Israel or its neighbouring 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 Mobilisation to the Israel Defence Forces Law, 1987, the Israel Defence 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, rumours 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.

***Following the ODO Acquisition and the Tricom Acquisition, we will have operations in the Dominican Republic and will be exposed to economic, political and other risks related to the Dominican Republic.***

Upon the consummation of the ODO Acquisition and/or Tricom Acquisition, we will have 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 stabilise 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 labour 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 upgrade all of the remaining non-upgraded 3.5 million triple-play compatible local loops to fibre in order to make them compatible with Docsis 3.0 by the end of 2016, 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 Part XVII of this Prospectus (*Information about the Company and the Group—Products and Services—Wholesale Services in France—Infrastructure Wholesale Services*). 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 Part II of this Prospectus (*Risk Factors—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 fibre 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 fibre/cable networks. On a blended basis, 98% of the Altice VII Group's networks is Docsis 3.0-enabled and over an aggregate of 85% of the Numericable Group's networks is Docsis 2.0- or

Docsis 3.0-enabled, in each case as of September 30, 2013. The parts of our networks that have been upgraded to FTTB and use Docsis 3.0 technology allow for speed levels that cannot currently be matched by xDSL networks that have not been upgraded to fibre, 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 fibre 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 harmonise their network speed. In line with the law on modernisation 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 offers. French DSL operators have all announced various agreements to mutualise 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 1.2 million subscriptions as of June 30, 2013 including business and residential customers. Based on Bezeq's public filings, Bezeq is currently rolling out a Fibre-to-the-Cabinet (''FTTC'') infrastructure. Bezeq has reported that, as of June 30, 2013, approximately 98% of its 1.2 million broadband customers have been migrated to its next generation network. On August 29, 2012, Bezeq announced its decision to broaden the deployment of optical fibres 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. In August 2013, Bezeq announced it had already deployed FTTH to 200,000 households and businesses in Israel and that it was planning to have covered 400,000 homes and businesses with fibre by the end of 2013.

If our competitors deploy or significantly expand their fibre 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 fibre 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 fibre/DSL networks, as applicable, are also currently an advantage. While we have invested and improved our offerings in response to fibre/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 and the Tricom 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 tumours 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 tumours were not yet finalized, partial results of several of the studies were published, and a relationship between prolonged mobile phone usage and tumour 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 favourable 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 capability to our subscribers in many areas inside and outside Israel, including with Pelephone for 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 the 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 utilisation 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 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 Télécom and Mobistar, respectively, 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, our MVNO agreements with Bouygues Télécom do not currently allow us to access its 4G network or transfer our customers' mobile usage to WiFi. Consequently, upon deployment of 4G services in France, we could find ourselves in a less competitive position. Also, the fact that in France we are currently not technically able to transfer our customers' mobile usage to WiFi could place us in a less favourable 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 Israel, our agreement with Pelephone is scheduled to expire in December 2014 and we intend to enter into negotiations with Pelephone to transition the roaming arrangements with Pelephone to Partner prior to such date. There can be no assurance that we will be able to achieve such transition in a timely or cost effective manner, or at all. 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, may be terminated in the event of a material breach and certain other specific events and is subject to certain regulatory approvals. There can be no assurance that we will receive such regulatory approval in a timely manner or at all. The RoU Agreement with Partner is valid until January 4, 2017. 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. 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. In France, our MVNO agreements 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. In addition, while Bouygues Télécom has a best efforts obligation under the MVNO agreements, it 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 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 arrangement and our business and results of operations may be negatively affected. 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 Télécom in France and Mobistar in Belgium) on favourable 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 favourable 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 licences 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 with whom we have entered into several MVNO agreements that enable us to provide mobile telephony services to residential customers under the Numericable brand but through Bouygues Télécom's network. 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 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 and fixed-line services, our broadcasting license, our mobile license and our international long distance telephony services. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Broadband Internet Infrastructure Access and Fixed-Line Telephony—Fees and Royalty Payment*). 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. See Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Agreement with the State of Israel relating to ownership of our cable*

*network*). 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 favourable 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 which we plan to roll out in Israel in 2014), 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 centres. 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 fibres, 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 centre 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 and Portugal and plan to roll out in Israel in early 2014, 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 lead to a decrease in Darty's DSL end-customers in the long-term since Bouygues Télécom will encourage 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 and Cabovisão and ONI in Portugal as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg and Outremer in the French Overseas Territories. In addition, we entered into an agreement in November 2013 with CCI (F3) S.à.r.l., a fund affiliated with Cinven Ltd. (''Cinven'') and Carlyle Cable Investment SC, an entity affiliated with Carlyle Group (''Carlyle'') to acquire additional shares in Numericable Group from Cinven and Carlyle (the ''Numericable Acquisition'') following which Altice Six (a wholly owned subsidiary of the Company) will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes on the board of directors pursuant to the Numericable Shareholders' Agreement. The Numericable Acquisition is subject to antitrust approval and is expected to be completed in the first quarter of 2014. For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). In addition, on October 31, 2013, we entered into agreements to acquire Tricom S.A. and Global Interlinks Ltd. and on November 26, 2013, we entered into an agreement to acquire ODO. See Part XII of this Prospectus (*Operating and Financial Review of the Group—Post Balance Sheet Date Events)*. Tricom and ODO are telecommunications services providers in the Dominican Republic and both the Tricom Acquisition and ODO Acquisition are subject to certain conditions including the approval of governmental authorities. 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. We cannot assure you 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 Numericable Acquisition, the Tricom Acquisition and the ODO 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 analyse 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-favourable 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 recognise that the efficacy 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 will not be automatically migrated to Bouygues Télécom's DSL network. We expect, however, that Bouygues Télécom will recruit new subscribers on its own DSL network and that churn at Darty will lead 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 favourable terms, or at all.

***Our brands are subject to reputational risks.***

The brands under which we sell our products and services, including HOT, Numericable, Completel, Cabovisão, ONI and Only are well-recognised brands in Israel, France, Belgium and Luxembourg, Portugal and the French Overseas Territories, 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. Upon completion of the Tricom Acquisition and ODO Acquisition, brands including Tricom and Orange Dominicana will be added to our portfolio.

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 unfavourable 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, we cannot assure you that we will be able to successfully eliminate the piracy we currently face. In addition, we cannot assure you 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 centre 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 other, 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, 2012 in respect of each lawsuit, which in the aggregate amounted to €15.8 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 Part XVII of this Prospectus (*Information about the Company and the Group—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 currently no underlying contract in force governing the New Deal Plan and, as a result, there remains a certain degree of uncertainty as to the ownership of our network 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 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 implementing the obligation to conform 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 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 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 nonexclusive basis and our competitors' ability to install their own equipment on 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 60 agreements, 20 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.

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 authorisation, to reclaim ownership of the network and to regulate the prices at which we offer our services are arguably incompatible with the liberalisation 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 Part XVII of this Prospectus (*Information about the Company and the Group—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 favourable 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 favour, 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 favour and the Tricom Acquisition does not occur, 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 favour, we may be subject to a significant fine.

***The Pro Forma Financial Information, the Illustrative Aggregated Selected Financial Information and the Historical Combined Financial Information presented in this Prospectus 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.***

Following the Pre-IPO Reorganisation, the Group consists of the Company and its subsidiaries or entities over which the Company will exercise control in the future, comprising (i) Altice VII and its subsidiaries (the ''Altice VII Group'') (in which the Company holds 100% of the share capital of the parent entity) and (ii) the Numericable Group (in which the Company will hold 40% of the share capital of the parent entity indirectly through its wholly owned subsidiary, Altice Six, following the Numericable Acquisition and, pursuant to the Numericable Shareholders' Agreement, will hold the majority vote at meetings of the Numericable Group's board of directors). For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). Prior to the Pre-IPO Reorganisation, each of Altice VII and Altice Six 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 Company do not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Prospectus. As a result, the Historical Combined Financial Information has been included in this Prospectus to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to each of the Altice VII Group and Altice Six, and are based on the separate historical consolidated financial statements of the Altice VII Group and the annual accounts of Altice Six. However, due to the reasons described below, the Historical Combined 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 Six 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 Combined Financial Information is presented, the financial statements of Altice Six used to account for the Numericable Group as an investment in an associate using the equity method. On November 17, 2013, Altice Six entered into an agreement with Cinven and Carlyle to acquire additional shares in the Numericable Group pursuant to which Altice Six will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes in the board of directors pursuant to the Numericable Shareholders' Agreement. The Numericable Acquisition is subject to antitrust approval. For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). As a result, the Company will be 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 VII is the holding company of the Altice VII Group. Since its formation in 2008, Altice VII 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 VII used to prepare the Historical Combined Financial Information do not consolidate the results of operations of the entire business undertaking of the Altice VII Group as it exists at the date of this Prospectus for any period for which the Historical Combined Financial Information has been presented herein. Therefore, the Historical Combined Financial Information included in this Prospectus 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 Prospectus and the comparability of the Historical Combined 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 Prospectus, 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 combined financial statements of the Company and (ii) the audited historical financial information of each of the business undertakings the

acquisitions of which have been consummated by Altice VII prior to October 15, 2013 (to the extent the results of operations of such acquired business undertaking is not included in the audited historical combined 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 Company for the purposes of the Historical Combined 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 combined financial information of the Company. 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 Combined Financial Information or Pro Forma Financial Information has been included in this Prospectus.

We have also included in this Prospectus the Pre-Transaction Pro Forma Financial Information which gives effect to each of the acquisitions between January 1, 2012 and the date of the Prospectus (without giving effect to the Numericable Acquisition, the ODO Acquisition or the Tricom 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 Numericable Acquisition and the ODO Acquisition. The Pro Forma Financial Information does not give pro forma effect to the Tricom Acquisition and therefore does not include any financial information of Tricom. 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 Company'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 and ODO 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 entered into agreements that will enable us to control the Numericable Group and ODO, through which we will conduct our operations in France and the Dominican Republic, respectively, 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 will own significant equity

interests therein. As we currently have the ability to 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 revenues and expenses in the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information in each case for each of the periods presented, and in the Historical Combined Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of the Numericable Group and ODO in the Post-Transaction Pro Forma Financial Information and the non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Combined 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 and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests may be very significant and in the year ended December 31, 2012 and the nine months ended September 30, 2013 amounted to negative €1.0 million and €1.3 million, respectively, 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. For further details regarding the presentation of financial information in this Prospectus, including their limitations, please see Part VI of this Prospectus (''*Important Information—Presentation of Financial and Other Information*'').

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. We have also entered into definitive agreements relating to the Tricom Acquisition and the ODO Acquisition pursuant to which we expect to extend our business operations to 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.

***The market price of our ordinary shares 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''). Following the Numericable Acquisition, we will own approximately 40% of the share capital of Numericable and we will control the Numericable Group. 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 affect the market's valuation of the price of our ordinary shares and 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 and the market price of our ordinary shares may also fall as a result. 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 and the French Overseas Territories 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 will control the Numericable Group following the Numericable Acquisition as a result of our ability to appoint a majority of the members of its board of directors pursuant to the Numericable Shareholders' Agreement, we will own only approximately 40% of the share capital of the Numericable Group and pursuant to the Numericable Shareholders' Agreement, the other members of the Group in Concert hold protective rights on significant corporate decisions of the Numericable Group (see Part XVII of this Prospectus ''*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement)*. In addition, following the Tricom Acquisition and the ODO Acquisition, it is envisaged that the Tricom Sellers will hold minority equity interests (approximately 2.8%) in the holding company for these businesses. 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 days 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 including the Group in Concert in relation to the Numericable Group. Failure to resolve such disputes could have an adverse effect on our business. For further details, see Part XXIII of this Prospectus (*General Information—Material Contracts Relating to the IPO*).

***We will incur increased costs as a public company.***

As a public company, we will 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 will be required to create additional board committees and adopt policies regarding internal controls and disclosure procedures. In addition, we will 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 Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition**

***The Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition are subject to significant uncertainties and risks.***

The consummation of the Tricom Acquisition and the ODO Acquisition are subject to the conditions set out in the Tricom Purchase Agreements and the ODO Acquisition Agreement respectively, including regulatory approval from Indotel. Indotel is likely to consider, among other things, the potential impact of the combination between Tricom and ODO on competition between telecoms operators. There can be no assurance that Indotel will approve either the Tricom Acquisition and/or the ODO Acquisition or, if such approvals are granted, Indotel may make such approval conditional on us taking certain actions, such as disposing of certain Tricom or ODO assets. The consummation of the Numericable Acquisition remains subject to antitrust approval in France. Furthermore, in the case that Indotel require any concessions from us to approve both the Tricom Acquisition and the ODO Acquisition, the Tricom Purchase Agreements and the ODO Acquisition Agreement do not allow for a reduction in the purchase price and require us to complete the Tricom Acquisition and the ODO Acquisition. There can be no assurance that such approvals will be obtained in a timely manner if at all. In addition, the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition are also subject to litigation risk that is customary for transactions of this type and may be challenged by shareholders or creditors, which may result in a delay or prevent us from closing or require us to pay significant amounts to claimants.

***Anticipated synergies from the Tricom Acquisition and the ODO Acquisition may not materialize.***

Upon completion of the Tricom Acquisition and the ODO Acquisition, we expect to achieve certain synergies discussed elsewhere in this Prospectus relating to the operations of Tricom and ODO as they will become 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, including if we are unable to consummate either the Tricom Acquisition or the ODO Acquisition or both. 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 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 and the 2013 Transactions 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 consummation of the Tricom Acquisition and the ODO Acquisition and 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, labour 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 upon the ODO Acquisition as a result of a change in control in ODO's corporate structure. These services include the supply of software licenses, call centre 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 will no longer benefit 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.

Moreover, the Tricom Acquisition and the ODO Acquisition have 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.

***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 will automatically terminate 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 will enter 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 Orange Dominicana Acquisition Completion Date, which ones will be maintained, modified or terminated after the closing of the ODO Acquisition, and setting forth the conditions under which certain products and services will continue to be provided after the Orange Dominicana Acquisition Completion Date. The Transitional Services Agreement will 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 favourable 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. Following the ODO Acquisition, ODO will benefit from a Brand License Agreement which will allow 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.

***Tricom, ODO and Numericable will not be controlled by us until completion of the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition, respectively.***

We currently do not own Tricom, ODO or Numericable. We will not acquire Tricom, ODO or Numericable until completion of the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition, respectively. Each of the Tricom Acquisition, the ODO Acquisition and the Numericable Acquisition is expected to be consummated in the first quarter of 2014, subject to regulatory approval. We cannot assure you that during the interim period the business of Tricom, ODO and Numericable will be operated in the same way that we would operate them.

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

**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 favourable conditions for other operators or increasing competition. We cannot assure 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, see Part XVIII of this Prospectus (*Regulatory Overview*).

*European Union*

The regulations applicable to our operations within the EU often derive from EU Directives. The various Directives require EU Member States to harmonise 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 and very-high-speed fast broadband 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 in January 2014. 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 authorisations, 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;
- 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.

For an overview of such regulation, please see Part XVIII of this Prospectus (*Regulatory Overview—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 authorisations, 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.

For an overview of such regulation, please see Part XVIII of this Prospectus (*Regulatory Overview—Belgium and Luxembourg*).

*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 authorisations, 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;
- 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).

For further information see Part XVIII of this Prospectus (*Regulatory Overview—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 authorisations, 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. 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. For further information see Part XVIII of this Prospectus (*Regulatory Overview—Israel—Structural Separation*).

*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;
- 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 fibre 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 eventually 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.* Following the Tricom Acquisition and the ODO Acquisition, we will also be subject to significant regulations in the Dominican Republic. For further details, see Part XVIII of this Prospectus (*Regulatory Overview*).

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

We are required to hold governmental 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 authorisations granted. While our operations do not require specific authorisations 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.

For example, 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. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Television—Access to DTT Channels*). 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. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Mobile—Construction of Network Sites—National Zoning Plan 36*).

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 subsidised 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. See Part XVIII of this Prospectus (*Regulatory Overview*).

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 September 30, 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, we received a response from the Supreme Court stating that they had requested a formal reply from the state on this subject matter. 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 September 15, 2013, we had approximately 335 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.

In France, the Numericable Group currently benefits from a favourable 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 7.0% VAT rate applicable to television services in France, which is lower than the standard 19.6% 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. We believe that the Numericable Group fulfils the conditions allowing for the continued application of the reduced tax rate to television services offered in a multiple-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. As of January 1, 2012, the VAT tax rate applicable to television services increased, from 5.5% to 7.0%, and the third Amended Finance Law for 2012 provides for a further increase of this rate to 10%, as from January 1, 2014. This latter increase in the television VAT rate, as well as any potential future increases, may have a negative impact on the Numericable Group's results if it cannot pass it through to its customers.

In addition, in France, various companies in our Group have been subject to tax audits since 2005. These audits primarily concern the computation of VAT on the multiple-play packages we offered in France in the 2006-2010 period. These assessments are fully provisioned in the historical financial statements of the Numericable Group for the amounts stated therein for the 2006-2010 period, excluding potential penalties of up to 40%. As of June 30, 2013, a provision for tax proceedings totalling €25 million was recorded, of which €23.5 million related to the VAT assessments pertaining to multiple-play packages sold during the 2006-2010 period. By way of comparison, provisions for tax proceedings amounted to €25.8 million as of December 31, 2012 and €26.4 million as of December 31, 2011.

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 Prospectus.

In addition, under French thin-capitalisation 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 reorganisation 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.

***The Board may fail to prevent the Company from becoming resident in the Netherlands which could result in Dutch withholding tax being imposed on payments made on the Offer Shares.***

The Company is incorporated under the laws of the Grand Duchy of Luxembourg. We do not have any operations in the Netherlands and, upon the Admission, our only nexus to the Netherlands will be the listing of the Offer Shares on Euronext Amsterdam. The Board expects to conduct the affairs of the Company in such manner that it does not become a resident of the Netherlands for Dutch tax purposes. If the Board does not succeed in so conducting the affairs of the Company outside the Netherlands, payments on the Offer Shares made by the Company are generally subject to a withholding tax imposed by the Netherlands at a rate of 15%.

**Risks Relating to Our Financial Profile**

***Our substantial leverage could adversely affect our business, financial condition and results of operations and 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 September 30, 2013 (i) the Altice VII Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €2.3 billion on a consolidated basis and (ii) the Numericable Group had total third party debt (excluding other long term and short term liabilities other than finance leases) of €2.75 billion. As of the September 30, 2013, the Company did not exist and Altice Six had no outstanding third party financial debt. Since September 30, 2013, the Altice VII Group has incurred an additional €1,263.6 million (equivalent) of third party debt (calculated using the September 30, 2013 exchange rate of $1.00 = €0.740) and Altice Six has incurred €324 million under the 2013 Margin Loan. Since September 30, 2013, the Numericable Group has repaid €152.0 million of existing third party debt, with the total third party debt of the Numericable Group amounting to €2,523.0 million as of the date of this Prospectus. See Part IX of this Prospectus (*Capitalisation and Indebtedness*). In addition, the Altice VII Group has the ability to borrow up to $80 million and €60 million under the Revolving Credit Facility Agreements and up to €75 million under the 2013 Guarantee Facility (of which €8.3 million has been drawn), the Numericable Group has the ability to borrow up to €89 million under the Numericable Group Revolving Credit Facilities. The Company does not have any debt outstanding. For further details, see Part XIX of this Prospectus (*Description of Certain Indebtedness*).

The Altice VII Group and the Numericable Group are currently financed on a stand-alone 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 VII Group and the Numericable Group). Consequently, cash flows from operations of the Altice VII Group may not be able to be applied to meet to the obligations of the Numericable Group 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 VII Group and other members of the Group.

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

- making it more difficult for us to satisfy our obligations with respect to our debt;
- 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 existing 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.

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations.

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 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 business 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 and payment of dividends, if any. 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. In addition, our ability to refinance our indebtedness, on favourable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects. We cannot assure you that we will be able to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, cease any dividend payments to our shareholders or seek to raise additional capital.

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 under the agreements and instruments governing our debt and our ability to fund our operations outside Israel.

***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. However, these covenants could limit our ability to pay dividends to our shareholders, 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 will also be subject to the affirmative covenants contained in the agreements and instruments governing our debt. Certain debt agreements and instruments also require us to maintain specified financial ratios. 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 debt could materially adversely affect our growth, financial condition and results of operations.

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

As of September 30, 2013, on a consolidated basis, (i) the principal amount of the primary floating rate debt obligations of the Altice VII Group (excluding finance leases and other liabilities) were in an amount equivalent to €714.0 million and (ii) the principal amount of the primary floating rate debt obligations of the Numericable Group were in an amount equal to €275.0 million. Since September 30, 2013, the Altice VII Group has incurred an additional €80.6 million of floating rate debt and Altice Six has incurred an additional €324.0 million of floating rate debt under the Margin Facility. In addition, any amounts borrowed by the Altice VII Group under the Revolving Credit Facilities or the 2013 Guarantee Facility and any amounts borrowed by the Numericable Group under the Numericable Group Revolving Credit

Facilities bear interest at a floating rate. 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. We have not entered into interest rate hedges and hence are exposed to interest rate fluctuations with respect to our floating rate debt.

***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. The HOT Group's primary functional currency is the New Israel Shekel. The primary functional currency of Green and Green Datacenter is Swiss Francs. The primary functional currency of the Company and its other operating subsidiaries is the euro. The primary functional currency of each of ODO and Tricom is the Dominican peso. We conduct, and will continue to conduct, transactions in currencies other than such primary functional 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 and Swiss Franc 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 favourable movements in exchange rates or interest rates. In addition, we expect we will be unable to hedge our currency exposure in the Dominican Republic due to the low levels of liquidity in the local currency exchange market.

***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 Employees, Management, Selling 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. We cannot assure you 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 centre 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 organised unions and works councils, and we cannot assure you 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 optimisation; 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 labour relations, we cannot predict the extent to which future labour disputes or disturbance could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

***The Company is incorporated under and subject to Luxembourg law.***

The Company is a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg. The rights of holders of Ordinary Shares and the responsibilities of the Company to the holders of Offer Shares under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Offer Shares are offered.

Insolvency proceedings may be brought against the Company or its subsidiaries and such proceedings may proceed under, and be governed by, Luxembourg insolvency laws. The insolvency laws of Luxembourg may not be as favourable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. See Part VI of this Prospectus (*Important Information—Enforcement of Judgments*).

***The interests of the Selling Shareholder may be inconsistent with the interests of our other Shareholders.***

Immediately after Admission, the Selling Shareholder, Next L.P., which is controlled by Patrick Drahi, will be the beneficial owner of not less than 70.2% of the Ordinary Shares, assuming the maximum number of Offer Shares is issued (not less than 66.5% if the Over-allotment Option is exercised in full). The Selling Shareholder will be able to control and/or significantly influence matters requiring approval by the General Meeting and may vote its Ordinary Shares in a way which other Shareholders do not agree. This may include (without limitation) the nomination and election of directors and the entering into transactions involving a potential change of control. The Selling Shareholder may support strategies and directions that are in its best interest but which may differ from the interests of the Group and other Shareholders. In particular, the Selling Shareholder may pursue additional acquisition or business opportunities that may compete with the business of the Group and may use its voting power at our shareholders' meetings to vote on transactions in which it is a direct or indirect counterparty. However, the Selling Shareholder has undertaken not, until such time as the Selling Shareholder's holding of Shares in the capital of the Company falls below 30% of the fully diluted share capital of the Company, to present all new corporate opportunities he believes are capable of execution and relating to a Relevant Opportunity to the Company. For further details see section 8 of Part XXI of this Prospectus (*Directors, Senior Management, Employees and Corporate Governance*)

Further, for so long as the Selling Shareholder continues to hold more than 33⅓% of the voting rights in the Company, it may increase such shareholding without incurring any obligation under the Luxembourg Takeover Law to make a general offer for all the Shares that it does not already own.

In addition, subject to or following the expiry of the lock-up undertakings (described in Part VIII of this Prospectus (*Plan of Distribution—Lock-Up Arrangements*)) the Selling Shareholder could sell a substantial number of Ordinary Shares in the public market following the Offer. Such sales, or the perception that such sales could occur, may materially and adversely affect the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

***The Selling Shareholder has the benefit of Warrant Instruments not made available to other Investors***

The Company has granted the Selling Shareholder a warrant that may be exercised in a number of circumstances including in the event any person acquires (whether individually or acting in concert with another) 20% or more of the Ordinary Shares (''Trigger Event''), see Part XXIII of this Prospectus *(General Information—Information about the Class B Shares and Warrant*). For so long as the Selling Shareholder continues to hold 30% or more of the Ordinary Shares, it may, upon the occurrence of a Trigger Event, exercise the Warrant. Upon exercise, the Selling Shareholder will be issued Warrant Shares which could

increase its holding of the issued share capital of the Company on a fully diluted basis to either 66.67% or 75% plus one share and thereby significantly dilute the voting rights of all other shareholders (but without significantly diluting the economic interest of other shareholders). Therefore, notwithstanding that the Selling Shareholder's holding of Ordinary Shares may decrease, it will continue to be able to control and/or significantly influence matters requiring the approval of the General Meeting and any vote in a way which the other shareholders do not agree. The Warrant Instruments will also adversely impact a third party's ability to effect a change of control of the Company through a takeover offer.

**Risks Relating to the Offer and the Ordinary Shares**

***There has been no public trading market for the Ordinary Shares and the market price of the Ordinary Shares may be volatile.***

Prior to the Offer, there has been no public trading market for the Ordinary Shares. There can be no assurance that an active trading market will develop or, if it does develop, that it will be maintained. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Ordinary Shares, regardless of the Company's actual performance or conditions in its key markets.

Moreover, the Offer Price will be determined by the Selling Shareholder, in consultation with the Company following recommendations from the Joint Bookrunners, taking into account a number of factors, including market conditions in effect at the time of the Offer, which may not be indicative of future performance. The Offer Price Range is an indicative price range. The Offer Price may be higher than the maximum price as set in the Offer Price Range. The market price of the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares could also fluctuate substantially due to various factors, some of which could be specific to the Company and its operations and some of which could be related to the telecommunications industry and equity markets generally. The Company therefore cannot guarantee that investors will be able to resell the Ordinary Shares at or above the Offer Price.

Furthermore, the shares of our subsidiary, Numericable, are currently listed on the Euronext Paris Market of Euronext under the symbol ''NUM''. The trading price of the Ordinary Shares may be adversely affected by the trading price of shares in Numericable or in the event an active trading market does not develop or, if it does develop, is not maintained with respect to the Numericable shares. The trading price of Numericable's shares may be subject to wide fluctuations in response to facts that may be out of our control such as equity market fluctuations, press commentary, analyst estimates, French telecommunications industry rumours, regulatory changes in France and market developments and general economic conditions in France.

***Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares could depress the market price of the Ordinary Shares.***

Following the Offer, sales of a substantial number of Ordinary Shares in the public market, or the perception that such sales may occur, could adversely affect the market price for the Ordinary Shares. Although the Selling Shareholder has agreed to certain restrictions on selling or otherwise disposing of Ordinary Shares for a lock-up period of 365 days after the Settlement Date, the Ordinary Shares held by the Selling Shareholder upon expiry of such period will thereafter be freely transferable, subject to certain orderly market arrangements.

***If securities or industry analysts do not publish research or reports about our business or that of the Numericable Group, or if they downgrade their recommendations regarding our common stock or that of the Numericable Group, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business including any separate research and reports. If any of the analysts who cover us downgrade our common stock, our common stock price would likely decline. If analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

***We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings.***

We may in the future seek to raise capital through public or private debt or equity financings by issuing additional Ordinary Shares or other shares, debt or equity securities convertible into Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional financing the Group may need may not be available on terms favourable to the Group or at all, which could adversely affect our future plans. Any additional offering of Ordinary Shares by us, or the public perception that an offering may occur, could also have a negative impact on the trading price of the Ordinary Shares and could increase the volatility in the trading price of the Ordinary Shares. Under the lock-up arrangements (described in Part VIII of this Prospectus (*Plan of Distribution—Lock-Up Arrangements*), we are permitted, following the expiry of the initial 45 days of the 180-day lock-up period, to issue new shares representing no greater than 50 per cent. of the total issued share capital of the Company, in connection with a publicly announced merger or acquisition transaction (either to issue shares as consideration for such acquisition or to raise proceeds to fund such acquisition). If we exercise this right, it could result in a significant dilution to investors' shareholdings.

Further, under the Articles, and subject to the lock-up arrangements described in Part VIII of this Prospectus (*Plan of Distribution—Lock-Up Arrangements*) and the carve-out thereto described above, the Board is authorised for a period of 5 years from the date of publication of the Articles to issue up to 500,000,000 Ordinary Shares with no ability for existing holders of Ordinary Shares to exercise pre-emptive rights in respect of their Ordinary Shares, which could result in significant dilution for such shareholders.

***Our ability to pay dividends to Shareholders may be constrained.***

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends or lend funds to us. The actual payment of future dividends by us and the payment of dividends to us by our subsidiaries, if any, and the amounts thereof, will depend on a number of factors, including (but not limited to) the amount of distributable profits and reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws and financial restrictions on the debt instruments of our subsidiaries, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies and such other factors as the Board may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Ordinary Shares would be investors' sole source of gains.

***If the closing of the Offer does not take place on the Settlement Date or at all, purchases of the Offer Shares will be disregarded and Euronext Amsterdam N.V. may annul transactions that have occurred.***

Application has been made to list the Ordinary Shares on Euronext Amsterdam under the symbol ''ATC''. We expect that the Ordinary Shares will be admitted to listing and that trading in such shares on an ''if-and-when-delivered'' basis will commence on the First Trading Date, prior to the closing of the Offer on the Settlement Date. Subject to acceleration or extension of the timetable for the Offer, the Settlement Date is expected to be on or about February 5, 2014, being the third business day following the First Trading Date. The closing of the Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement between the Company, the Selling Shareholder and the Joint Bookrunners on behalf of the Underwriters are not satisfied or waived or occur on or prior to such date. Such conditions include the receipt of officers' certificates and legal opinions and such events include the suspension of trading on Euronext Amsterdam or certain other markets or a material adverse change in the Company's financial condition or business affairs or in the financial markets. Anyone that engages in trading in the Ordinary Shares on an ''if-and-when-delivered'' basis should note that if the closing of the Offer does not take place on the Settlement Date or at all, the Offer will be withdrawn, all subscriptions will be disregarded, any allotments made will be deemed not to have been made, all purchase and sale transactions of Ordinary Shares under the Offer will be disregarded, any payments made will be returned without interest or other compensation and Euronext Amsterdam N.V. may annul transactions that have occurred.

***You may be unable to effect service of process on the Company 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 Company is organised under the laws of the Grand Duchy of Luxembourg and does not have any material assets in the U.S. It is anticipated that some or all of the members of the Company's Board will be non-residents of the U.S. and that all or a majority of their assets will be 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 Company or members of its Board, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Company cannot assure you that civil liabilities predicated upon the federal securities laws of the U.S. will be enforceable in Luxembourg.

***Transfers of the Offer Shares are restricted, which may adversely affect the value of the Offer Shares.***

The Offer Shares are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the U.S. The Ordinary Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Therefore you may not transfer or sell the Ordinary Shares in the U.S. except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Ordinary Shares for an indefinite period of time. It is your obligation to ensure that your offers and sales of Ordinary Shares within the U.S. and other countries comply with applicable securities laws. See Part XX of this Prospectus (*Selling and Transfer Restrictions*).

***Holders of Ordinary Shares outside Luxembourg may not be able to exercise pre-emptive rights in future offerings.***

In the event of an increase in our Ordinary Share capital, holders of Ordinary Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded by a resolution of the General Meeting or, if such increase can be decided by the Board and the Articles so permit, by a resolution of the Board. However, certain holders of Ordinary Shares outside Luxembourg may not be able to exercise pre-emptive rights unless local securities laws have been complied with. *See ''—We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings.''*

U.S. holders of Ordinary Shares may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Ordinary Shares are registered under the U.S. Securities Act or an exemption from the registration requirements is available. We intend to evaluate at the time of any issue of Ordinary Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to U.S. holders, as well as the indirect benefits to it of enabling the exercise of U.S. holders of their pre-emptive rights to Ordinary Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

***Investors with a reference currency other than the euro will become subject to foreign exchange risks when investing in the Ordinary Shares.***

Our Ordinary Shares are denominated in and will trade in euro, and all dividends on the Ordinary Shares will be paid by us in euro. Investors whose reference currency is a currency other than the euro may be adversely affected by any reduction in the value of the euro relative to the value of the investor's reference currency. In addition, such investors could incur additional transaction costs in converting euro into another currency. Investors whose reference currency is a currency other than euro are therefore urged to consult their financial advisers.

## PART III—NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares and any Over-allotment Shares offered hereby have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offer and any offer of any Over-allotment Shares is being extended (i) in the United States, to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and applicable state securities laws, and (ii) outside the United States, in offshore transactions in accordance with Regulation S. Any Offer Shares or Over-allotment Shares offered and sold in the United States will be subject to certain transfer restrictions as described in ''Selling and Transfer Restrictions''. The Offer Shares and any Over-allotment Shares offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

## NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY INFORMED THAT ANY DISCUSSION HEREIN OF U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DISCUSSION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE ORDINARY SHARES BY THE COMPANY. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYERS' PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

**THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE OFFER SHARES.**

## PART IV—DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

**Directors**

Patrick Drahi (Executive Chairman)
Dexter Goei (Chief Executive Officer)
Dennis Okhuijsen (Chief Financial Officer)
Jérémie Bonnin (General Secretary)
Michel Combes (Non-Executive Director)
Scott Matlock (Non-Executive Director)

**Company Secretary and General Counsel**

Max Aaron

**Registered Office**

Altice S.A.
3, boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

**ADVISERS:**

**Joint Global Coordinators, Joint Bookrunners and Underwriters**

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Morgan Stanley & Co International plc
25 Cabot Square
London
E14 4QA

**Joint Bookrunners**

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London
E14 4QJ

HSBC Bank plc
8 Canada Square
Canary Wharf
London
E14 5HQ

**Joint Lead Managers**

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

Crédit Agricole Corporate and Investment Bank
Address : 9 quai du Président Paul Doumer,
92920 Paris La Défense Cedex
France

**Legal advisers to the Company**

*As to U.S. Federal law, New York law and English law:*

Ropes & Gray LLP
5 New Street Square
London
EC4A 3DF

*As to Dutch law:*

Loyens & Loeff N.V.
Fred. Roeskestraat 100
1076 ED
Amsterdam
The Netherlands

*As to Luxembourg law:*

Loyens & Loeff Luxembourg S.à .r.l.
18-20 Rue Edward Steichen
L-2540 Luxembourg
Grand Duchy of Luxembourg

Luther
Aerogolf Center
1B Heienhaff
L-1736 Senningerberg
Grand Duchy of Luxembourg

**Legal advisers to the Joint Global Coordinators, the Joint Bookrunners and the Underwriters**

*As to U.S. Federal law, New York law and English law:*

Latham & Watkins (London) LLP
99 Bishopsgate
London
EC2M 3XF
United Kingdom

*As to Dutch law:*

NautaDutilh N.V.
Strawinskylaan 1999
1077 XV Amsterdam
The Netherlands

*As to Luxembourg law:*

NautaDutilh Avocats
Luxembourg
Luxembourg
2, rue Jean Bertholet
L-1233
Luxembourg

**Paying Depository and Listing Agent**

ING Bank N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

**Auditor (Réviseur d'Entreprises Agréé)**

Deloitte Audit S.à r.l.
560 rue de Neudorf
L-2220 Luxembourg

## PART V—EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

### TIMETABLE OF PRINCIPAL EVENTS

*All times are Central European times (''CET''). Each of the times and dates in the table below are indicative only and are subject to change.*

| | |
|---|---|
| Prospectus published | 17 January 2014 |
| Start of Offer Period | 20 January 2014 |
| End of Offer Period | 30 January 2014 |
| Pricing[1] | 31 January 2014 |
| Allocation | 31 January 2014 |
| First Trading Date (trading on an ''if and when delivered'' basis) | 31 January 2014 |
| Settlement Date | 5 February 2014 |

*It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.*

### OFFER STATISTICS

| | |
|---|---|
| Offer Price Range | €24.75 to €31.25 |
| Number of Ordinary Shares in issue following Admission | 206,575,280 |
| Maximum number of Ordinary Shares being offered in the Offer (excluding any Over-allotment Shares) | 52,727,272 |
| Percentage of the Company's issued share capital being offered in the Offer | 20.8% to 25.6% |
| Maximum number of Ordinary Shares subject to the Over-allotment Option | 60,636,363 |
| Estimated gross proceeds of the Offer receivable by the Company | € 750,000,000 |
| Estimated net proceeds of the Offer receivable by the Company | € 724,000,000 |
| Expected market capitalisation of the Company at: | |
| • the top-point of the Offer Price Range | € 6,256,738,187 |
| • the mid-point of the Offer Price Range | € 5,684,738,192 |
| • the bottom-point of the Offer Price Range | € 5,112,738,180 |

[1] A public announcement of the final Offer Price for the Offer Shares and the total number of Offer Shares to be made available under the Offer will be made on Pricing (31 January 2014).

## PART VI—IMPORTANT INFORMATION

### 1. General

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the members of its Board, the Selling Shareholder, or any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters. No representation or warranty, express or implied, is made by any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters or any selling agent as to the past, present or future. The Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters assume no responsibility for the accuracy or completeness and, accordingly, disclaim to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus or any such statement. Without prejudice to any obligation of the Company to publish a Supplement to the Prospectus pursuant to the Prospectus Law, neither the delivery of this Prospectus nor any subscription or sale of Offer Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to its date.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer Shares or Over-allotment Shares, arises or is noted prior to the Admission of the Offer Shares, a Supplement to this Prospectus will be published. The Prospectus and any supplement thereto will be subject to approval by the CSSF and will be made public in accordance with the relevant rules of the Prospectus Law. If a Supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Offer Shares made prior to the publication of the Supplement to this Prospectus. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the Supplement to this Prospectus). For the avoidance of doubt, references in this paragraph to any Supplement to this Prospectus being published by the Company do not include the Pricing Statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Group and the terms of the Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the members of its Board, the Selling Shareholder, or any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters or any of their representatives that any recipient of this Prospectus should subscribe for or purchase the Offer Shares. Prior to making any decision as to whether to subscribe for or purchase the Offer Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarized within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who subscribe for or purchase Offer Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied solely on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Company, the Group or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the members of its Board, the Selling Shareholder or any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters.

None of the Company, the members of its Board, the Selling Shareholder or any of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Offer Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Offer Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Offer Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Offer Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters and any of their affiliates acting as investors for their own accounts. None of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective customers or for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

Certain of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers or Underwriters and/or their respective affiliates have in the past engaged, and may in the future, from time to time, engage, in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling Shareholder or any parties related to any of them, in respect of which they have and may in the future, receive customary fees and commissions. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors. For further details, see Part VII of this Prospectus (*Details of the Offer*) and Part VIII of this Prospectus (*Plan of Distribution*).

## 2. Forward-Looking Statements

This Prospectus 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 Prospectus, including, but without limitation, those regarding our future financial condition, results of operations and business, our product, acquisition, disposition and finance strategies, our 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 markets, anticipated cost increases, 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 Prospectus.

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 operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of this Prospectus, 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 Prospectus include those described under Part II of this Prospectus (*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 associated with this offer;
- risks related to the New Transactions, including our ability to obtain the required regulatory approvals for their consummation;
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the Tricom 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 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 services that we may offer;
- deployment of fibre or VDSL2 networks by competitors;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to achieve cost savings 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 recognise 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 networks, 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 as our business grows and a deterioration of the relationship with employee representatives;
- our ability to maintain adequate managerial controls and procedures, as the business grows;
- our inability to provide adequate high levels of customer service;
- the declining revenue from certain of our services;
- a reduction in the market price 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 Prospectus.

The cable television, broadband Internet, fixed-line telephony, ISP services, mobile services and B2B industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intent in this Prospectus 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 Prospectus, 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. Prospective investors are cautioned not to place undue reliance on any forward looking statement.

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 Prospectus.

We disclose important factors that could cause our actual results to differ materially from our expectations in this Prospectus. 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 pay dividends.

This Prospectus contains certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the Tricom Acquisition and the ODO 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 and ODO 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 and the ODO 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.

### 3. Presentation of Financial and Other Information

*Historical Combined Financial Information of the Company*

Following the Pre-IPO Reorganisation, the Group consists of the Company and the entities over which the Company will exercise control in the future, comprising (i) Altice VII and its subsidiaries (the ''Altice VII Group'') (in which the Company holds 100% of the share capital of the parent entity) and (ii) following the Numericable Acquisition, the Numericable Group (in which the Company will hold 40% of the share capital of the parent entity (including shares subject to call options granted to Altice Six by certain existing shareholders) indirectly through its wholly owned subsidiary, Altice Six, and will hold the majority vote at meetings of the Numericable Group's board of directors pursuant to the Numericable Shareholders' Agreement). For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). Prior to the Pre-IPO Reorganisation, each of Altice VII and Altice Six were wholly-controlled subsidiaries of Next L.P and were historically separate legal and reporting entities, under common control and management. Therefore, the historical financial statements of Altice VII and Altice Six do not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Prospectus. As a result, the following combined financial statements have been prepared to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Altice VII Group and Altice Six and are based on a combination of the separate historical consolidated financial statements of the Altice VII Group and annual accounts of Altice Six:

- the unaudited condensed combined interim financial statements of the Company as of September 30, 2013 and for the nine months ended September 30, 2013, including comparative numbers as of and for the nine months ended September 30, 2012, prepared in accordance with International Accounting Standard 34—Interim Financial Reporting (''IAS 34'') and reviewed by Deloitte Audit Société à responsabilité limitée (''Deloitte Audit S.à r.l.''); and
- the audited combined financial statements of the Company as of and for the years ended December 31, 2010, 2011 and 2012, which have been audited by Deloitte Audit S.à r.l.

The above-mentioned historical combined financial statements of the Company and information directly derived therefrom, are referred to herein as the ''Historical Combined Financial Information''. For details regarding the basis of preparation (in the absence of specific guidance under IFRS as adopted by the European Union), see Note 1 to the Historical Combined Financial Information included elsewhere in this Prospectus. For each of the periods for which the Historical Combined Financial Information is presented, the financial statements of Altice Six used to prepare the Historical Combined Financial Information has accounted for the Numericable Group as an investment in an associate using the equity method.

*Post-Transaction Pro Forma Financial Information of the Company*

Since its formation in 2007, Altice Six has been the holding entity for the Group's shareholding in the Numericable Group, which represents substantially all of the assets and business of Altice Six. On November 17, 2013, Altice Six entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable Group following which Altice Six will hold 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes on the board of directors. The Numericable Acquisition is subject to antitrust approval and is expected to be completed in the first quarter of 2014. For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). As a result, the Company will be required to consolidate the Numericable Group in its consolidated financial statements for future reporting periods in accordance with IFRS (the ''Numericable Group Consolidation''). In addition, upon the consummation of the ODO Acquisition and the Tricom Acquisition, the Company will be required to consolidate Tricom and ODO in its financial statements for future reporting periods in accordance with IFRS. For details regarding the ODO Acquisition and the Tricom Acquisition, please see Part XII of this Prospectus (*Operating and Financial Review of the Group—Post Balance Sheet Date Events*).

In this Prospectus, we have also presented the following pro forma combined financial information of the Company which gives effect to the Numericable Group Consolidation, the ODO Acquisition, and each of the acquisitions made by the Altice VII Group as discussed under ''*—Illustrative Aggregated Selected Financial Information of the Company*'' below, as if such events had occurred on January 1, 2012 for purposes of the income statement and September 30, 2013 for purposes of the statement of financial position:

- the unaudited pro forma combined condensed financial information of the Company as of September 30, 2013 and for each of the nine-month periods ended September 30, 2013; and
- the unaudited pro forma combined condensed financial information of the Company for the year ended December 31, 2012.

The above-mentioned pro forma combined financial information of the Company, and information directly derived therefrom, are referred to herein as the ''Post-Transaction Pro Forma Financial Information''. The Post-Transaction Pro Forma Financial Information does not give effect to the Tricom Acquisition. The pro forma adjustments have been clearly shown and explained in note 3 (pro forma adjustments) to the above-mentioned pro forma combined financial information of the Company, are directly attributable to the relevant transactions as discussed in note 2 (basis of preparation) thereto and are factually supportable. All of the pro forma adjustments are expected to have a continuing impact on the Group. For details regarding the basis of preparation, see Note 2 to the Pro Forma Financial Information included elsewhere in this Prospectus.

*Unaudited Pre-Transaction Pro Forma Financial Information of the Company*

In this Prospectus, we have also presented certain pro forma combined financial information of the Company which gives effect to each of the acquisitions made by the Altice VII Group since January 1, 2012 as discussed under ''*—Illustrative Aggregated Selected Financial Information of the Company*'' below, as if such events had occurred by January 1, 2012, but does not give effect to any of the Numericable Acquisition, the ODO Acquisition or the Tricom Acquisition. The Pre-Transaction Pro Forma Financial Information has been derived from the unaudited pro forma combined condensed financial information for the various periods presented included elsewhere in this Prospectus.

*Unaudited Illustrative Aggregated Selected Financial Information of the Company*

Since its formation in 2008, Altice VII has from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. The following is an overview of the key investments and disposals completed by Altice VII since 2010, which have had a significant impact on the Historical Combined Financial Information.

In the year ended December 31, 2010, Altice VII'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 Information 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 VII made the following acquisitions that fundamentally changed our business undertaking: (i) in the first quarter of 2011, Altice VII 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 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 VII 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 VII 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 Combined Financial Information with effect from July 1, 2011). In addition, Altice VII sold 5% of its equity interest in MIRS Communications Limited.

The year ended December 31, 2012 was marked by the following two significant acquisitions by Altice VII: (i) in the first quarter of 2012, Altice VII acquired approximately 60% of the equity interests in Cabovisão a Portuguese telecommunications company (the financial information of which is consolidated in the Historical Combined Financial Information with effect from February 29, 2012); and (ii) in the fourth quarter of 2012, Altice VII 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. In addition, during 2012 Altice VII initiated its equity investment in Wananchi (''Wananchi''), a Kenyan cable operator, which is accounted for using the equity method.

Altice VII has added to its portfolio of holdings in 2013 with the following acquisitions: (i) in the first quarter of 2013, Altice VII acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice VII 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 Combined Financial Information with effect from July 5, 2013); and (iii) in the third quarter of 2013, Altice VII (through its subsidiary Cabovisão) acquired 100% of the equity interests in Winreason, the owner of Portuguese telecommunications holding ONI S.G.P.S and its subsidiaries, including Onitelecom (the financial information of which is consolidated in the Historical Combined Financial Information with effect from August 8, 2013). In addition, in 2013, Altice VII disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv (the financial information of which will be consolidated in Altice S.A.'s future financial statements).

As a result of the series of significant acquisitions that have been consummated by Altice VII since 2010, and the intra-year timing of such acquisitions, the Historical Combined 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 Prospectus for any of the periods presented and the comparability of the Historical Combined Financial Information over each of the periods presented may be significantly limited. Consequently, we have included certain unaudited illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012 in this Prospectus that we believe will aid comparability of the results of operations of the entire business undertaking of the Group (as it existed at October 15, 2013) for each of these periods. The illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012, and information directly derived therefrom, are referred to herein as the ''Illustrative Aggregated Selected Financial Information''. The Illustrative Aggregated Selected Financial Information have been compiled by aggregating (i) the Historical Combined Financial Information for each of the years ended December 31, 2011 and 2012 and (ii) the

audited historical financial information of each of the business undertakings acquired by Altice VII prior to October 15, 2013 for each of the years ended December 31, 2011 and 2012 (or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking is not included in the audited historical combined financial statements of the Company). Adjustments have been made to the resulting aggregation in instances where the audited historical financial information of a business undertaking acquired by Altice VII and 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, or where such business undertaking was utilizing accounting policy elections that differ substantially to those adopted by the Company for the purposes of the Historical Combined Financial Information. In addition, adjustments have been made to the resulting aggregation to eliminate the effects of any transactions or balances that may exist between the Company and the acquired business undertakings during each of the years ended December 31, 2011 and 2012, and to reflect the impact of any movements in non-controlling interests. The Illustrative Aggregated Selected Financial Information does not include any additional pro forma adjustments. Deloitte Audit S.à r.l. was engaged to perform an assurance engagement in accordance with International Standard on Assurance Engagements 3420 and their report on the Illustrative Aggregated Selected Financial Information is included in this Prospectus. For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information included elsewhere in this Prospectus. The Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations of Valvision until the date of its disposal even though Altice VII disposed of its interests therein to the Numericable Group in 2013. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million to aggregated revenues and €0.9 million to aggregated EBITDA. The Illustrative Aggregated Selected Financial Information is provided for 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 been prepared only for the years ended December 31, 2011 and 2012 and no similar financial information has been prepared for any other periods.

The Illustrative Aggregated Selected Financial Information was prepared on the basis of the audited historical combined financial statements of the Company for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS (which include in the notes thereto certain pro forma financial information of HOT Telecom for the period between January 1, 2011 and March 16, 2011) included elsewhere in this Prospectus and the following additional financial statements that are incorporated by reference to the Company's website (www.altice.net/announcement.html):

- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgium GAAP;
- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;
- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;
- the audited accounts of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;
- the audited pro forma consolidated statements of financial position, comprehensive income and cash flows for Winreason, S.A. for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;
- the audited consolidated accounts for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;
- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP.

*Numericable Group Financial Information*

Following the Numericable Acquisition, the Company will exercise control over the Numericable Group. The Numericable Group was formed on August 2, 2013 by the contribution of Ypso Holding S.à. r.l. and its subsidiaries (the ''Ypso Sub-Group'') and Altice B2B S.à.r.l. and its subsidiaries (the ''Altice B2B Sub-Group'') to Numericable. Accordingly, this Prospectus includes:

- the audited combined financial statements for the Numericable Group as of and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with IFRS as adopted in the European Union; and
- the unaudited interim condensed combined financial statements for the Numericable Group as of and for the nine months ended September 30, 2012 and September 30, 2013, prepared in accordance with IAS 34.

The above-mentioned combined financial statements of the Numericable Group, and information directly derived from such combined financial statements, are referred to herein as the ''Numericable Group Financial Information''.

The Numericable Group Financial Information has been prepared to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Ypso Sub-Group and the Altice B2B Sub-Group, which were historically separate legal groups, under common control and management, and are based on the separate consolidated financial statements of each sub-group. For further information, *see* Note 1.4 to the Numericable Group's combined annual financial statements. All companies in which a sub-group has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are included in the scope of combination. The effects of transactions between the two sub-groups on assets, liabilities, revenue and expense for periods presented have been eliminated in full in the combined annual financial statements. Non-controlling interests in subsidiaries are identified separately from the Numericable Group's equity under ''other financial assets'' in the Numericable Group's combined annual financial statements.

*Certain Limitations to the pro forma and illustrative aggregated financial information*

The Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information included in this Prospectus have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act and the Illustrative Aggregated Selected Financial Information has not been prepared in accordance with the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated or pro forma financial information have been audited in accordance with any generally accepted auditing standard.

The Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information:

- are based on upon available information and assumptions that we believe are reasonable under the circumstances;
- do not purport to represent what our actual results of operations or financial condition would have been had the significant acquisitions, the Numericable Group Consolidation or the ODO Acquisition, as applicable, described above occurred with effect from the dates indicated; and
- do not purport to project our results of operations or financial condition for any future period or as of any future date.

The Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information include the results of operations and financial condition of the acquired businesses (and additionally, in the case of the Post-Transaction Pro Forma Financial Information, the results of operations and financial condition of ODO and the Numericable Group) 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 entered into agreements that will enable us to control the Numericable Group, through which we conduct our operations in France, 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 will own significant equity interests therein. As

we will control ODO following the consummation of the ODO Acquisition, 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 will own significant equity interests therein. As we currently have the ability to 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 revenues and expenses in the Pro Forma Financial Information, the Illustrative Aggregated Selected Financial Information in each case for each of the periods presented, and in the Historical Combined Financial Information from July 1, 2011 and July 5, 2013, respectively, despite the fact that third parties own significant interests in these entities. The non-controlling interests in the operating results of the Numericable Group and ODO in the Post-Transaction Pro Forma Financial Information and the non-controlling interests in the operating results of Coditel Holding and Outremer in the Historical Combined Financial Information and the 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 statement of 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 and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling owners' interests may be very significant. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item ''operating income before depreciation and amortization'', or EBITDA, the Illustrative Aggregated Selected Financial Information is also subject to the limitations with respect to non-IFRS measures as described below.

*Certain Adjusted Financial Information*

This Prospectus also includes certain financial information on an as adjusted basis to give effect to the Offer and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the Offer on the Company's capitalisation and indebtedness as if the Offer had been completed on September 30, 2013. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Company's capitalisation or indebtedness would have been had the Offer been completed on September 30, 2013; nor does it purport to project the Company's capitalisation or indebtedness or at any future date. The as adjusted financial information has not been prepared in accordance with IFRS. Neither the assumptions underlying the adjustments nor the resulting as adjusted financial information have been audited or reviewed in accordance with any generally accepted auditing standards or any generally accepted review engagement standards.

*Non-IFRS Measures*

This Prospectus contains measures and ratios (the ''Non-IFRS Measures''), including EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, Adjusted EBITDA less capital expenditures and cash flow conversion, that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. We present Non-IFRS measures because we believe that they are of interest for the investors and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our, or any of our subsidiaries', operating results as reported under IFRS or other generally accepted accounting standards. Non-IFRS measures such as EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA are not measurements of our, or any of our subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our, or any of our operating entities', operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries', ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA have limitations as an analytical tool, and you should not consider such measures in isolation, or as a substitute for, an analysis of the results of our operating entities as reported under IFRS or other generally accepted accounting standards. Some of these limitations are:

- they do not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we or our operating entities eliminate in calculating EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

See Part X (*Selected Historical and Post-Transaction Pro Forma Financial Information*), Part XI (*Selected Historical and Pre-Transaction Pro Forma Financial Information*) and Part XIV (*Selected Financial Information of the Numericable Group*) for a numerical reconciliation of EBITDA, Adjusted EBITDA and Pro Forma Adjusted EBITDA as presented herein to the nearest IFRS measure.

### 4. 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 daily mid-market rates. 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 | | | |
|---|---|---|---|---|
| Year | Period Average[1][2] | High | Low | Period End[3] |
| 2010 | 1.3266 | 1.451 | 1.1952 | 1.3366 |
| 2011 | 1.3924 | 1.4874 | 1.2925 | 1.2960 |
| 2012 | 1.2859 | 1.3463 | 1.2053 | 1.3197 |
| 2013 | 1.3283 | 1.3804 | 1.2772 | 1.3789 |

(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 | € per NIS | |
|---|---|---|
| December 31, 2010 | €0.2125 | NIS1.00 |
| December 31, 2011 | €0.2024 | NIS1.00 |
| December 31, 2012 | €0.2030 | NIS1.00 |
| September 30, 2012 | €0.1976 | NIS1.00 |
| June 30, 2013 | €0.2118 | NIS1.00 |
| September 30, 2013 | €0.2094 | NIS1.00 |
| **Average rate for the** | | |
| Year ended December 31, 2010 | €0.2018 | NIS1.00 |
| Year ended December 31, 2011 | €0.2009 | NIS1.00 |
| Year ended December 31, 2012 | €0.2018 | NIS1.00 |
| Nine months ended September 30, 2012 | €0.2023 | NIS1.00 |
| Six months ended June 30, 2013 | €0.2074 | NIS1.00 |
| Nine months ended September 30, 2013 | €0.2086 | NIS1.00 |

| As of | € per CHF | |
|---|---|---|
| December 31, 2010 | €0.7997 | CHF1.00 |
| December 31, 2011 | €0.8226 | CHF1.00 |
| December 31, 2012 | €0.8226 | CHF1.00 |
| September 30, 2012 | €0.8265 | CHF1.00 |
| June 30, 2013 | €0.8130 | CHF1.00 |
| September 30, 2013 | €0.8179 | CHF1.00 |
| **Average rate for the** | | |
| Year ended December 31, 2010 | €0.7301 | CHF1.00 |
| Year ended December 31, 2011 | €0.8112 | CHF1.00 |
| Year ended December 31, 2012 | €0.8296 | CHF1.00 |
| Nine months ended September 30, 2012 | €0.8303 | CHF1.00 |
| Six months ended June 30, 2013 | €0.8131 | CHF1.00 |
| Nine months ended September 30, 2013 | €0.8119 | CHF1.00 |

| As of | € per DOP | |
|---|---|---|
| September 30, 2013 | €0.0177 | DOP1.00 |
| **Average rate for the** | | |
| Year ended December 31, 2011 | €0.0188 | DOP1.00 |
| Year ended December 31, 2012 | €0.0201 | DOP1.00 |
| Nine months ended September 30, 2012 | €0.0202 | DOP1.00 |
| Nine months ended September 30, 2013 | €0.0186 | DOP1.00 |

## 5. Rounding

Certain data in this Prospectus, including financial, statistical and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages have been rounded and accordingly may not add up to 100%.

## 6. Enforcement of Judgments

The Company is a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg.

Many of the Directors, general partners, officers and other executives of the Company are neither residents nor citizens of the United States. Furthermore, substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

Although there is no treaty between Luxembourg and the United States regarding the reciprocal enforcement of judgments, a valid final and conclusive judgment against an issuer of Luxembourg nationality obtained from a court of competent jurisdiction in the U.S., which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognised by Luxembourg international private law conflict of jurisdiction rules;
- the judgment is final and enforceable (exécutoire) in the jurisdiction where the decision is rendered;
- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules or, at least, the relevant judgment must not contravene the principles underlying such rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense;
- the decision of the U.S. court must not have been obtained by fraud; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)) or rendered subsequent to an evasion of Luxembourg law (fraude à la loi). Typically an award of monetary damages would not be considered as a penalty, but if the monetary damages include punitive damages such punitive damages may be considered as a penalty).

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made *bona fide* or if (i) the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

## 7. Certain Insolvency Law Considerations

The Company is incorporated under the laws of the Grand Duchy of Luxembourg and has its registered offices in the Grand Duchy of Luxembourg. Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the Company, as entities having their registered office and central administration (*administration centrale*) and centre of main interest (''COMI''), as used in the EC Regulation 1346/2000 of 29 May 2000 on insolvency proceedings (the ''EU Regulation''), in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office. As a result, there is a rebuttable presumption that the COMI of the Company is in the Grand Duchy of Luxembourg and consequently that any ''main insolvency proceedings'' (as defined in the EU Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the Company has its COMI is a question of fact, which may change from time to time. Preamble 13 of the EU Insolvency Regulation states that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and ''is therefore ascertainable by third parties.'' In the Eurofood IFSC Limited decision by the European Court of Justice (''ECJ''), the ECJ restated the presumption in the EU Regulation that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if ''factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect.'' Subsequently, the ECJ stated in the Interedil Srl decision (Case C-396/09) that a debtor company's COMI must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption in that provision cannot be rebutted. Where a company's central administration is not in the same place as its registered office, the presence of company assets and the existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the presumption unless a comprehensive assessment of all the relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and of the management of its interests is located in that other member state.

Under Luxembourg insolvency laws, the following types of proceedings (the ''Insolvency Proceedings'') may be opened against the Company:

- bankruptcy proceedings (*faillite*), the opening of which is initiated by the relevant guarantor, by any of its creditors or by Luxembourg courts ex officio. The managers/directors of the Company have the obligation to file for bankruptcy within one month in case they are in a state of cessation of payment (*cessation de paiement*).
- Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings, if the relevant guarantor (i) is in default of payment (*cessation des paiements*) and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*).
- If a court finds that these conditions are satisfied, it may also open ex officio bankruptcy proceedings, absent a request made by the Company.
- The main effects of such proceedings are (i) the suspension of all measures of enforcement against the Company, except, subject to certain limited exceptions, for secured creditors and (ii) the payment of the Company's creditors in accordance with their ranking upon the realisation of the guarantor's assets:
    - controlled management proceedings (*gestion controlée*), the opening of which may only be requested by the Company and not by its creditors; and
    - composition proceedings (*concordat préventif de faillite*), the obtaining of which is requested by the Company only after having received a prior consent from a majority of its creditors holding 75% at least of the claims against it. The obtaining of such composition proceedings will trigger a provisional stay on enforcement of claims by creditors.

In addition to these proceedings, the ability of creditors of the Company to receive payment on their claims may be affected by a decision of a Court to grant a stay on payments (*sursis de paiement*) or to put the Company into judicial liquidation (liquidation judiciaire). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the 1915 Law. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

After having converted all available assets of the company into cash and after having determined all the company's liabilities, the insolvency receiver will distribute the proceeds of the sale to the creditors further to their priority ranking as set forth by law, after deduction of the receiver fees and the bankruptcy administration costs.

Any international aspects of Luxembourg bankruptcy, controlled management and composition proceedings may be subject to the EU Insolvency Regulation.

### 8. Available Information

For so long as any of the Offer Shares are ''restricted securities'' within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements of the U.S. Exchange Act under Rule 12g3-2(b) thereunder, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

### 9. No Incorporation of Website Information

Other than the financial statements incorporated by reference hereto or set out in this Prospectus, the contents of the Company's and its affiliates websites do not form part of this Prospectus.

### 10. Key Operating Measures

This Prospectus includes information relating to certain key operating measures of the Group, ODO and Tricom, 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 which management uses 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 Group, ODO and Tricom, as the case may be. As defined by the Altice VII 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 by the Altice VII Group in Part XI (*Selected Historical and Pre-Transaction Pro Forma Financial Information*) and the Numericable Group in Part XIV (*Selected Financial Information of the Numericable Group*) of this Prospectus. Please also refer to the meanings of these terms as defined in Part X (*Selected Historical and Post-Transaction Pro Forma Financial Information*).

### 11. 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 Prospectus 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 Prospectus 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. For more information see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*). 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 Joint Global Coordinators, Joint Bookrunners or Joint Lead Managers or any of our or their respective advisors can verify the accuracy and completeness of such information and neither we nor the Joint Global Coordinators, Joint Bookrunners or Joint Lead Managers 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 Prospectus regarding our industries and our position in these industries based on our experience and our own investigation of market conditions. Neither we nor the Joint Global Coordinators, Joint Bookrunners or Joint Lead Managers 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.

### 12. Legal Matters

Certain legal matters in connection with this offer will be passed upon by Ropes & Gray International LLP, London, England, as to matters of United States federal, New York and English law; by Loyens & Loeff Luxembourg S.à r.l. as to matters of Luxembourg law and by Loyens & Loeff N.V. as to matters of Dutch law.

Certain legal matters in connection with this offer will be passed upon for the Joint Global Coordinators, Joint Bookrunners and Underwriters by Latham & Watkins (London) LLP, as to matters of United States federal, New York and English law; by NautaDutilh Avocats Luxembourg, as to matters of Luxembourg law; and by NautaDutilh N.V. as to matters of Dutch law.

### 13. Tax Consideration

Prospective purchasers of the Offer Shares are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Offer Shares including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction. See Part XXII of this Prospectus (*Tax Considerations*).

### 14. 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 Prospectus is the property of its respective holder.

### 15. Definitions

Definitions of certain terms and certain financial and operating data used in this Prospectus can be found in the section entitled ‘‘Definitions’’. For explanations or definitions of certain technical terms relating to our business as used in this Prospectus, see Part XXIV of this Prospectus (*Glossary*).

## PART VII—DETAILS OF THE OFFER

### 1. The Offer

The Offer consists of (i) a public offering to prospective investors in the Netherlands; (ii) a private placement to certain prospective investors in various other jurisdictions outside the U.S. in reliance on Regulation S; and (iii) to QIBs in the U.S. pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Certain restrictions that apply to the distribution of this Prospectus and the offer and sale of the Offer Shares in jurisdictions outside the Netherlands are described in Part XX (*Selling and Transfer Restrictions*).

In the Offer, the Company intends to issue up to 30,303,030 Ordinary Shares, raising proceeds of approximately €724,000,000, net of underwriting commissions and other estimated offer related fees and expenses of approximately €26,000,000 million. The Shares pursuant to the Offer will represent 14.7% based on the bottom-point of the Offer Price Range, 13.2% based on the mid-point of the Offer Price Range and 12.0% based on the top-point of the Offer Price Range, in each case, of the expected enlarged issued share capital of the Company immediately following Admission (assuming no exercise of the Over-allotment Option).

As part of the Offer, the Selling Shareholder is selling up to 19,821,429 Offer Shares, representing up to 9.8% of the enlarged issued share capital of the Company immediately following Admission (based on the mid-point of the Offer Price Range and assuming no exercise of the Over-allotment Option), raising proceeds of approximately €555 million.

The Selling Shareholder has, together with Penta L.P., also committed to offer up to 7,909,091 Over-allotment Shares (representing approximately 15% of the Offer Shares) pursuant to the Over-allotment Option (which will be made available by the Selling Shareholder to the extent that the whole of the Over-allotment Option is utilised).

Immediately following Admission, it is expected that up to 25.6% of the Company's issued ordinary share capital will be held in public hands (within the meaning of paragraph 6702/1 of Book 1 of the Euronext Rule Book) assuming no Over-allotment Shares are acquired pursuant to the Over-allotment Option. This increases to up to 29.4% of the Company's issued share capital if the maximum number of Over-allotment Shares are issued pursuant to the Over-allotment Option.

The table below sets out the maximum number of Ordinary Shares that may be allotted as part of the Offer, assuming no exercise and full exercise of the Over-allotment Option.

| | Number of Ordinary Shares to be sold in the Offer, without exercise of Over-allotment Option | Number of Ordinary Shares to be sold in the Offer, with exercise of Over-allotment Option |
|---|---|---|
| New Offer Shares | up to 30,303,030 | up to 30,303,030 |
| Existing Offer Shares | up to 22,424,242 | up to 22,424,242 |
| Over-allotment Shares | — | up to 7,909,091 |
| **Total** | 52,727,272 | 60,636,363 |

### 2. Reasons for the Offer and Admission

We believe the Offer will enable the Company to continue to pursue attractive acquisitions consistent with our growth strategy. In particular, we expect the Offer will provide:

- greater financial flexibility—the listing of the Shares will provide us with a quoted, liquid acquisition currency which may be used as consideration for future acquisitions. Furthermore, the Offer will strengthen the Company's balance sheet, with net debt (on a pro forma combined basis as adjusted for the Numericable Acquisition (including Holdco debt), the Offering, and the use of proceeds therefrom) of approximately €6,232.6 million at the time of the Admission and providing increased flexibility in terms of financing potential future acquisitions; and
- improved ability to incentivise our existing and future management team and to continue to attract high calibre individuals to join our management team in the future, by way of awards of listed Shares in the Company, aligning the interests of shareholders and management.

### 3. Dilution

If the Over-allotment Option is not exercised, the existing Ordinary Shares will represent approximately:

- 79.1% of the total issued Ordinary Shares at the top point of the Offer Price Range;
- 77.0% of the total issued Ordinary Shares at the mid point of the Offer Price Range; and
- 74.5% of the total issued Ordinary Shares at the bottom point of the Offer Price Range,

in each case, immediately following Admission.

If the Over-allotment Option is exercised in full, the existing Ordinary Shares will represent approximately:

- 76.0% of the total issued Ordinary Shares at the top point of the Offer Price Range;
- 73.6% of the total issued Ordinary Shares at the mid point of the Offer Price Range; and
- 70.6% of the total issued Ordinary Shares at the bottom point of the Offer Price Range,

in each case, immediately following Admission.

### 4. Timetable

The timetable in Part VI (*Important Information*) lists certain expected key dates for the Offer.

### 5. Offer Period

Subject to acceleration or extension of the timetable for the Offer, prospective investors may subscribe for Offer Shares during the period commencing on January 20, 2014 at 9.00 a.m. CET and ending on January 30, 2014 at 4.00 p.m. CET. The Offer Period for prospective investors may differ and the Joint Bookrunners may accelerate or extend the Offer Period. See ''*—Acceleration or Extension''* below. In the event of an acceleration or extension of the Offer Period, pricing, Allocation, First Trading Date, listing and payment for and delivery of the Offer Shares may be advanced or extended accordingly.

### 6. Conditionality of the Offer

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 8 a.m. on January 31, 2014, determination of the Offer Price, and the Underwriting Agreement not having been terminated prior to Admission. See Part VIII of this Prospectus (*Plan of Distribution*) for further details about the underwriting arrangements. If any of such conditions is not met, the Issuer may decide not to proceed with the Offer.

The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to applicants without interest. Upon the Admission, the Offer will no longer be revocable.

### 7. Acceleration or Extension

Any extension of the timetable for the Offer will be published in a press release on the Company's website at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full business day. Any acceleration of the timetable for the Offer will be published in a press release on the Company's website at least three hours before the proposed end of the accelerated Offer Period. In any event, the Offer Period will be at least six business days. Any such extension or acceleration shall be notified by or on behalf of the Company to the CSSF as soon as reasonably practicable prior to publication of the relevant press release.

### 8. Offer Price and Number of Offer Shares

The Offer Price and the actual number of Offer Shares will be determined on the basis of a book-building process. The Offer Price may be set within or below the Offer Price Range. The Offer Price Range is between €24.75 and €31.25 per Offer Share. The Offer Price Range is an indicative price range.

The Offer Price and the actual number of Offer Shares offered in the Offer will be determined after the Offer Period has ended by the Selling Shareholder and the Company following recommendations from the Joint Bookrunners, taking into account market conditions and factors, including:

- the Offer Price Range;
- a qualitative assessment of demand for the Offer Shares;
- the Group's financial information;
- the history of, and prospects for, the Group and the industries in which the Group competes;
- an assessment of the Group's management, its past and present operations and the prospects for, and timing of, the Group's future revenues;
- the present state of the Group's development;
- the above factors in relation to the market valuation of companies engaged in activities similar to those of the Group;
- the economic and market conditions, including those in the debt and equity markets; and
- any other factors deemed appropriate.

The Offer Price and the actual number of Offer Shares offered in the Offer will be set out in the Pricing Statement that will be deposited with the AFM and the CSSF and published in a press release on the Company's website and on the website of Euronext. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The Offer Price Range, which is an indicative price range, may be changed and/or the number of Offer Shares being offered may be increased or decreased. See ''*—Change of the Offer Price Range or Number of Offer Shares*'' below.

**9. Change of the Offer Price Range or Number of Offer Shares**

The Offer Price Range is an indicative price range. The Company and the Selling Shareholder reserve the right to change the Offer Price Range and/or increase or decrease the number of Offer Shares being offered prior to the date on which Allocation takes place. Any increase in the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. Any such change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release on the Company's website and disclosed in a Supplement to the Prospectus in accordance with article 13 of the Prospectus Law. The Company shall notify such change to the CSSF as soon as reasonably practicable before the publication of such press release.

**10. Subscription and Allocation**

Allocation is expected to take place on the first business day after the end of the Offer Period. Allocations to investors who subscribed for Offer Shares will be made on a systematic basis and full discretion will be exercised as to whether or not and how to allocate the Offer Shares subscribed for. There is no maximum number of Offer Shares for which prospective investors may subscribe. Investors may not be allocated all or any of the Offer Shares for which they subscribe. Any monies received in respect of subscriptions which are not accepted in whole or in part will be returned to the investors without interest and at the investors' risk. Multiple subscriptions are permitted. Ultimately, the Selling Shareholder and the Company, following recommendations from the Joint Bookrunners, will determine the number of Offer Shares to be allocated. The Joint Bookrunners may, at their discretion and without stating the reasons, reject any subscriptions wholly or partly. All Offer Shares will be offered as part of a single offering.

Investors participating in the Offer will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in Part XX of this Prospectus (*Selling and Transfer Restrictions*). Each investor should consult his/her own advisers as to the legal, tax, business, financial and related aspects of a purchase of Ordinary Shares.

On the date that Allocation occurs, Morgan Stanley and Goldman Sachs, on behalf of the Underwriters, will communicate to prospective investors the number of Offer Shares allocated to them on the date that Allocation occurs.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made.

**11. Payment**

Payment for the Offer Shares is expected to take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor. For more information on taxes, see Part XXII in this Prospectus (*Tax Considerations*).

**12. Delivery, Clearing and Settlement**

The Ordinary Shares are registered shares which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Transfer Giro Act. Application has been made for the Ordinary Shares to be accepted for delivery through the book-entry facilities of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, The Netherlands. Delivery of the Offer Shares is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

Subject to acceleration or extension of the timetable for the Offer, the Settlement Date is expected to be February 5, 2014, the third business day following the First Trading Date (T+3). The closing of the Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date. Such conditions include:(i) entry into the pricing agreement between the Company, the Selling Shareholder and the Joint Bookrunners on behalf of the Underwriters, which will contain the Offer Price (the ''Pricing Agreement''), (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers' certificates, (iv) the absence of a suspension of trading on Euronext Amsterdam or certain other markets, (v) the absence of a material adverse change in the Company's financial conditions or business affairs or in the financial markets and (vi) certain other conditions. See Part VIII of this Prospectus (*Plan of Distribution—Underwriting Arrangements*).

There are certain restrictions on the transfer of the Ordinary Shares, as detailed in Part XX of this Prospectus (*Selling and Transfer Restrictions*).

Prior to the Offer, there has been no public market for the Ordinary Shares. Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol ''ATC''. The Offer Shares and the Over-allotment Shares (if any) will be registered with ISIN number LU1014539529.

**13. Listing and Admission to Trading**

Subject to acceleration or extension of the timetable for the Offer, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date. Trading in the Ordinary Shares before the closing of the Offer will take place on an ''if-and-when-delivered'' basis. The closing of the Offer may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See Part VIII of this Prospectus (*Plan of Distribution—Underwriting Arrangements*). If the closing of the Offer does not take place on the Settlement Date or at all, the Offer will be revoked, all subscriptions will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings in the Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The Underwriters, the Company, the Selling Shareholder, the Listing Agent and Euronext Amsterdam N.V. do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offer or the related annulment of any transactions in Ordinary Shares on Euronext Amsterdam.

The Market regulator in the Netherlands is the AFM, insofar as the supervision of market conduct is concerned. The AFM has supervisory powers with respect to the application of takeover regulations and the publication of inside information by listed companies. It also supervises financial intermediaries

(such as credit institutions and investment firms) and investment advisers. The AFM is also the competent authority for approving all prospectuses published for admission of securities to trading on Euronext Amsterdam, except for prospectuses approved in another Relevant Member State that is used in the Netherlands in accordance with applicable passporting rules.

**14. Withdrawal rights and Allocations under the Offer**

If the Company is required to publish any Supplement to the Prospectus in accordance with article 13.2 of the Prospectus Law, applicants who have applied for Ordinary Shares in the Offer shall have at least two clear business days following the publication of the relevant Supplement to the Prospectus within which to withdraw their application to acquire Ordinary Shares in the Offer in its entirety. The right to withdraw an application to acquire Ordinary Shares in the Offer in these circumstances will be available to all investors in the Offer. If the application is not withdrawn within the stipulated period, any application to apply for Ordinary Shares in the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a Supplement to the Prospectus is published.

The allocation of Ordinary Shares between the investors will be determined by the Joint Bookrunners in their absolute discretion.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made.

**15. Net Proceeds**

The Company and the Selling Shareholder will receive the net proceeds from the Offer and, if the Over-allotment Option is exercised, the Selling Shareholder and Penta L.P. will receive the net proceeds from the sale of the Over-allotment Shares. The total net proceeds of the Offer before any exercise of the Over-allotment Option are expected to be €1,279 million (after deducting estimated offer-related fees and expenses). Assuming the Over-allotment Option is exercised in full, the total net proceeds of the Offer are expected to be approximately €1,475 million (after deducting estimated offer-related fees and expenses).

The Company will receive approximately €724 million of net proceeds from the Offer (after deducting estimated offer related fees and expenses).

The proceeds from the Offer receivable by the Selling Shareholder before any exercise of the Over-allotment option will be approximately €555 million. In addition, the Selling Shareholder and Penta L.P. will receive in aggregate approximately €196 million of such net proceeds in the event the Over-allotment Option is exercised in full.

**16. Use of Proceeds**

We believe the Offer will enable the Company to continue to pursue attractive acquisitions consistent with our growth strategy. In particular, we expect the Offer will provide:

- greater financial flexibility—the listing of the Shares will provide us with a quoted, liquid acquisition currency which may be used as consideration for future acquisitions. Furthermore, the Offer will strengthen the Company's balance sheet, with net debt (on a pro forma combined basis as adjusted for the Numericable Acquisition (including Holdco debt), the Offering, and the use of proceeds therefrom) of approximately €6,232.6 million at the time of the Admission and providing increased flexibility in terms of financing potential future acquisitions; and
- improved ability to incentivise our existing and future management team and to continue to attract high calibre individuals to join our management team in the future, by way of awards of listed Shares in the Company, aligning the interests of shareholders and management.

The Company will use the proceeds of the Offer to finance its recent expansion in the Dominican Republic, pay down financial indebtedness incurred by the Company in connection with the Pre-IPO Reorganisation, pay for transaction costs associated with the Offer and for general corporate purposes.

The Company will not receive any proceeds from the sale of the Existing Offer Shares by the Selling Shareholder. The Selling Shareholder is entitled to receive from the Company the sum of €13.8 million in repayment of a vendor loan that is outstanding pertaining to the acquisition of Ma Chaine Sport. The Company shall pay the Selling Shareholder the amount of €13.8 million in settlement of the vendor loan out of the proceeds of the Offer.

## 17. Fees and Expenses

The Company's total fees, costs and expenses of and incidental to, the Offer (including the listing fees, printer's fees, professional fees and expenses, costs of distribution of documents and transfer taxes) are estimated to amount to €26,000,000, and are payable by the Company.

## PART VIII—PLAN OF DISTRIBUTION

### 1. Underwriting arrangements

Under the terms and subject to the conditions set forth in the Underwriting Agreement to be entered into on or about January 31, 2014, the Underwriters have severally and not jointly or jointly and severally agreed to procure purchasers for or, failing which, to purchase themselves, the Offer Shares. The proportion of Offer Shares which each Underwriter may severally be required to purchase is indicated below.

| Underwriters | Percentage of Offer Shares |
|---|---|
| Goldman Sachs International | 26% |
| Morgan Stanley & Co. International plc | 26% |
| Credit Suisse Securities (Europe) Limited | 15% |
| Deutsche Bank AG, London Branch | 15% |
| HSBC Bank plc | 5% |
| Crédit Agricole Corporate and Investment Bank | 5% |
| ING Bank N.V. | 8% |
| **Total** | 100% |

The Underwriting Agreement provides that the obligations of the Underwriters to procure purchasers for, or failing which, to purchase themselves, the Offer Shares, and if applicable, the Over-allotment Shares, are subject to: (i)there not having occurred a material adverse change with respect to the business, operations, property or condition (financial or otherwise) or prospects of the Company and its subsidiaries, (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers' certificates, and (iv) certain other conditions.

In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves, the Offer Shares, and, if applicable, the Over-allotment Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Underwriting Agreement provides for the Underwriters to be paid selling, underwriting and management commissions of 1.5% of the product of the Offer Price and the aggregate number of Offer Shares allotted pursuant to the Offer and any Over-allotment Shares issued pursuant to the Over-allotment Option. This does not include any incentive fees, which may be paid at the discretion of the Company and the Selling Shareholder.

The Offer consists of (i) a public offering to prospective investors in the Netherlands and (ii) a private placement to certain prospective investors in various other jurisdictions. See Part VII of this Prospectus (*Details of the Offer—The Offer*). The Offer is made: (i) within the United States, to QIBs pursuant to Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws; and (ii) outside the United States, in accordance with Regulation S. Neither the Offer Shares nor the Over-allotment Shares have been or will be registered under the U.S. Securities Act and may not be offered or sold within the United States except as described in the immediately preceding sentence.

Any offer and sale in the United States will be made by affiliates of the Underwriters who are broker-dealers registered under the US Exchange Act of 1934, as amended (the U.S. Exchange Act).

Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or any parties related to any of them, in respect of which they, have and may in the future, receive customary fees and commissions. Each of the Underwriters or their affiliates are lenders under the 2012 Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility and the 2013 Term Loan, as well as certain other financing arrangements entered into in connection with the Numericable Acquisition, the Tricom Acquisition and the ODO Acquisition which are expected to be extinguished in full or in part from the proceeds of the Offering of New Offer Shares (the ''Financing Arrangements'') (other than Deutsche Bank AG, London Branch in respect of the 2012 Revolving Credit Facility Agreement, HSBC Bank plc in respect of the 2013 Revolving Credit Facility Agreement and 2013 Guarantee Facility and Morgan Stanley & Co. International plc, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank, ING Bank N.V. in respect of the 2013 Term Loan and HSBC Bank plc

and ING Bank N.V. in respect of the Financing Arrangements). Deutsche Bank AG, London Branch, HSBC France, Crédit Agricole Corporate and Investment Bank and ING Bank France and/or their respective affiliates are also mandated lead arrangers and/or lenders under the Ypso France SFA. Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC France, ING Bank France, and Morgan Stanley & Co. International, or, as applicable certain of their affiliates, along with other financial institutions are lenders under the 2013 Margin Loan. Certain of these facilities, to the extent they have been used to finance the ODO Acquisition and the Tricom Acquisition, are expected to be repaid in full or part with the proceeds of the Offer. In addition, all of the Underwriters or their affiliates have, in the past, acted as initial purchasers in connection with bond offerings by affiliates of Numericable and the Altice VII Group. In addition, certain of the Underwriters or their affiliates are party to certain of our hedging arrangements. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict with, the interests of investors. Further, a former executive at Morgan Stanley, one of the Underwriters, became one of our Non-Executive Directors on January 16, 2014. See Part XXI of this Prospectus (*Directors, Senior Management, Employees and Corporate Governance*). In connection with the Offer, each of the Underwriters and any of its affiliates acting as an investor for its own account may take up the Offer Shares and Over-allotment Shares (if any) and, in that capacity, may retain, purchase or sell for its own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to the Offer Shares or the Over-allotment Shares being offered or placed should be read as including any Offer or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

**2. Over-allotment and Stabilisation**

In connection with the Offer, Morgan Stanley as Stabilisation Agent, or its agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws, over-allot or effect transactions with a view to supporting the market price of the Ordinary Shares, or any options, warrants or rights with respect to, or other interest in, the Ordinary Shares, if any, or other securities of the Company. These activities may raise or maintain the market price of the Ordinary Shares above independent market levels or prevent or retard a decline in the market price of the Ordinary Shares. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter markets or otherwise. The Stabilisation Agent and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken. Such stabilisation may be commenced on the First Trading Date and, if commenced, may be discontinued at any time and must be brought to an end within 30 days after the First Trading Date. Save as required by law or regulation, the Stabilisation Agent does not intend to disclose the extent of any stabilisation transactions under the Offer.

None of the Company, the Selling Shareholder or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Ordinary Shares. In addition, none of the Company, the Selling Shareholder or any of the Underwriters makes any representation that the Stabilisation Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**3. Lock-up Arrangements**

The Selling Shareholder and certain members of senior management have agreed to a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

In addition, the Company has agreed to a 180-day lock-up following the Settlement Date, subject to a carve-out which permits equity issuance only in the context of a publicly announced merger or acquisition transaction. Under the carve-out, following the expiry of the initial 45 days of the 180-day lock-up period, the Company shall be permitted to issue new shares representing no greater than 50 per cent. of the total issued share capital of the Company, in connection with a publicly announced merger or acquisition transaction (either to issue shares as consideration for such acquisition or to raise proceeds to fund such acquisition). This carve-out to the Company lock-up may only be used once during the 180-day period following the Settlement Date. If shares are issued pursuant to this carve-out during the lock-up period, no further issue by the Company shall be permitted for the remainder of the 180-day lock-up period, or for 90 days after such issuance, whichever is longer.

In addition, the Company is permitted to issue approximately 714,285 new Ordinary Shares (based on an Offer Price at the mid-point of the Offer Price Range) to certain new employees or future employees, which shall be treated as a carve-out from the 180-day lock-up period which the Company is subject to; provided that, in each case, such employees agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

Under arrangements currently being discussed with the OMT Managers, it is envisaged that the OMT Managers will enter into lock-up arrangements with Next L.P., pursuant to which the OMT Managers may not dispose of any Ordinary Shares issued to them without the consent of Next L.P. These provisions will apply (i) until 2016, in respect of all such Ordinary Shares, (ii) from 2016 through 2017, on two/third of such Ordinary Shares and (iii) from 2017 through 2018, on one third of such Ordinary Shares. The lock-up arrangements will lapse in 2018. It is envisaged that similar arrangements will be entered into with the Mobius Managers. Whilst it is the present intention that the Ordinary Shares proposed to be issued to the OMT Managers and the Mobius Managers under these arrangements are so issued on the Settlement Date, there is a possibility that this will not be achieved and consequently that such issue can only take place after the Settlement Date. To the extent the Company is only able to issue the Ordinary Shares post Settlement Date, pursuant to this arrangement, such issue shall be treated as a carve-out from the 180-day lock-up period which the Company is subject to *provided that*, in each case, the OMT Managers and the Mobius Managers agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

Based on the current status of discussion between Altice Caribbean, the OMT Managers and the Mobius Managers, and assuming that (i) the OMT Managers and the Mobius Managers contribute their shares in Altice Blue Two (other than ratchet shares) to the Company and that (ii) the Mobius Managers will reinvest a fraction of their proceeds from the Mobius Acquisition in Ordinary Shares in the Company, the Company would issue approximately 2,360,945 new Ordinary Shares to be subscribed by OMT Managers and Mobius Managers (based on an Offer Price at the mid-point of the Offer Price Range) which would lead to dilution of Company shareholders by approximately 1.1% (based on an Offer Price at the mid-point of the Offer Price Range). In addition, the existing arrangement also contemplates a 2014 financial performance based earnout payable to the OMT Managers and the Mobius Managers which will be settled by the Company by way of an issue of Ordinary Shares up to the value of €10 million in early 2015.

### 4. Listing Agent and Paying Agent

ING is acting as listing agent (''the Listing Agent'') with respect to the listing of the Ordinary Shares on Euronext Amsterdam and is also acting as paying agent for the Ordinary Shares in the Netherlands. The address of ING is Bijlmerplein 888, 1102 MG, Amsterdam, The Netherlands.

## PART IX—CAPITALISATION AND INDEBTEDNESS

The tables below set out the capitalisation and indebtedness of (i) the Altice VII Group, (ii) the Numericable Group and (iii) the Company and its subsidiaries as at September 30, 2013.

The Altice VII Group and the Numericable Group are currently financed on a stand-alone 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 VII Group and the Numericable Group). Consequently, there are restrictions on the ability of the Altice VII Group to apply cash flows from operations to meet the obligations of the Numericable Group or any other member of the Group and on the ability of the Numericable Group to apply cash flows from operations of the Numericable Group to meet the obligations of the Altice VII Group or any other member of the Group.

The capitalisation and net debt figures for the Altice VII Group are presented (i) on a historical basis and (ii) on an as adjusted basis after giving effect to the ODO Acquisition, the Tricom Acquisition, the 2013 Coditel Transaction and the related funding of the 2013 Term Loan in full, the offering of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes and the acquisition of Ma Chaîne Sport and SportV.

The capitalisation and net debt figures for the Numericable Group are presented (i) on a historical combined basis and (ii) on an as adjusted basis after giving effect to the capitalization of all of the shareholder loans of Numericable, which took place as part of its reorganization prior to the Numericable IPO, its issuance of new shares in connection with the Numericable IPO and the use of the proceeds therefrom (but without giving effect to the issuance of new shares to its employees concurrently with its initial public offering). Furthermore, as adjusted net debt of the Numericable Group is also presented separately after giving effect to further adjustments including the exclusion of certain customer deposits, accrued interest, perpetual subordinated notes and certain other debt-like items.

The capitalisation figures for the Company and its subsidiaries are presented (i) on a pro forma combined basis, representing the arithmetical sum of the relevant as adjusted capitalisation figures of the Altice VII Group and the Numericable Group and (ii) on a pro forma combined as adjusted basis after giving effect to the Numericable Acquisition and related financing arrangements. The net debt figures for the Company and its subsidiaries are presented (i) on a pro forma combined basis, representing the arithmetical sum of the relevant as adjusted net debt figures of the Altice VII Group and the Numericable Group, (ii) on a pro forma combined as adjusted basis after giving effect to the Numericable Acquisition and related financing arrangements and (iii) on a pro forma combined as adjusted basis after giving effect to the Numericable Acquisition and related financing arrangements and the issue of the New Offer Shares in the Offer at the mid-price of the Offer Price Range and the use of proceeds therefrom.

The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon Admission. These tables should be read in conjunction with ‘‘*Use of Proceeds*’’, ‘‘*Description of Certain Indebtedness*’’ and the financial statements and notes thereto included elsewhere in this Prospectus.

The table below presents an overview of our capitalisation and indebtedness as at September 30, 2013 on an actual or as adjusted basis, as applicable.

| | Altice VII Group, As Adjusted (excl. Tricom and ODO) | Adjustments for Tricom and ODO | Altice VII Group, As Adjusted (incl. Tricom and ODO) | Numericable Group, As Adjusted | Group, Pro Forma, Combined, As Adjusted | Adjustments for Holdco debt | Group, As Adjusted for the Numericable Acquisition (incl. Holdco debt) | Net IPO Proceeds | Group, As Adjusted for the Numericable Acquisition (incl. Holdco debt), the Offering, and Use of Proceeds therefrom |
|---|---|---|---|---|---|---|---|---|---|
| **As adjusted** | | | | | | | | | |
| **Current debt** | | | | | | | | | |
| Secured/Guaranteed | 7.8 | | 7.8 | 54.3 | 62.1 | | 62.1 | | 62.1 |
| Unsecured | 26.2 | | 26.2 | 0.7 | 26.9 | | 26.9 | | 26.9 |
| **Total current debt** | **34.0** | | **34.0** | **55.0** | **89.0** | | **89.0** | | **89.0** |
| **Non-current debt** | | | | | | | | | |
| Secured/Guaranteed debt | 1,360.8 | 961.2 | 2,322.0 | 2,575.0 | 4,897.0 | 324.0 | 5,221.0 | | 5,221.0 |
| Unsecured debt | 920.2 | 293.9 | 1,214.1 | 87.6 | 1,301.6 | 590.0 | 1,891.6 | (590.0) | 1,301.6 |
| **Total non-current debt** | **2,281.0** | **1,255.1** | **3,536.1** | **2,662.5** | **6,198.7** | **913.9** | **7,112.6** | **(590.0)** | **6,522.6** |
| **Combined shareholders' equity** | (121.8) | | (121.8) | (93.5) | (215.3) | | (104.2) | | (104.2) |
| **Total Capitalisation** | **2,159.2** | **1,255.1** | **3,414.3** | **2,569.0** | **5,983.3** | **1,025.0** | **7,008.4** | **(590.0)** | **6,418.4** |
| **Net debt** | | | | | | | | | |
| Cash | **63.9** | | 63.9 | 94.2 | 158.1 | | 158.1 | 120.2 | 278.3 |
| Cash equivalents | **0.0** | | 0.0 | 0.0 | 0.0 | | 0.0 | | 0.0 |
| Investments | **0.0** | | 0.0 | 0.0 | 0.0 | | 0.0 | | 0.0 |
| **Liquidity** | **63.9** | **0.0** | **63.9** | **94.2** | **158.1** | **0.0** | **158.1** | **120.2** | **278.3** |
| **Current financial debt** | | | | | | | | | |
| Current bank debt | **0.0** | | 0.0 | 27.3 | 27.3 | | 27.3 | | 27.3 |
| Current portion of non-current debt | **34.0** | | 34.0 | 26.4 | 60.4 | | 60.4 | | 60.4 |
| Other current financial debt | **0.0** | | 0.0 | 1.2 | 1.2 | | 1.2 | | 1.2 |
| **Total current financial debt** | **34.0** | **0.0** | **34.0** | **55.0** | **89.0** | **0.0** | **89.0** | **0.0** | **89.0** |
| **Net current financial debt** | **(29.9)** | | **(29.9)** | **(39.3)** | **(69.2)** | | **(69.2)** | | **(189.4)** |
| **Borrowings due in over one year** | **787.2** | | 787.2 | 1,863.7 | 2,650.9 | 913.9 | 3,564.9 | (590.0) | 2,974.9 |
| Bonds issued | 1,493.8 | **1,255.1** | 2,748.9 | 708.2 | 3,457.1 | | 3,457.1 | | 3,457.1 |
| Other borrowings due in over one year | 0.0 | | 0.0 | 90.6 | 90.6 | | 90.6 | | 90.6 |
| **Non-current financial debt** | **2,281.0** | | **3,536.1** | **2,662.5** | **6,198.6** | **913.9** | **7,112.6** | **(590.0)** | **6,522.6** |
| **Net Debt** | **2,251.1** | **1,255.1** | **3,506.2** | **2,623.3** | **6,129.5** | **913.9** | **7,043.4** | **(710.1)** | **6,333.3** |
| **Other Adjustments** | **0.0** | | **0.0** | **(100.7)** | **(100.7)** | | **(100.7)** | | **(100.7)** |
| **Net Debt (excluding debt like items and accrued interest)** | **2,251.1** | **1,255.1** | **3,506.2** | **2,522.6** | **6,028.8** | **913.9** | **6,942.8** | **(710.1)** | **6,232.6** |

**Altice VII Group**

***Actual Basis***

The tables below set forth the unaudited historical combined capitalisation and information concerning the net debt of the Altice VII Group as of September 30, 2013.

| Capitalisation | Actual<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| **Current debt** | |
| Secured/Guaranteed | 0.0 |
| Unsecured | 26.2 |
| **Total current debt[3]** | **26.2** |
| **Non-current debt** | |
| Secured/Guaranteed[1] | 1,288.0 |
| Unsecured[2] | 921.8 |
| **Total non-current debt (excluding current portion of the long-term debt)[3]** | **2,209.8** |
| **Shareholders' equity** | |
| Invested equity | (87.8) |
| **Total Capitalisation** | **2,148.2** |

| Net debt[4] | Actual<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash[5] | 61.9 |
| Cash equivalents | — |
| Investments | — |
| **Liquidity** | **61.9** |
| **Current financial debt** | |
| Current bank debt | 0.0 |
| Current portion of non-current debt | 26.2 |
| Other current financial debt | 0.0 |
| **Total current financial debt** | **26.2** |
| **Net current financial debt** | **(35.7)** |
| Borrowings due in over one year | 820.0 |
| Bonds issued | 1,389.8 |
| Other borrowings due in over one year | 0.0 |
| **Non-current financial debt** | **2,236.0** |
| **Net debt** | **2,174.1** |

***As Adjusted Basis***

The tables below set forth the unaudited combined capitalisation and information concerning the net debt of the Altice VII Group as of September 30, 2013, as adjusted for the above described post balance sheet date events.

| Capitalisation | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| **Current debt** | |
| Secured/Guaranteed | 7.8 |
| Unsecured | 26.2 |
| **Total current debt** | **34.0** |
| **Non-current debt** | |
| Secured/Guaranteed debt at Altice VII | 1,360.8 |
| Secured Debt for Dominican Republic transaction | 961.2 |
| Unsecured debt at Altice VII | 920.2 |
| Unsecured Debt for Dominican Republic transaction | 293.9 |
| **Total non-current debt (excluding current portion of the long-term debt)(3)** | **3,536.1** |
| **Shareholders' equity** | |
| Invested equity | (121.8) |
| **Total Capitalisation** | **3,414.3** |

| Net debt[4] | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash[5] | 63.9 |
| Cash equivalents | 0.0 |
| Investments | 0.0 |
| **Liquidity** | **63.9** |
| **Current financial debt** | |
| Current bank debt | 0.0 |
| Current portion of non-current debt | 34.0 |
| Other current financial debt | 0.0 |
| **Total current financial debt** | **34.0** |
| **Net current financial debt** | **(29.9)** |
| Borrowings due in over one year | 787.2 |
| Bonds issued | 2,748.9 |
| Other borrowings due in over one year | 0.0 |
| **Non-current financial debt** | **3,536.1** |
| **Net debt** | **3,506.2** |
| Secured Debt for Dominican Republic transaction | (961.2) |
| Unsecured Debt for Dominican Republic transaction | (293.9) |
| **Net debt excluding Dominican Republic acquisition debt** | **2,251.1** |

(1) Primarily includes the Existing Coditel Mezzanine Facility, the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Secured Notes, the 2013 Euro Senior Notes, the 2013 Dollar Senior Notes, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facilities and finance leases. For details of the guarantees and security in respect of such indebtedness, see Part XIX of this Prospectus (*Description of Certain Indebtedness*). As of September 30, 2013, Altice Financing had drawn a total amount of €714.3 million under the 2013 Term Loan, which is recorded using a fixed exchange rate of $1.301 = €1.00. On November 29, 2013, Altice Financing utilized the remaining amount of the 2013 Term Loan to complete the 2013 Coditel Transaction, which is reflected in the as adjusted amount. Altice Financing may draw on the Revolving Credit Facilities to support our working capital purposes. The Revolving Credit Facilities are made up of (i) an $80 million 2012 Revolving Credit Facility and (ii) a €60 million 2013 Revolving Credit Facility. In addition, as of the date hereof, Altice Financing 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, which represents a contingent liability of the Group. Dollar denominated debt has been converted using an exchange rate of $1 = €0.735.

(2) Includes the HOT Unsecured Notes. For a description of the HOT Unsecured Notes, see Part XIX of this Prospectus (Description of Certain Indebtedness—HOT Unsecured Notes). The amount is based on the exchange rate as of September 30, 2013 of €0.2094 = NIS1.00.

(3) Excludes other long term and short term liabilities and finance leases of the Altice VII Group, any intercompany loans among members of the Altice VII Group, preferred equity certificates issued to minority shareholders in our subsidiaries and the fair market value of hedge agreements in place. 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. Also excludes any accrued interest on all debt obligations.

(4) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparation of the Historical Combined Financial Information as of and for the year ended December 31, 2012.

(5) Reflects cash of the Altice VII Group on a consolidated basis. This excludes restricted cash. Restricted cash amounted to €10.2 million as of September 30, 2013. On an as adjusted basis, the cash position includes cash on balance sheet of Ma Chaîne Sport and SportV, amounting to a total of €2.0 million.

Except as indicated herein, there have been no material changes to the capitalisation and net debt of the Altice VII Group since December 31, 2012.

### Numericable Group

#### *Actual Basis*

The table below sets forth the Numericable Group's unaudited historical combined capitalisation and information concerning Numericable Group's net debt as of September 30, 2013.

| | Actual |
|---|---|
| **Capitalisation** | **As at September 30, 2013** |
| | **(€ in millions)** |
| **Current debt** | |
| Secured | 52.9 |
| Guaranteed | — |
| Unsecured | 0.7 |
| **Total current debt** | **53.6** |
| **Non-current debt** | |
| Secured | 2,722.0 |
| Guaranteed | — |
| Unsecured | 221.4 |
| **Total non-current debt** | **2,943.4** |
| **Combined invested equity—Numericable Group share** | |
| Invested equity[1] | (227.4) |
| **Total combined invested equity—Numericable Group share** | **(227.4)** |

| Net debt | Actual<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash | 20.9 |
| Cash equivalents | — |
| Investments | — |
| **Liquidity** | **20.9** |
| **Current financial debt** | |
| Current bank debt | 27.3 |
| Current portion of non-current debt | 25.0 |
| Other current financial debt | 1.2 |
| **Total current financial debt** | **53.6** |
| **Net current financial debt** | **32.7** |
| Borrowings due in over one year | 1,863.7 |
| Bonds issued | 860.2 |
| Other borrowings due in over one year | 219.5 |
| **Non-current financial debt(2)** | **2,943.4** |
| **Net debt** | **2,976.1** |

(1) The information presented in this table is based on the combined financial statements of the Numericable Group as of and for the nine months ended September 30, 2013 included elsewhere in this Prospectus and has been prepared on the same basis as the combined annual financial statements included elsewhere in this Prospectus. Numericable was created on August 2, 2013. As of September 30, 2013, the combined invested equity—Numericable Group share corresponds to the addition of the consolidated shareholders' equity of the Ypso and Altice B2B sub-groups. As a result, and due to the combination, the presentation of the Numericable Group's combined shareholders' equity will be different from the presentation of the line items that will make up the Numericable Group's consolidated shareholders' equity at December 31, 2013 (share capital, share premium and reserves), following the completion of the Numericable Group's reorganization that took place prior to the Numericable IPO.

(2) As indicated in Note 29 ''Lease Arrangements'' of Numericable's annual financial statements included in this Prospectus, Numericable also has non-cancellable operating lease commitments.

***As Adjusted Basis***

The tables below set forth the unaudited combined capitalisation and information concerning the net debt of the Numericable Group as of September 30, 2013, as adjusted for the above described post balance sheet date events. Furthermore, as described in the footnotes below, the as adjusted net debt of the Numericable Group excludes certain customer deposits, accrued interest, perpetual subordinated notes and certain other debt-like items.

| Capitalisation | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| **Current debt** | |
| Secured | 54.3 |
| Guaranteed | 0.0 |
| Unsecured | 0.7 |
| **Total current debt** | **55.0** |
| **Non-current debt** | |
| Secured(1) | 2,575.0 |
| Guaranteed | 0.0 |
| Unsecured(1) | 87.6 |
| **Total non-current debt** | **2,662.5** |
| **Combined shareholders' equity—Numericable Group share(5)** | |
| Invested equity(2) | (93.5) |
| **Total capitalisation—Numericable Group share** | **2,569.0** |

| Net debt | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash[3] | 94.2 |
| Cash equivalents | 0.0 |
| Investments | 0.0 |
| **Liquidity** | **94.2** |
| **Current financial debt** | |
| Current bank debt | 27.3 |
| Current portion of non-current debt | 26.4 |
| Other current financial debt | 1.2 |
| **Total current financial debt** | **55.0** |
| **Net current financial debt** | **(39.3)** |
| Borrowings due in over one year | 1,863.7 |
| Bonds issued | 708.2 |
| Other borrowings due in over one year | 90.6 |
| **Non-current financial debt[2]** | **2,662.5** |
| **Net debt** | **2,623.3** |
| **Other adjustments** | |
| Customer deposits | (50.0) |
| Perpetual subordinate notes | (37.1) |
| Others | (0.5) |
| Accrued interest | (13.2) |
| **Net debt (excluding debt-like items and accrued interest)** | **2,522.6** |

(1) Reflects the repayment of €225.0 million principal amount of the Numericable Group's 8.75% senior secured notes due February 2019 and €275.0 million principal amount of senior secured floating rate notes due October 2018, via repayment of the corresponding portion of the senior facility agreement of the Ypso sub-group, using €152.0 million of the net proceeds of the Numericable IPO (i.e., €243.3 million, after deducting transaction costs of €6.8 million).

(2) Reflects the recapitalization of the securities issued by Coditel Debt SARL, amounting to €133.8 million (principal plus capitalized interest) as part of the reorganization of the Numericable Group which took place prior to the Numericable IPO.

(3) Reflects the application of the remainder of the Numericable IPO proceeds towards general corporate purposes.

(4) Reflects the deduction of transaction costs totalling €6.8 million relating to Numericable's issuance of new shares in connection with the Numericable IPO.

(5) As indicated above, as of September 30, 2013, the combined shareholders' equity—Numericable Group share corresponds to the addition of the consolidated shareholders' equity of the Ypso and Altice B2B sub-groups. As a result, and due to the combination, the presentation of the Numericable Group's combined shareholders' equity will be different from the presentation of the line items that will make up the Numericable's consolidated shareholders' equity at December 31, 2013 (share capital, share premium and reserves), following the completion of Numericable's reorganization that took place prior to the Numericable IPO.

Except as indicated herein, there have been no material changes to the Numericable Group's capitalisation and net debt since December 31, 2012.

**The Company and its subsidiaries**

***Pro Forma, Combined, As Adjusted***

The tables below set forth the unaudited pro forma as adjusted combined capitalisation and information concerning the net debt of the Company and its subsidiaries as of September 30, 2013.

| Capitalisation | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| **Current debt** | |
| Secured/Guaranteed | 62.1 |
| Unsecured | 26.9 |
| **Total current debt[3]** | **89.0** |
| **Non-current debt** | |
| Secured/Guaranteed[1] | 4,897.0 |
| Unsecured[2] | 1,301.6 |
| **Total non-current debt (excluding current portion of the long-term debt)[3]** | **6,198.6** |
| **Shareholders' equity** | |
| Invested equity | (215.3) |
| **Total Capitalisation** | **5,983.3** |

| Net debt[4] | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash[5] | 158.1 |
| Cash equivalents | 0.0 |
| Investments | 0.0 |
| **Liquidity** | **158.1** |
| **Current financial debt** | |
| Current bank debt | 27.3 |
| Current portion of non-current debt | 60.4 |
| Other current financial debt | 1.2 |
| **Total current financial debt** | **89.0** |
| **Net current financial debt** | **(69.2)** |
| Borrowings due in over one year | 2,650.9 |
| Bonds issued | 3,457.1 |
| Other borrowings due in over one year | 90.6 |
| **Non-current financial debt** | **6,198.6** |
| **Net debt** | **6,129.5** |
| **Other adjustments to the net debt of the Numericable Group** | |
| Customer deposits | (50.0) |
| Perpetual subordinated notes | (37.1) |
| Others | (0.5) |
| Accrued interest | (13.2) |
| **Net debt (excluding certain debt like items and accrued interest of the Numericable Group)** | **6,028.8** |

***As Adjusted for the Numericable Acquisition***

The tables below set forth the unaudited combined capitalisation and information concerning the net debt of the Company and its subsidiaries as of September 30, 2013, as adjusted for the Numericable Acquisition, as explained above.

| Capitalisation | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| **Current debt** | |
| Secured/Guaranteed | 62.1 |
| Unsecured | 26.9 |
| **Total current debt** | **89.0** |
| **Non-current debt** | |
| Secured/Guaranteed debt at Numericable and Altice VII | 4,897.0 |
| Secured Holdco debt[6] | 324.0 |
| Unsecured debt at Altice VII and Numericable | 1,301.6 |
| Unsecured Holdco debt[6] | 590.0 |
| **Total non-current debt (excluding current portion of the long-term debt)[3]** | **7,112.6** |
| **Shareholders' equity** | |
| Invested equity | (104.2) |
| **Total Capitalisation** | **7,008.4** |

| Net debt[4] | As Adjusted<br>As at September 30, 2013<br>(€ in millions) |
|---|---|
| Cash[5] | 158.1 |
| Cash equivalents | 0.0 |
| Investments | 0.0 |
| **Liquidity** | **158.1** |
| **Current financial debt** | |
| Current bank debt | 27.3 |
| Current portion of non-current debt | 60.4 |
| Other current financial debt | 1.2 |
| **Total current financial debt** | **89.0** |
| **Net current financial debt** | **(69.2)** |
| Borrowings due in over one year | 3,564.9 |
| Bonds issued | 3,457.1 |
| Other borrowings due in over one year | 90.6 |
| **Non-current financial debt** | **7,112.6** |
| **Net debt** | **7,043.4** |
| **Other adjustments to the net debt of the Numericable Group** | |
| Customer deposits | (50.0) |
| Perpetual subordinated notes | (37.1) |
| Others | (0.5) |
| Accrued interest | (13.2) |
| **Net debt (excluding certain debt like items and accrued interest of the Numericable Group)** | **6,942.8** |

(1) Primarily includes the Existing Coditel Mezzanine Facility, the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Secured Notes, the 2013 Euro Senior Notes, the 2013 Dollar Senior Notes, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facilities and finance leases. For details of the guarantees and security in respect of such indebtedness, see Part XIX of this Prospectus (Description of Certain Indebtedness). As of September 30, 2013, Altice Financing had drawn a total amount of €714.3 million under the 2013 Term Loan, which is recorded using a fixed exchange

rate of $1.301 = €1.00. On November 29, 2013, Altice Financing utilized the remaining amount of the 2013 Term Loan to complete the 2013 Coditel Transaction, which is reflected in the as adjusted amount. Altice Financing may draw on the Revolving Credit Facilities to support our working capital purposes. The Revolving Credit Facilities are made up of (i) an $80 million 2012 Revolving Credit Facility and (ii) a €60 million 2013 Revolving Credit Facility. In addition, as of the date hereof, Altice Financing 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, which represents a contingent liability of the Group. Dollar denominated debt has been converted using an exchange rate of $1 = €0.735.

(2) Includes the HOT Unsecured Notes. For a description of the HOT Unsecured Notes, see Part XIX of this Prospectus (*Description of Certain Indebtedness—HOT Unsecured Notes*). The amount is based on the exchange rate as of September 30, 2013 of €0.2094 = NIS1.00.

(3) Excludes other long term and short term liabilities and finance leases of the Altice VII Group, any intercompany loans among members of the Altice VII Group, preferred equity certificates issued to minority shareholders in our subsidiaries and the fair market value of hedge agreements in place. 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. Also excludes any accrued interest on all debt obligations.

(4) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparation of the Historical Combined Financial Information as of and for the year ended December 31, 2012.

(5) Reflects cash of the Company on a consolidated basis. This excludes restricted cash. Restricted cash amounted to €10.2 million as of September 30, 2013.

(6) Holdco debt (secured and unsecured) refers to debt issued by Altice Six or its controlling shareholder for the purpose of financing a portion of the ODO Acquisition (€85.0 million), the acquisition of an additional 16% stake in Numericable Group (€324.0 million pursuant to the 2013 Margin Loan and €365.0 million pursuant to a PIK loan) as well as to finance the buy-out of LPs having economical interest through Next L.P. (€140.0 million).

### *As Adjusted Basis for the Numericable Acquisition, the issuance of the New Offer Shares and the Use of Proceeds therefrom*

The table below shows the as adjusted net debt position of the Company, after giving effect to the Numericable Acquisition, the issuance of the New Offer Shares and the use of proceeds therefrom.

| | As Adjusted |
|---|---|
| **Net debt[4]** | **As at September 30, 2013** |
| | **(€ in millions)** |
| Cash[5][7] | 278.3 |
| Cash equivalents | 0.0 |
| Investments | 0.0 |
| **Liquidity** | **278.3** |
| **Current financial debt** | |
| Current bank debt | 27.3 |
| Current portion of non-current debt | 60.4 |
| Other current financial debt | 1.2 |
| **Total current financial debt** | **89.0** |
| **Net current financial debt** | **(189.4)** |
| Borrowings due in over one year[7] | 2,974.9 |
| Bonds issued | 3,457.1 |
| Other borrowings due in over one year | 90.6 |
| **Non-current financial debt** | **6,522.6** |
| **Net debt** | **6,333.3** |
| Customer deposits | (50.0) |
| Perpetual subordinate notes | (37.1) |
| Others | (0.5) |
| Accrued interest | (13.2) |
| **Net debt** | **6,232.6** |

(1) Primarily includes the Existing Coditel Mezzanine Facility, the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Secured Notes, the 2013 Euro Senior Notes, the 2013 Dollar Senior Notes, the 2013 Term Loan, the 2013 Guarantee Facility, the Revolving Credit Facilities and finance leases. For details of the guarantees and security in respect of such

indebtedness, see Part XIX of this Prospectus (Description of Certain Indebtedness). As of September 30, 2013, Altice Financing had drawn a total amount of €714.3 million under the 2013 Term Loan, which is recorded using a fixed exchange rate of $1.301 = €1.00. On November 29, 2013, Altice Financing utilized the remaining amount of the 2013 Term Loan to complete the 2013 Coditel Transaction, which is reflected in the as adjusted amount. Altice Financing may draw on the Revolving Credit Facilities to support our working capital purposes. The Revolving Credit Facilities are made up of (i) an $80 million 2012 Revolving Credit Facility and (ii) a €60 million 2013 Revolving Credit Facility. In addition, as of the date hereof, Altice Financing 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, which represents a contingent liability of the Group. Dollar denominated debt has been converted using an exchange rate of $1 = €0.735.

(2) Includes the HOT Unsecured Notes. For a description of the HOT Unsecured Notes, see Part XIX of this Prospectus (Description of Certain Indebtedness—HOT Unsecured Notes). The amount is based on the exchange rate as of September 30, 2013 of €0.2094 = NIS1.00.

(3) Excludes other long term and short term liabilities and finance leases of the Altice VII Group, any intercompany loans among members of the Altice VII Group, preferred equity certificates issued to minority shareholders in our subsidiaries and the fair market value of hedge agreements in place. 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. Also excludes any accrued interest on all debt obligations.

(4) This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparation of the Historical Combined Financial Information as of and for the year ended December 31, 2012.

(5) Reflects cash of the Company on a consolidated basis. This excludes restricted cash. Restricted cash amounted to €10.2 million as of September 30, 2013.

(7) Assumes a primary equity issuance of €724.0 million (net of fees incurred in connection with the Offering), of which €505.0 million will be used to repay borrowings made to finance the acquisition by Altice Six of an additional stake in Numericable Group and the buy-out of LPs at Next L.P. (Holdco unsecured debt), €85.0 million used to repay certain additional debt related to the acquisition of ODO, €13.8 million to repay a vendor loan outstanding against Next L.P. pertaining to the acquisition of Ma Chaine Sport. The remainder of the proceeds will be kept as cash on balance sheet for an amount equal to €120.2 million.

Except as indicated herein, there have been no material changes to the capitalisation and net debt of the Company since December 31, 2012.

## PART X—SELECTED HISTORICAL AND POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION

### Basis of Presentation

The following tables set forth overview selected financial information derived from the Historical Combined Financial Information and the Post-Transaction Pro Forma Financial Information and should be read with the corresponding financial statements, including the accompanying notes, included in this Prospectus. For more information regarding the financial information presented in this Prospectus, including certain limitations to the Historical Combined Financial Information and the Post-Transaction Pro Forma Financial Information, please see Part VI of this Prospectus (*Important Information—Presentation of Financial and Other Information*).

### Income Statement Data

| | Historical Combined Financial Information | | | | | Post-Transaction Pro Forma Financial Information | | |
|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | | For the year ended December 31, | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 | 2012 | 2012 | 2013 |
| | € in millions | | | | | | | |
| **Revenue** | **167.2** | **784.2** | **1,092.4** | **813.0** | **928.4** | **3,199.3** | **2,376.6** | **2,402.3** |
| Purchases and subcontracting services | (54.0) | (175.4) | (302.1) | (216.6) | (262.2) | (1,164.7) | (859.4) | (858.2) |
| Other operating income | — | — | — | — | — | 89.3 | 61.3 | 58.5 |
| Other operating expenses | (65.2) | (311.1) | (387.2) | (291.7) | (289.3) | (841.2) | (619.6) | (585.5) |
| **Operating income before depreciation & amortization** | **48.0** | **297.7** | **403.1** | **304.7** | **376.9** | **1,282.6** | **958.9** | **1,017.1** |
| Depreciation and amortization | (26.2) | (176.0) | (266.4) | (293.7) | (277.6) | (687.4) | (596.1) | (575.6) |
| Goodwill impairment | — | — | (121.9) | — | — | (121.9) | — | — |
| Other expenses, net | (7.4) | (5.6) | (29.8) | (14.4) | (8.9) | (56.0) | (35.5) | (24.7) |
| Management fees | (0.8) | (3.6) | (6.2) | (2.6) | (0.7) | (21.0) | (13.9) | (11.3) |
| Reorganisation and non recurring costs | (3.9) | (7.6) | (20.8) | (8.4) | (3.4) | (24.3) | (9.8) | (5.0) |
| **Operating profit** | **9.7** | **104.9** | **(42.0)** | **(14.4)** | **86.3** | **372.2** | **303.6** | **400.6** |
| Gain arising on step acquisitions | 1.0 | 134.8 | — | — | — | — | — | — |
| Share in net income (loss) of associates | 20.7 | 58.6 | 20.4 | 18.1 | 14.5 | (0.2) | (0.1) | (0.1) |
| Finance income | 51.1 | 26.8 | 40.7 | 14.6 | 42.7 | 37.0 | 7.4 | 43.6 |
| Finance costs | (30.9) | (130.6) | (225.4) | (130.7) | (196.6) | (605.4) | (405.5) | (427.5) |
| **Finance costs, net** | **20.2** | **(103.8)** | **(184.7)** | **(116.1)** | **(153.9)** | **(568.4)** | **(398.2)** | **(383.9)** |
| Income tax benefits/(expenses) | (2.2) | (32.5) | 26.0 | (1.0) | (27.5) | 42.0 | 9.5 | (43.1) |
| **Net income (loss) from continuing operation** | **49.4** | **162.0** | **(180.2)** | **(113.4)** | **(80.6)** | **(157.2)** | **(85.1)** | **(26.5)** |

## Pro Forma Adjusted EBITDA and Capital Expenditures

| | Post-Transaction Pro Forma Financial Information[1] | | |
|---|---|---|---|
| | For the year ended December 31, 2012 | For the nine months ended September 30, | |
| | | 2012 | 2013 |
| | € in millions | | |
| **Revenue** | | | |
| Israel | 850.4 | 634.9 | 669.4 |
| France | 1,299.8 | 957.2 | 966.5 |
| Belgium and Luxembourg | 71.3 | 52.8 | 53.2 |
| Portugal | 235.4 | 174.6 | 159.8 |
| French Overseas Territories | 219.6 | 163.3 | 166.3 |
| Dominican Republic[2] | 457.7 | 343.3 | 333.6 |
| Others[3] | 65.2 | 50.5 | 53.4 |
| **Total revenue** | **3,199.3** | **2,376.6** | **2,402.2** |
| **EBITDA**[4] | | | |
| Israel | 305.2 | 229.2 | 269.9 |
| France | 621.9 | 460.1 | 454.9 |
| Belgium and Luxembourg | 45.6 | 35.3 | 35.4 |
| Portugal | 48.0 | 31.9 | 45.0 |
| French Overseas Territories | 75.1 | 56.9 | 62.1 |
| Dominican Republic[2] | 166.7 | 127.4 | 132.7 |
| Others[3] | 20.1 | 18.1 | 17.2 |
| **Total EBITDA** | **1,282.6** | **958.9** | **1,017.1** |
| Equity based compensation[5] | 3.8 | 3.8 | — |
| **Adjusted EBITDA[6]** | **1,286.4** | **962.7** | **1,017.1** |
| Pro Forma Synergies for 2013 Transactions[7] | | | 9.4 |
| HOT Mobile Network Sharing Savings[8] | | | 30.8 |
| Tricom EBITDA[9] | | | 37.5 |
| Pro Forma Synergies for ODO/Tricom[10] | | | 15.0 |
| **Pro Forma Adjusted EBITDA** | | | **1,109.8** |
| **Capital Expenditures** | **756.5** | **530.8** | **454.3** |

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the Numericable Acquisition (which is included under ''France'') and the ODO Acquisition (which is included under ''Dominican Republic''). It does not give pro forma effect to the acquisition of Tricom.

(2) Includes ODO but excludes Tricom.

(3) 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). In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.5 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA.

(4) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non recurring costs.

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

(6) 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. EBITDA and 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).

(7) Giving effect (on a nine months basis) to certain synergies expected to result from the 2013 Transactions (including Outremer Transaction and the ONI Transaction which were consummated in the third quarter of 2013), which is expected to include,

amongst others, cost reductions related to network operations, customer service, backbone network as well as general support functions.

(8) Represents estimated cost savings (on a nine months basis) associated with our new network sharing agreement with Partner.

(9) Represents estimated EBITDA of Tricom. The Tricom EBITDA has been derived from the nine months ended September 30, 2013 management accounts of Tricom, which are prepared in accordance with US GAAP. US GAAP may not be directly comparable to IFRS.

(10) Gives effect (on a nine months basis) to certain synergies expected to result over time from the ODO Acquisition and the Tricom Acquisition in an amount of €15.0 million. See Part XII of this Prospectus ''*Operating and Financial Review of the Group—Post Balance Sheet Date Events—Potential Benefits from the acquisition of Tricom and ODO*''. We may not be able to achieve all such synergies for a number of reasons, including if we cannot consummate the ODO Acquisition or the Tricom Acquisition and we may incur significant costs in realizing the reorganization of ODO and Tricom. If we are unable to consummate the Tricom Acquisition, we do not expect to benefit from any synergies from the ODO Acquisition, and if we are unable to consummate the ODO Acquisition, we expect that synergies from the Tricom Acquisition will be limited to €5.0 million on an annual basis. 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.

## Cash Flow Data

| | Historical Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | € in millions | | | | |
| Cash and cash equivalents at beginning of period | 9.0 | 26.9 | 24.2 | 24.2 | 129.8 |
| Net cash provided by (used in) operating activities | (43.7) | 306.1 | 464.5 | 323.5 | 288.8 |
| Net cash provided by (used in) investing activities | (39.7) | (576.6) | (574.2) | (300.7) | (502.2) |
| Net cash provided by (used in) financing activities | 98.9 | 268.7 | 215.1 | (14.5) | 145.4 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2.4 | (0.9) | 0.2 | 0.2 | — |
| **Cash and cash equivalents at end of period** | **26.9** | **24.2** | **129.8** | **32.7** | **61.9** |

## Balance Sheet Data

| | Historical Combined Consolidated Financial Information | | | | Post-Transaction Pro Forma Financial Information |
|---|---|---|---|---|---|
| | As of December 31, | | | As of September 30, 2013 | As of September 30, 2013 |
| | 2010 | 2011 | 2012 | | |
| | € in millions | | | | |
| Total current assets | 107.2 | 165.1 | 334.7 | 370.2 | 989.1 |
| Total non-current assets | 627.0 | 2,531.7 | 2,604.8 | 3,181.0 | 8,181.9 |
| **Total assets** | **779.2** | **2,696.8** | **2,939.5** | **3,551.2** | 9,170.9 |
| Total current liabilities | 191.8 | 569.5 | 557.6 | 566.0 | 1,485.6 |
| Total non-current liabilities | 353.1 | 1,409.1 | 2,101.9 | 3,072.2 | 7,789.3 |
| **Total liabilities** | **544.9** | **1,978.6** | **2,659.5** | **3,638.2** | 9,275.0 |
| **Total equity** | 234.3 | 718.3 | 280.0 | (87.0) | (104.2) |

## Combined Key Operating Measures[a]

| | As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Israel (Altice VII Group) | Belgium and Luxembourg (Altice VII Group) | Portugal (Altice VII Group) | French Overseas Territories (Altice VII Group) | France (Numericable Group) | Dominican Republic (Tricom) | Dominican Republic (ODO) | Total[8] |
| **CABLE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| Homes Passed | 2,243[7] | 233 | 906 | 154 | 9,875 | 372[10] | — | 13,783 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 94% | 37% | 48% | 33% | — | 60% |
| **Unique Customers** | | | | | | | | |
| Cable Customer Relationships[1] | 1,198 | 120 | 255 | 39 | 1,331 | 136 | — | 3,079 |
| Triple-Play Cable Customer Relationships | 413 | 50 | 147 | 12 | — | — | — | — |
| **RGUs & Penetration[2][3]** | | | | | | | | |
| Total RGUs | 2,343 | 244 | 648 | 63 | 3,095 | 169 | — | 6,562 |
| Pay Television RGUs | 896 | 136 | 245 | 39 | 1,163 | 136[2] | — | 2,615 |
| Pay Television Penetration (%) | 40% | 58% | 27% | 25% | 12% | 37% | — | 40% |
| Broadband Internet RGUs | 771 | 55 | 159 | 12 | 985 | 22 | — | 2,004 |
| Broadband Internet Penetration (%) | 34% | 24% | 18% | 8% | 10% | 5.8% | — | 31% |
| Fixed-Line Telephony RGUs | 676 | 53 | 243 | 12 | 946 | 12 | — | 1,942 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 27% | 8% | 10% | 3.3% | — | 30% |
| RGUs Per Cable Customer Relationship[4] | 2.0x | 2.0x | 2.5x | 1.6x | — | 1.2x | — | — |
| **ARPU[5]** | | | | | | | | |
| Cable ARPU including Mobile (€) | — | — | — | — | 40.7 | — | — | — |
| Cable ARPU excluding Mobile (€) | 44.4 | 39.5 | 34.9 | 48.3 | — | 21.5 | — | — |
| **MOBILE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| UMTS Mobile Coverage of Territory (%) | 41% | — | — | 89%[9] | — | — | — | — |
| **Subscribers** | | | | | | | | |
| Total Mobile Subscribers[6] | 766 | 2 | — | 385 | 113 | 279[6] | 3,093[11] | 4,638 |
| Postpaid | 738 | 2 | — | 183 | — | 19[6] | 589[11][12] | 1,531 |
| Prepaid | 28 | — | — | 203 | — | 260[6] | 2,504[11][13] | 2,995 |
| **ARPU[5]** | | | | | | | | |
| Mobile ARPU (€) | 19.4 | 14.7 | — | 26.7 | — | 3.5 | 10.7 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | | | | |
| **RGUs** | | | | | | | | |
| Total RGUs | — | — | | 140 | — | 351 | — | — |
| Broadband Internet RGUs | — | — | | 57 | — | 96 | — | — |
| Fixed-Line Telephony RGUs | — | — | | 83 | — | 255 | — | — |

| | As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Israel (Altice VII Group) | Belgium and Luxembourg (Altice VII Group) | Portugal (Altice VII Group) | French Overseas Territories (Altice VII Group) | France (Numericable Group) | Dominican Republic (Tricom) | Dominican Republic (ODO) | Total[8] |
| **CABLE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| Homes Passed | 2,204[7] | 213 | 906 | 154 | 9,833 | 258[10] | — | 13,568 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 85% | 17% | 48% | N/A | — | 60% |
| **Unique Customers** | | | | | | | | |
| Cable Customer Relationships[1] | 1,245 | 117 | 264 | 41 | 1,371 | 117 | — | 3,155 |
| Triple-Play Cable Customer Relationships | 348 | 49 | 154 | 9 | — | — | — | — |
| **RGUs & Penetration[2][3]** | | | | | | | | |
| Total RGUs | 2,294 | 241 | 669 | 59 | 3,064 | 132 | — | 6,459 |
| Pay Television RGUs | 891 | 135 | 256 | 41 | 1,217 | 117[2] | — | 2,657 |
| Pay Television Penetration (%) | 40% | 63% | 28% | 27% | 12% | 42% | — | 41% |
| Broadband Internet RGUs | 768 | 54 | 162 | 9 | 950 | 12 | — | 1,955 |
| Broadband Internet Penetration (%) | 35% | 25% | 18% | 6% | 10% | 4% | — | 30% |
| Fixed-Line Telephony RGUs | 635 | 52 | 251 | 9 | 897 | 4 | — | 1,848 |
| Fixed-Line Telephony Penetration (%) | 29% | 24% | 28% | 6% | 9% | 1% | — | 29% |
| RGUs Per Cable Customer Relationship[4] | 1.8x | 2.1x | 2.5x | 1.4x | — | 1.1x | — | — |
| **ARPU[5]** | | | | | | | | |
| Cable ARPU including Mobile (€) | — | — | — | — | 40.3 | — | — | — |
| Cable ARPU excluding Mobile (€) | 42.4 | 36.7 | 36.9 | 43.1 | — | 22.0 | — | — |
| **MOBILE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| UMTS Mobile Coverage of Territory (%) | — | — | — | 88%[9] | — | — | — | — |
| **Subscribers** | | | | | | | | |
| Total Mobile Subscribers[6] | 444 | — | — | 355 | 47 | 299[6] | 3,047[11] | 4,192 |
| Postpaid | 389 | — | — | 158 | — | 23[6] | 565[11][12] | 1,135 |
| Prepaid | 55 | — | — | 197 | — | 277[6] | 2,482[11][13] | 3,011 |
| **ARPU[5]** | | | | | | | | |
| Mobile ARPU (€) | 25.5 | — | — | 28.9 | — | 3.4 | 10.1 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | | | | |
| **RGUs** | | | | | | | | |
| Total RGUs | — | — | — | 147 | — | 332 | — | — |
| Broadband Internet RGUs | — | — | — | 58 | — | 87 | — | — |
| Fixed-Line Telephony RGUs | — | — | — | 89 | — | 245 | — | — |

| | As of and for the nine months ended September 30, 2013 in thousands except percentages and as otherwise indicated | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Israel (Altice VII Group) | Belgium and Luxembourg (Altice VII Group) | Portugal (Altice VII Group) | French Overseas Territories (Altice VII Group) | France (Numericable Group) | Dominican Republic (Tricom) | Dominican Republic (ODO) | Total[8] |
| **CABLE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| Homes Passed | 2,272[7] | 233 | 906 | 154 | 9,932 | 440[10] | — | 13,937 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 99% | 49% | 51% | 78% | — | 64% |
| **Unique Customers** | | | | | | | | |
| Cable Customer Relationships[1] | 1,145 | 115 | 240 | 38 | 1,341 | 138 | — | 3,017 |
| Triple-Play Cable Customer Relationships | 448 | 51 | 136 | 15 | — | — | — | |
| **RGUs & Penetration[2][3]** | | | | | | | | |
| Total RGUs | 2,316 | 239 | 609 | 68 | 3,176 | 186 | — | 6,595 |
| Pay Television RGUs | 881 | 130 | 227 | 38 | 1,144 | 138[2] | — | 2,558 |
| Pay Television Penetration (%) | 39% | 56% | 25% | 25% | 12% | 31% | — | 39% |
| Broadband Internet RGUs | 755 | 56 | 156 | 15 | 1,032 | 27 | — | 2,041 |
| Broadband Internet Penetration (%) | 33% | 24% | 17% | 10% | 10% | 6% | — | 31% |
| Fixed-Line Telephony RGUs | 680 | 53 | 226 | 15 | 1,000 | 21 | — | 1,955 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 25% | 10% | 10% | 5% | — | 30% |
| RGUs Per Cable Customer Relationship[4] | 2.0x | 2.1x | 2.5x | 1.8x | — | 1.3x | — | — |
| **ARPU[5]** | | | | | | | | |
| Cable ARPU including Mobile (€) | — | — | — | — | 41.9 | — | — | — |
| Cable ARPU excluding Mobile (€) | 47.6 | 41.1 | 35.1 | 50.8 | — | 20.0 | — | — |
| **MOBILE-BASED SERVICES** | | | | | | | | |
| **Market and Network** | | | | | | | | |
| UMTS Mobile Coverage of Territory (%) | 50% | — | — | 89%[9] | — | — | — | — |
| **Subscribers** | | | | | | | | |
| Total Mobile Subscribers[6] | 773 | 3 | — | 367 | 167 | 302[6] | 2,989[11] | 4,601 |
| Postpaid | 762 | 3 | — | 188 | — | 17[6] | 403[11][12] | 953 |
| Prepaid | 11 | — | — | 179 | — | 285[6] | 2,587[11][13] | 3,062 |
| **ARPU[5]** | | | | | | | | |
| Mobile ARPU (€) | 16.9 | 40.9 | — | 26.8 | — | 3.3 | 9.8 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | | | | |
| **RGUs** | | | | | | | | |
| Total RGUs | — | — | — | 135 | — | 348 | — | — |
| Broadband Internet RGUs | — | — | — | 55 | — | 96 | — | — |
| Fixed-Line Telephony RGUs | — | — | — | 80 | — | 251 | — | — |

(a) Calculated by aggregating the measures of the Altice VII Group, the Numericable Group, ODO and Tricom on a combined basis. Please refer to the meanings of these terms as defined in Part XI of this Prospectus (*Selected Historical and Pre-Transaction Pro Forma Financial Information*) together with the notes below.

(1) For the Altice VII 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 France (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''). See Part XIII of this Prospectus (*Selected Financial Information of the Numericable Group—Key Operating Measures*). For the Dominican Republic (Tricom), Cable Customer Relationships includes non-residential customers and includes only pay television cable customer relationships.

(2) For the Altice VII 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 France (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 nine months ended September 30, 2013, for the year ended December 31, 2012 and for the year ended December 31, 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 are not included in the ''Total individual RGUs'' definition). See Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group—Key Operating Measures*).

(5) For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the nine months ended September 30, 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 France (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 France (Numericable Group), only Numericable Group 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, | | As of September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | | | in thousands | |
| **Mobile Subscribers** | | | | |
| iDEN | 444 | 325 | 371 | 234 |
| UMTS | — | 441 | 316 | 539 |
| **Total** | **444** | **766** | **687** | **773** |

(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) Total represents the aggregate of the respective key operating measures across all the regions in which the Group currently operates (or, in the case of the Dominican Republic, expects to operate following the consummation of the Tricom Acquisition and the ODO Acquisition) even though it may not have owned or controlled such business for the entire duration of the period presented. France represents the operating measures of the Numericable Group (in which we will acquire a controlling interest following the Numericable Acquisition); 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).

(9) Excludes French Guiana.

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

(11) Includes subscribers through resellers 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).

(12) Includes both postpaid residential subscribers and postpaid business subscribers.

(13) Pre-paid residential subscribers only.

## PART XI—SELECTED HISTORICAL AND PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION

### Basis of Presentation

The following tables set forth overview selected financial information derived from the Historical Combined Financial Information, the Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information and should be read with the corresponding financial statements, including the accompanying notes, included in this Prospectus. For more information regarding the financial information presented in this Prospectus, including certain limitations to the Historical Combined Financial Information, the Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information, please see Part VI of this Prospectus (*Important Information—Presentation of Financial and Other Information*).

### Income Statement Data

| | Historical Combined Financial Information | | | | | Pre-Transaction Pro Forma Financial Information[1] | | |
|---|---|---|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | | For the year ended December 31, | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 | 2012 | 2012 | 2013 |
| | € in millions | | | | | | | |
| **Statement of Income Items** | | | | | | | | |
| **Revenue** | | | | | | | | |
| Cable based services | 22.5 | 560.3 | 873.3 | 644.7 | 694.5 | 945.7 | 713.1 | 721.1 |
| Mobile services | 103.5 | 180.6 | 172.7 | 125.3 | 175.9 | 304.4 | 220.7 | 245.8 |
| B2B and others | 41.2 | 43.3 | 46.4 | 43.0 | 58.0 | 191.6 | 142.3 | 135.2 |
| **Total revenue** | **167.2** | **784.2** | **1,092.4** | **813.0** | **928.4** | **1,441.8** | **1,076.1** | **1,102.3** |
| Purchases and subcontracting services | (54.0) | (175.4) | (302.1) | (216.6) | (262.2) | (444.4) | (321.6) | (328.3) |
| **Gross profit** | **113.2** | **608.8** | **790.3** | **596.4** | **666.2** | **997.4** | **754.6** | **774.0** |
| Other operating expenses | (21.9) | (195.4) | (248.9) | (189.1) | (192.3) | (315.3) | (243.2) | (224.2) |
| General and administrative expenses | (31.7) | (51.3) | (58.2) | (41.8) | (43.7) | (85.2) | (61.9) | (57.7) |
| Other sales and marketing expenses | (11.6) | (64.4) | (80.1) | (60.8) | (53.3) | (102.8) | (78.0) | (62.5) |
| **Operating income before depreciation and amortization[2]** | **48.0** | **297.7** | **403.1** | **304.7** | **376.9** | **494.1** | **371.5** | **429.6** |
| Depreciation and amortization | (26.2) | (176.0) | (266.4) | (293.7) | (277.6) | (319.8) | (332.4) | (304.7) |
| Goodwill impairment | — | — | (121.9) | — | — | (121.9) | — | — |
| Other expenses, net | (7.4) | (5.6) | (29.8) | (14.4) | (8.9) | (35.1) | (7.9) | (4.4) |
| Management fees | (0.8) | (3.6) | (6.2) | (2.6) | (0.7) | (6.9) | (15.0) | (9.8) |
| Restructuring and other non-recurring costs | (3.9) | (7.6) | (20.8) | (8.4) | (3.4) | (21.7) | (9.1) | (3.9) |
| **Operating profit** | **9.7** | **104.9** | **(42.0)** | **(14.4)** | **86.3** | **(11.3)** | **7.1** | **106.8** |
| Gain arising on step acquisitions | 1.0 | 134.8 | — | — | — | — | — | — |
| Share of profit of associates | 20.7 | 58.6 | 20.4 | 18.1 | 14.5 | 20.4 | 18.1 | 14.4 |
| Finance income | 51.1 | 26.8 | 40.7 | 14.6 | 42.7 | 41.5 | 14.8 | 42.9 |
| Finance costs | (30.9) | (130.6) | (225.4) | (130.7) | (196.6) | (301.0) | (185.0) | (201.8) |
| **(Loss)/profit before income tax expenses** | **51.6** | **194.5** | **(206.2)** | **(112.4)** | **(53.1)** | **(250.4)** | **(145.0)** | **(37.7)** |
| Income tax benefits/(expenses) | (2.2) | (32.5) | 26.0 | (1.0) | (27.5) | 31.0 | 2.9 | (35.4) |
| **(Loss)/profit for the year** | **49.4** | **162.0** | **(180.2)** | **113.4** | **(80.6)** | **(219.3)** | **(142.1)** | **(73.0)** |

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of Numericable, ODO or Tricom. For details, see ''*Pre-Transaction Pro Forma Financial Information of the Company*'' included elsewhere in this Prospectus.

(2) Further referred to as EBITDA.

| | Illustrative Aggregated Selected Financial Information[1] | |
|---|---|---|
| | For the year ended December 31, | |
| | 2011 | 2012 |
| | € in millions | |
| **Statement of Income Items** | | |
| **Revenue** | | |
| Cable based services | 941.2 | 945.7 |
| Mobile services | 306.5 | 304.4 |
| B2B and others | 178.5 | 191.6 |
| **Total revenue** | **1,426.2** | **1,441.8** |
| Purchases and subcontracting services | (399.6) | (444.4) |
| **Gross profit** | **1,026.6** | **997.4** |
| Other operating expenses | (319.5) | (315.3) |
| General and administrative expenses | (101.0) | (85.2) |
| Other sales and marketing expenses | (108.9) | (102.8) |
| **Operating income before depreciation and amortization[2]** | **497.2** | **494.1** |

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Numericable Group, Tricom and ODO. For details, see ''*Illustrative Aggregated Selected Financial Information of the Company*'' included elsewhere in this Prospectus. We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortization, or EBITDA.

(2) Further referred to as EBITDA.

**EBITDA**

| | Illustrative Aggregated Selected Financial Information[1] | | Pre-Transaction Pro Forma Financial Information[2] | |
|---|---|---|---|---|
| | For the year ended December 31, | | For the nine months ended September 30, | |
| | 2011 | 2012 | 2012 | 2013 |
| | € in millions | | | |
| **Revenue** | | | | |
| Israel | 845.5 | 850.4 | 634.9 | 669.4 |
| Belgium and Luxembourg | 67.3 | 71.3 | 52.8 | 53.1 |
| Portugal | 238.8 | 235.3 | 174.6 | 159.8 |
| French Overseas Territories | 217.9 | 219.6 | 163.3 | 166.3 |
| Others[6] | 56.7 | 65.2 | 50.5 | 53.4 |
| **Total revenue** | 1,426.2 | 1,441.8 | 1,076.1 | 1,102.3 |
| **Gross profit** | | | | |
| Israel | 660.2 | 621.7 | 471.5 | 485.0 |
| Belgium and Luxembourg | 54.7 | 60.3 | 44.3 | 44.1 |
| Portugal | 125.3 | 120.7 | 90.6 | 92.3 |
| French Overseas Territories | 149.5 | 151.5 | 114.7 | 117.5 |
| Others[6] | 36.9 | 43.1 | 33.4 | 35.7 |
| **Total gross profit** | 1,026.6 | 997.4 | 754.6 | 774.0 |
| **EBITDA[3]** | | | | |
| Israel | 327.2 | 305.2 | 229.2 | 269.9 |
| Belgium and Luxembourg | 41.0 | 45.6 | 35.3 | 35.4 |
| Portugal | 39.0 | 48.0 | 31.9 | 45.0 |
| French Overseas Territories | 72.4 | 75.1 | 56.9 | 61.7 |
| Others[6] | 17.7 | 20.2 | 18.2 | 17.0 |
| **Total EBITDA** | 497.2 | 494.1 | 371.5 | 429.6 |
| Equity based compensation[4] | 6.0 | 3.8 | 3.8 | — |
| **Adjusted EBITDA[5]** | 503.2 | 497.9 | 375.3 | 429.6 |

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Numericable Group, Tricom and ODO. For details, see ''*Illustrative Aggregated Selected Financial Information of the Company*'' included elsewhere in this Prospectus.

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of Numericable, ODO or Tricom. For details, see ''*Pre-Transaction Pro Forma Financial Information of the Company''* included elsewhere in this Prospectus.

(3) We define EBITDA as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. Adjusted EBITDA is unaudited. We believe that these measures are useful to readers of the combined financial statements of the Company 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 our financial performance. EBITDA and 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).

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

(5) We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

(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). We disposed of our interests in Valvision in 2013 (which was included in Others).

## Capital Expenditures

| | 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 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) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Numericable Group, Tricom and ODO. For details, see ''*Illustrative Aggregated Selected Financial Information of the Company*'' included elsewhere in this Prospectus.

| | Pre-Transaction Pro Forma Financial Information[1] | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 2013 | | | | | |
| | 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 | 74.0 | 3.3 | 6.2 | 4.7 | — | 88.3 | 35.0 | 5.8 | 7.9 | 3.1 | — | 51.8 |
| Cable network and constructions | 45.0 | 1.8 | 4.9 | 4.0 | — | 55.7 | 25.0 | 2.1 | 4.1 | 5.1 | — | 36.3 |
| Other cable based services | 45.0 | 5.8 | 0.9 | 0.2 | — | 51.9 | 40.0 | 5.6 | 2.7 | 0.2 | — | 48.5 |
| Cable based services | 164.0 | 10.9 | 12.0 | 8.8 | — | 195.7 | 100.0 | 13.5 | 14.7 | 8.4 | — | 136.6 |
| Mobile services | 66.0 | 0.7 | — | 7.9 | — | 74.6 | 36.0 | 1.2 | — | 8.9 | — | 46.1 |
| B2B and others | — | — | 5.8 | 4.9 | 13.5 | 24.4 | | — | 3.6 | 9.8 | 13.4 | 26.8 |
| **Total capital expenditures** | **230.0** | **11.6** | **17.8** | **21.6** | **13.5** | **294.6** | **136.0** | **14.7** | **18.3** | **27.1** | **13.4** | **209.5** |
| **EBITDA—total capital expenditures** | **(0.8)** | **23.6** | **14.0** | **35.3** | **4.7** | **76.9** | **133.9** | **20.7** | **26.7** | **34.6** | **3.6** | **220.1** |

(1) Excludes the Numericable Group, Tricom and ODO. For the years ended December 31, 2011, 2012 and the nine months ended September 30, 2012 and 2013, the Numericable Group's total capital expenditures were €242.7 million, €285.7 million, €197.1 million and €205.9 million, respectively. For the years ended December 31, 2011, 2012 and the nine months ended September 30, 2012 and 2013, ODO's total capital expenditures were €70.8 million, € 73.2 million, €38.9 million and €38.9 million, respectively. For the year ended December 31, 2012 and the nine months ended September 30, 2013, Tricom's total capital expenditures were approximately $71 million (approximately €56 million) of which approximately €17.9 million (approximately $23 million) was spent on 4G/LTE technology upgrades and approximately $28 million (approximately €21 million), in each case according to unaudited and unreviewed management accounts.

## Cash Flow Data

| | Historical Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | € in millions | | |
| Cash and cash equivalents at beginning of period | 9.0 | 26.9 | 24.2 | 24.2 | 129.8 |
| Net cash provided by (used in) operating activities | (43.7) | 306.1 | 464.5 | 323.5 | 288.8 |
| Net cash provided by (used in) investing activities | (39.7) | (576.6) | (574.2) | (300.7) | (502.2) |
| Net cash provided by (used in) financing activities | 98.9 | 268.7 | 215.1 | (14.5) | 145.4 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2.4 | (0.9) | 0.2 | 0.2 | — |
| **Cash and cash equivalents at end of period** | **26.9** | **24.2** | **129.8** | **32.7** | **61.9** |

**Balance Sheet Data**

| | Historical Combined Financial Information | | | | Pre-Transaction Pro Forma Financial Information[1] |
|---|---|---|---|---|---|
| | As of December 31, | | | As of September 30, 2013 | As of September 30, 2013 |
| | 2010 | 2011 | 2012 | | |
| | € in millions | | | | |
| Total current assets | 107.2 | 165.1 | 334.7 | 370.2 | 381.2 |
| Total non-current assets | 627.0 | 2,531.7 | 2,604.8 | 3,181.0 | 3,185.3 |
| **Total assets** | **779.2** | **2,696.8** | **2,939.5** | **3,551.2** | **3,566.5** |
| Total current liabilities | 191.8 | 569.5 | 557.6 | 566.0 | 574.9 |
| Total non-current liabilities | 353.1 | 1,409.1 | 2101.9 | 3,072.2 | 3,110.8 |
| **Total liabilities** | **544.9** | **1,978.6** | **2,659.5** | **3,638.2** | **3,685.6** |
| **Total equity** | 234.3 | 718.3 | 280.0 | (87.0) | (119.1) |

(1) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of Numericable, ODO or Tricom. For details, see ''*Pre-Transaction Pro Forma Financial Information of the Company*'' included elsewhere in this Prospectus.

**Key Operating Measures**

| | 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 | Total[7] |
| **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** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | — | — | — | 88%[8] | — |
| **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 |

| | 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 | Total[7] |
| **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** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | 41% | — | — | 89%[8] | — |
| **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 nine months ended September 30, 2012 in thousands except percentages and as otherwise indicated | | | | |
|---|---|---|---|---|---|
| | Israel[6] | Belgium and Luxembourg | Portugal | French Overseas Territories | Total[7] |
| **CABLE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| Homes Passed | 2,233 | 233 | 906 | 154 | 3,526 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 92% | 35% | 95% |
| **Unique Customers** | | | | | |
| Cable Customer Relationships[1] | 1,207 | 122 | 261 | 39 | 1,629 |
| Triple-Play Cable Customer Relationships | 401 | 50 | 152 | 11 | 614 |
| **RGUs & Penetration[2][3]** | | | | | |
| Total RGUs | 2,333 | 246 | 663 | 61 | 3,303 |
| Pay Television RGUs | 893 | 138 | 253 | 39 | 1,323 |
| Pay Television Penetration (%) | 40% | 59% | 28% | 25% | 37% |
| Broadband Internet RGUs | 768 | 55 | 161 | 11 | 995 |
| Broadband Internet Penetration (%) | 34% | 24% | 18% | 7% | 28% |
| Fixed-Line Telephony RGUs | 672 | 54 | 250 | 11 | 987 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 28% | 7% | 28% |
| RGUs Per Cable Customer Relationship | 1.9x | 2.02x | 2.5x | 1.6x | 2.0x |
| **ARPU[4]** | | | | | |
| Cable ARPU (€) | 44.3 | 39.3 | 34.9 | 47.5 | — |
| **MOBILE** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | 32% | — | — | 89%[8] | — |
| **Subscribers** | | | | | |
| Total Mobile Subscribers[5] | 687 | — | — | 372 | 1059 |
| Postpaid | 652 | 1 | — | 175 | 828 |
| Prepaid | 35 | — | — | 197 | 232 |
| **ARPU[4]** | | | | | |
| Mobile ARPU (€) | 20.4 | — | — | 26.6 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | |
| **RGUs** | | | | | |
| Total RGUs | — | — | — | 139 | 139 |
| Broadband Internet RGUs | — | — | — | 57 | 57 |
| Fixe-Line Telephony RGUs | — | — | — | 82 | 82 |

| | As of and for the nine months ended September 30, 2013 in thousands except percentages and as otherwise indicated | | | | |
|---|---|---|---|---|---|
| | Israel[6] | Belgium and Luxembourg | Portugal | French Overseas Territories | Total[7] |
| **CABLE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| Homes Passed | 2,272 | 233 | 906 | 154 | 3,565 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 99% | 49% | 98% |
| **Unique Customers** | | | | | |
| Cable Customer Relationships[1] | 1,145 | 115 | 240 | 38 | 1,538 |
| Triple-Play Cable Customer Relationships | 448 | 51 | 136 | 15 | 650 |
| **RGUs & Penetration[2][3]** | | | | | |
| Total RGUs | 2,316 | 239 | 609 | 68 | 3,233 |
| Pay Television RGUs | 881 | 130 | 227 | 38 | 1,276 |
| Pay Television Penetration (%) | 39% | 56% | 25% | 25% | 36% |
| Broadband Internet RGUs | 755 | 56 | 156 | 15 | 982 |
| Broadband Internet Penetration (%) | 33% | 24% | 17% | 10% | 28% |
| Fixed-Line Telephony RGUs | 680 | 53 | 226 | 15 | 974 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 25% | 10% | 27% |
| RGUs Per Cable Customer Relationship | 2.0x | 2.1x | 2.5x | 1.8x | 2.1x |
| **ARPU[4]** | | | | | |
| Cable ARPU (€) | 47.6 | 41.1 | 35.1 | 50.8 | — |
| **MOBILE** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | 50% | — | — | 89%[8] | — |
| **Subscribers** | | | | | |
| Total Mobile Subscribers[5] | 773 | 3 | — | 367 | 1,143 |
| Postpaid | 762 | 3 | — | 188 | 953 |
| Prepaid | 11 | — | — | 179 | 190 |
| **ARPU[4]** | | | | | |
| Mobile ARPU (€) | 16.9 | 40.9 | — | 26.8 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | |
| **RGUs** | | | | | |
| Total RGUs | — | — | — | 135 | 135 |
| Broadband Internet RGUs | — | — | — | 55 | 55 |
| Fixe-Line Telephony RGUs | — | — | — | 80 | 80 |

(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 nine months ended September 30, 2012, €0.2023 = NIS 1.00 and (iv) average rate for the nine months ended September 30, 2013, €0.2086 = 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, | | As of September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | | | in thousands | |
| **Mobile Subscribers** | | | | |
| iDEN | 444 | 325 | 371 | 234 |
| UMTS | — | 441 | 316 | 539 |
| **Total** | **444** | **766** | **687** | **773** |

(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) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate (not including France and the Dominican Republic) 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 in June 2011); 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).

(8) Excludes French Guiana.

## PART XII—OPERATING AND FINANCIAL REVIEW 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 Combined Financial Information, the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, including the accompanying notes, included elsewhere in this Prospectus. Some of the information in this discussion and analysis includes forward looking statements that involve risks and uncertainties. See Part VI (Important Information—Forward Looking Statements) and Part II (Risk Factors) for a discussion of important factors to be evaluated in connection with a prospective purchase of Offer Shares.*

*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 (''Operating and Financial Review of the Group''), the terms ''we'', ''our'', the ''Group'', and ''us'' refer to the business comprising Altice VII, Altice Six and Altice VII and its subsidiaries as of the date of this Prospectus even though we may not have owned such business for the entire duration of the periods presented. Since Altice Six did not consolidate the results of Numericable Group during any of the periods under discussion in this section and the Numericable Acquisition remains subject to certain closing conditions including regulatory approval, the results of Numericable Group have been discussed separately. For a discussion and analysis of the Numericable Group's results, please see Part XV of this Prospectus (Operating and Financial Review of the Numericable Group). Since Altice VII did not consolidate the results of Orange Dominicana during any of the periods under discussion in this section and the ODO Acquisition remains subject to certain closing conditions including regulatory approval, the results of Orange Dominicana have been discussed separately. For a discussion and analysis of Orange Dominicana's results, please see Part XIII of this Prospectus (Business, Industry and Market Overview of ODO and Tricom and Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO).*

### Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited historical combined financial statements of the Company as of and for the years ended December 31, 2010, 2011 and 2012 and the unaudited historical combined financial statements of the Company as of and for the nine months ended September 30, 2013 (the ''Historical Combined Financial Information'').

The Company 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 Company since 2010, which have had a significant impact on the Historical Combined Financial Information.

In the year ended December 31, 2010, the Company'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 Company 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, the Company made the following acquisitions that fundamentally changed its business undertaking: (i) in the first quarter of 2011, the Company 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 statements of the Company with effect from March 16, 2011) and in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII 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 VII 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 combined financial statements of the Company with effect from July 1, 2011). In addition, Altice VII sold 5% of its equity interest in MIRS Communications Limited.

The year ended December 31, 2012 was marked by the following two significant acquisitions by Altice VII: (i) in the first quarter of 2012, Altice VII 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 combined financial statements of the Company with effect from February 29, 2012); and (ii) in the fourth quarter of 2012, Altice VII 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. In addition, during 2012 Altice VII initiated its equity investment in Wananchi (''Wananchi''), a Kenyan cable operator.

Altice VII has added to its portfolio of holdings in 2013 with the following acquisitions: (i) in the first quarter of 2013, Altice VII acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice VII 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 combined financial statements of the Company with effect from July 5, 2013); and (iii) in the third quarter of 2013, Altice VII (through its subsidiary Cabovisão) acquired 100% of the equity interests in Winreason, the owner of Portuguese telecommunications holding ONI S.G.P.S. and its subsidiaries, including (the financial information of which is consolidated in the historical combined financial statements of the Company with effect from August 8, 2013). In addition, in 2013, Altice VII disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv (the financial information of which is expected to be consolidated in Altice S.A.'s future consolidated financial statements).

As a result of the series of significant acquisitions that have been consummated by Altice VII since 2010 and the intra-year timing of such acquisitions, the Historical Combined 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 Prospectus for any of the periods presented and the comparability of the Historical Combined 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) the Pre-Transaction Pro Forma Financial Information (giving effect to each such significant acquisition as if such acquisitions had occurred by January 1, 2012) as of and for the year ended December 31, 2012 and as of and for the nine months ended September 30, 2012 and 2013 and (ii) the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012. For further details regarding the basis of preparation of the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, please see Note 2 to the Pro Forma Financial Information and Note 1 to the Illustrative Aggregated Selected Financial Information, respectively, included elsewhere in this Prospectus. The Pre-Transaction Pro Forma Financial Information includes the results of operations of Valvision until the date of its disposal even though Altice VII disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million to aggregated revenues and €0.9 million to aggregated EBITDA. In the nine months ended September 30, 2012 and 2013, respectively, Valvision contributed €1.9 million and €1.3 million to pro forma revenues and €0.7 million and €0.5 million to pro forma EBITDA.

As we have the ability to 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 significant interests in these entities. The non-controlling owners' interests in the operating results of Coditel Holding and Outremer in the Historical Combined 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 and statement of 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 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 €1.0 million to non-controlling interests in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. For more information regarding the financial information of the Group presented in this Prospectus including certain limitations to the Historical Combined Financial Information, the Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information, please see Part VI of this Prospectus (*Important Information—Presentation of Financial and Other Information*). The Illustrative Aggregated Selected Financial Information and the Pre-Transaction Pro Forma Financial Information have not been prepared in accordance with IFRS and are unaudited.

**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, 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. For further discussion of the factors affecting our results of operations, see Part II of this Prospectus (*Risk Factors*).

***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 Combined Financial Information is limited. Our revenues and EBITDA increased from €167.2 million and €48.1 million in the year ended December 31, 2010 to €1,092.4 million and €403.2 million in the year ended December 31, 2012, 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 nine months ended September 30, 2013 and the year ended December 31, 2012 respectively, we incurred restructuring and other non-recurring costs of €3.4 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 reorganisation of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of September 30, 2013, the goodwill recorded on our balance sheet amounted to €1,126.7 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating income.

***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 fibre portion of our network, reducing the number of nodes per home passed and upgrading technical

components of our network. During each of 2010, 2011 and 2012, we deployed fibre on and upgraded a substantial part of our cable networks. As of September 30, 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. For the nine months ended September 30, 2013, on a pro forma basis, we invested €36.3 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. In the future, we will need to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fibre.

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 50% of the inhabited territory of Israel. For the nine months ended September 30, 2013 and the year ended December 31, 2012, we invested €36.0 million and €83.8 million, 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 utilisation 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. For a description of the Network Sharing Agreement, please see Part XVII (*Information About the Company and the Group—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 65,000 in the first nine months of 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 2012 and in the nine months ended September 30, 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. Total mobile subscribers increased in Israel and the French Overseas Territories in 2012, but declined in the French Overseas Territories in the first nine months of 2013 primarily due to intense competition. For details regarding our key competitors, please see Part XVI of this Prospectus (*Industry and Market Overview*). Further, our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is 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. The Israeli Ministry of Communications has also published a policy for creating a wholesale market requiring network infrastructure owners (being Bezeq and HOT) to provide third parties access to their network for broadband Internet infrastructure access, which may increase competition for broadband Internet infrastructure access products and could enable the entry of competitive triple-play service offerings if it results in the elimination of the requirement of our competitor to maintain structural separation. See Part XVIII of this Prospectus (*Regulatory Overview—Israel—Mobile Structural Separation*). 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 minimise 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 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 realise 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 650,000 as of September 30, 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 and 2012 and for the nine months ended September 30, 2013, respectively were €42.4, €44.4 and €47.6 in Israel, €36.7, €39.5 and €41.1 in Belgium and Luxembourg, €36.9, €34.9 and €35.1 in Portugal and €43.1, €48.3 and €50.8 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, which can deliver very high speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines and combines VoD functionality, HD technology and recording capabilities in a single set-top box in Belgium and Luxembourg (2012) and Portugal (2012). We expect to roll out this set top box in Israel in 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 customisation 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 optimising 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 organisation. 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 of control by Altice VII over HOT in 2011, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010, and in our Portuguese business, following the acquisition of control by Altice VII over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 28.8% in the nine months ended September 30, 2013 compared to 14.2% in 2011.

We make expansion related capital expenditure decisions by applying strict investment return and payback criteria. For the nine months ended September 30, 2013 and the year ended December 31, 2012 we incurred accrued capital expenditure of €209.5 million and €397.8 million respectively, in each case on a pro forma basis. Of such capital expenditures in 2012, approximately 30% related to CPE and installations cable capital expenditures, 19% related to our cable network and construction, 17% related to other cable capital expenditures, 23% related to capital expenditures for our mobile businesses and 11% 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, 2012 and the nine months ended September 30, 2013, our national roaming costs amounted to €21.4 million and €37.5 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 utilisation 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 and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014 subject to notice. The Network Sharing Agreement is valid until December 31, 2028 and is subject to all required regulatory approvals. 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 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 Risks***

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 neighbours.

Our reporting currency is euros and our operations outside Israel are primarily conducted in euros. However, in Israel, which accounted for 59% and 61% of the total revenue of the Group in the year ended December 31, 2012 and in the nine months ended September 30, 2013, on a pro forma 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, 2012, approximately 9% of our total operating expenses in Israel and approximately 47% of our total capital expenditures in Israel were incurred in foreign currencies. 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 combined financial statements of the Company. In the year ended December 31, 2012 compared to 2011, foreign exchange translation movements between the NIS and the euro had a positive impact of €3.9 million on our total revenues and €1.2 million on our EBITDA and in the nine months ended September 30, 2013 compared to 2012 foreign exchange translation movements between the NIS and the euro had a positive impact of €21.7 million on our total revenues and €8.7 million on our EBITDA. Further, as of September 30, 2013, we had approximately €714.0 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, 2011 in thousands except percentages and as otherwise indicated | | | | |
|---|---|---|---|---|---|
| | Israel[6] | Belgium and Luxembourg | Portugal | French Overseas Territories | Total[7] |
| **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%[8] | — |
| **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 |

| | 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 | Total[7] |
| **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%[8] | — |
| **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 nine months ended September 30, 2012 in thousands except percentages and as otherwise indicated | | | | |
|---|---|---|---|---|---|
| | Israel[6] | Belgium and Luxembourg | Portugal | French Overseas Territories | Total[7] |
| **CABLE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| Homes Passed | 2,233 | 233 | 906 | 154 | 3,526 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 92% | 35% | 95% |
| **Unique Customers** | | | | | |
| Cable Customer Relationships[1] | 1,207 | 122 | 261 | 39 | 1,629 |
| Triple-Play Cable Customer Relationships | 401 | 50 | 152 | 11 | 614 |
| **RGUs & Penetration[2][3]** | | | | | |
| Total RGUs | 2,333 | 246 | 663 | 61 | 3,303 |
| Pay Television RGUs | 893 | 138 | 253 | 39 | 1,323 |
| Pay Television Penetration (%) | 40% | 59% | 28% | 25% | 37% |
| Broadband Internet RGUs | 768 | 55 | 161 | 11 | 995 |
| Broadband Internet Penetration (%) | 34% | 24% | 18% | 7% | 28% |
| Fixed-Line Telephony RGUs | 672 | 54 | 250 | 11 | 987 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 28% | 7% | 28% |
| RGUs Per Cable Customer Relationship | 1.9x | 2.02x | 2.5x | 1.6x | 2.0x |
| **ARPU[4]** | | | | | |
| Cable ARPU (€) | 44.3 | 39.3 | 34.9 | 47.5 | — |
| **MOBILE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | 32% | — | — | 89%[8] | — |
| **Subscribers** | | | | | |
| Total Mobile Subscribers[5] | 687 | — | — | 372 | 1059 |
| Postpaid | 652 | 1 | — | 175 | 828 |
| Prepaid | 35 | — | — | 197 | 232 |
| **ARPU[4]** | | | | | |
| Mobile ARPU (€) | 20.4 | — | — | 26.6 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | |
| **RGUs** | | | | | |
| Total RGUs | — | — | — | 139 | 139 |
| Broadband Internet RGUs | — | — | — | 57 | 57 |
| Fixe-Line Telephony RGUs | — | — | — | 82 | 82 |

| | As of and for the nine months ended September 30, 2013 in thousands except percentages and as otherwise indicated | | | | |
|---|---|---|---|---|---|
| | Israel[6] | Belgium and Luxembourg | Portugal | French Overseas Territories | Total[7] |
| **CABLE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| Homes Passed | 2,272 | 233 | 906 | 154 | 3,565 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 99% | 49% | 98% |
| **Unique Customers** | | | | | |
| Cable Customer Relationships[1] | 1,145 | 115 | 240 | 38 | 1,538 |
| Triple-Play Cable Customer Relationships | 448 | 51 | 136 | 15 | 650 |
| **RGUs & Penetration[2][3]** | | | | | |
| Total RGUs | 2,316 | 239 | 609 | 68 | 3,233 |
| Pay Television RGUs | 881 | 130 | 227 | 38 | 1,276 |
| Pay Television Penetration (%) | 39% | 56% | 25% | 25% | 36% |
| Broadband Internet RGUs | 755 | 56 | 156 | 15 | 982 |
| Broadband Internet Penetration (%) | 33% | 24% | 17% | 10% | 28% |
| Fixed-Line Telephony RGUs | 680 | 53 | 226 | 15 | 974 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 25% | 10% | 27% |
| RGUs Per Cable Customer Relationship | 2.0x | 2.1x | 2.5x | 1.8x | 2.1x |
| **ARPU[4]** | | | | | |
| Cable ARPU (€) | 47.6 | 41.1 | 35.1 | 50.8 | — |
| **MOBILE-BASED SERVICES** | | | | | |
| **Market and Network** | | | | | |
| UMTS Mobile Coverage of Territory (%) | 50% | — | — | 89%[8] | — |
| **Subscribers** | | | | | |
| Total Mobile Subscribers[5] | 773 | 3 | — | 367 | 1,143 |
| Postpaid | 762 | 3 | — | 188 | 953 |
| Prepaid | 11 | — | — | 179 | 190 |
| **ARPU[4]** | | | | | |
| Mobile ARPU (€) | 16.9 | 40.9 | — | 26.8 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | |
| **RGUs** | | | | | |
| Total RGUs | — | — | — | 135 | 135 |
| Broadband Internet RGUs | — | — | — | 55 | 55 |
| Fixe-Line Telephony RGUs | — | — | — | 80 | 80 |

(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 nine months ended September 30, 2012, €0.2023 = NIS 1.00 and (iv) average rate for the nine months ended September 30, 2013, €0.2086 = 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, | | As of September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | | | in thousands | |
| **Mobile Subscribers** | | | | |
| iDEN | 444 | 325 | 371 | 234 |
| UMTS | — | 441 | 316 | 539 |
| **Total** | **444** | **766** | **687** | **773** |

(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) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate (not including France and the Dominican Republic) 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 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).

(8) 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 recognised 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 recognised 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 recognised in revenue when the service is rendered) and (iii) installation fees (which are recognised 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 recognised in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognised in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognised in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognised 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 centre 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 datacentre 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 licences 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 datacentres (subject to certain exceptions), (ii) utility costs related to the operation of datacentres (such as power and water supply costs), (iii) hosting and interconnect fees for telephony and broadband 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 centres, 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 datacentre 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 capitalised (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 includes 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 statement of income.

***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 recognised on the acquisition of new assets based upon a periodic re-evaluation of the cash generating capacity of these assets compared to the initial valuation assigned to the 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 includes 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 reorganise existing or newly acquired businesses. Cost incurred are categorised 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 step acquisition***

Gain arising on step acquisition includes the gain on achieving control in an investment or business and switching from the equity method of accounting to full integration in the consolidated accounts. See note 24 to Altice S.A.'s historical combined financial statements as of and for the year ended December 31, 2011 included elsewhere in this Prospectus.

***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 recognised at amortised cost.

***Income tax expenses***

Income tax expenses or income comprise current tax and deferred tax. Taxes on income are recognised in the statement of income except when the underlying transaction is recognised in the statement of income.

## Discussion and Analysis of Our Results of Operations

***Nine Months Ended September 30, 2013 compared to the Nine Months Ended September 30, 2012***

| | Historical Combined Financial Information | | | | Pre-Transaction Pro Forma Financial Information | | | |
|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, | | Change | | For the nine months ended September 30, | | Change | |
| Statement of Income Items | 2012 | 2013 | Amount | % | 2012 | 2013 | Amount | % |
| | € in millions except percentages | | | | | | | |
| **Revenue** | | | | | | | | |
| Cable based services | 644.7 | 694.5 | 49.8 | 7.7 | 713.1 | 721.1 | 8.0 | 1.1 |
| Mobile services | 125.3 | 175.9 | 50.6 | 40.4 | 220.7 | 245.8 | 25.1 | 11.4 |
| B2B and others | 43.0 | 58.0 | 15.0 | 34.9 | 142.3 | 135.2 | (7.1) | (5.0) |
| Total Revenue | **813.0** | **928.4** | **115.4** | **14.2** | **1,076.1** | **1,102.3** | **262** | **2.4** |
| Purchasing and subcontracting services | (216.6) | (262.2) | (45.6) | 21.1 | (321.6) | (328.3) | (6.7) | 2.1 |
| **Gross Profit** | **596.4** | **666.2** | **69.8** | **11.7** | **754.6** | **774.0** | **19.4** | **(2.6)** |
| Other operating expenses | (189.1) | (192.3) | (3.2) | 1.7 | (243.2) | (224.2) | 19.0 | (7.8) |
| General and administrative expenses[(1)] | (41.8) | (43.7) | (1.9) | 4.6 | (61.9) | (57.7) | 4.1 | 6.8 |
| Other sales and marketing expenses | (60.8) | (53.3) | 7.5 | (12.3) | (78.0) | (62.5) | 15.5 | (19.9) |
| **Operating income before depreciation and amortization** | **304.7** | **376.9** | **72.2** | **23.7** | **371.5** | **429.6** | **58.2** | **15.7** |
| Depreciation and amortization | (293.7) | (277.6) | (16.1) | (5.5) | (332.4) | (304.7) | 27.7 | 8.3 |
| Other expenses, net | (14.4) | (8.9) | (5.5) | (38.2) | (7.9) | (4.4) | 3.5 | 44.3 |
| Management fees | (2.6) | (0.7) | (1.9) | (73.1) | (15.0) | (9.8) | 5.2 | 34.7 |
| Restructuring and other non-recurring costs | (8.4) | (3.4) | (5.0) | (59.5) | (9.1) | (3.9) | 5.2 | 57.1 |
| **Operating profit** | **(14.4)** | **86.3** | **100.7** | **699.3** | **7.1** | **106.8** | 99.7 | 1404.2 |
| Share of profit of associates | 18.1 | 14.5 | | | **18.1** | 14.4 | (3.7) | (20.4) |
| Finance income | 14.6 | 42.7 | 28.1 | 192.5 | 14.8 | 42.9 | 28.1 | 189.9 |
| Finance costs | (130.7) | (196.6) | (65.9) | 50.4 | (185.0) | (201.8) | (16.8) | 9.1 |
| **(Loss)/profit before income tax expenses** | **(112.4)** | **(53.1)** | **59.3** | **(52.8)** | **(145.0)** | **(37.7)** | (107.3) | (74.0) |
| Income tax benefits/(expenses) | (1.0) | (27.5) | (26.5) | 2650.0 | 2.9 | (35.4) | (38.3) | 1320.7 |
| **(Loss)/profit for the year** | **113.4** | **(80.6)** | **(193.9)** | **171.1** | **(142.1)** | **(73.0)** | **(69.1)** | **(48.6)** |

(1) Also includes staff costs and employee benefits expenses

### Significant Events Affecting Historical Results

Our results of operations for the nine months ended September 30, 2013 and September 30, 2012 were significantly impacted by the following events:

- in February 2012, Altice VII acquired a controlling equity interest in Cabovisão (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, €28.7 million to operating profit and €19.8 million to EBITDA on a consolidated basis, in the nine months ended September 30, 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 €2.5 million of EBITDA, which are not consolidated in the Historical Combined Financial Information. In the first quarter of 2013, Altice VII acquired the remaining equity interests in Cabovisão it did not already own.
- in the third quarter of 2013 Altice VII acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Combined Financial Information with effect from July 5, 2013). Outremer contributed €51.0 million to revenue, €8.3 million to operating profit and €18.1 million to EBITDA on a consolidated basis in the nine months ended September 30, 2013

since July 5, 2013. In the nine months ended September 30, 2013 (from January 1 until July 5), 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 Combined Financial Information.

- in the third quarter of 2013, Altice VII acquired a 100% equity interest in ONI (through its subsidiary Cabovisão), the financial information of which is consolidated in the Historical Combined Financial Information with effect from August 8, 2013. For the period from August 8, 2013 to September 30, 2013, ONI contributed €17.5 million to revenue, €1.3 million to operating loss and gains of €2.0 million to EBITDA on a consolidated basis in the Historical Combined Financial Information for the nine months ended September 30, 2013. For the period from January 1 to 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 Combined Financial Information for the nine months ended September 30, 2013.

**Revenue**

*Historical Combined Basis*

For the nine months ended September 30, 2013, we generated total revenue of €928.4 million, a 14.2% increase compared to €813.0 million for the nine months ended September 30, 2012. Our total revenue by our key regions in the nine months ended September 30, 2013 and 2012, respectively, were: (i) in Israel, €669.4 million and €634.9 million, (ii) Belgium and Luxembourg, €53.2 million and €52.8 million, (iii) in Portugal, €100.9 million and €68.8 million (revenue for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and revenue for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €69.8 million and €19.2 million (revenue for the nine months ended September 30, 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 €21.7 million on total revenue.

Cable based services: For the nine months ended September 30, 2013, we generated cable based services revenue of €694.5 million, a 7.7% increase compared to €644.7 million for the nine months ended September 30, 2012. The increase was primarily due to the inclusion of cable based services revenue from Portugal for the entire duration of nine months ended September 30, 2013 of €83.4 million compared to €68.8 million for the nine months ended September 30, 2012, following the acquisition of Cabovisão on February 29, 2012, the inclusion of Outremer's cable based services revenue of €18.3 million for the period ended September 30, 2013 (with effect from July 5, 2013), and an increase in Israel's revenue due to the factors discussed below.

Mobile services: For the nine months ended September 30, 2013, we generated mobile services revenue of €175.9 million, a 40.4% increase compared to €125.3 million for the nine months ended September 30, 2013. This was primarily due to an increase in Israel's mobile services revenue due to the factors discussed below and the inclusion of €32.7 million in mobile services revenue generated by Outremer for the nine months ended September 30, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €4.6 million on mobile revenues.

B2B and others: For the nine months ended September 30, 2013, we generated B2B and other services revenue of €58.0 million, a 34.9% increase compared to €43.0 million for the nine months ended September 30, 2012, predominately due to the inclusion of €17.5 million in B2B services revenue generated by ONI, slightly offset by a decline in sales at the Group's other B2B and other operations as described below.

*Pre-Transaction Pro Forma Basis*

The following table sets forth our revenue by country of operation and on a pro forma basis based on the Pre-Transaction Pro Forma Financial Information.

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 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 | | | | | | | | | | | |
| **Revenue** | | | | | | | | | | | | |
| Cable based services | 509.6 | 45.2 | 88.6 | 67.9 | 1.8 | 713.1 | 527.0 | 45.7 | 83.4 | 63.7 | 1.3 | 721.1 |
| Mobile Services | 125.3 | — | — | 95.4 | — | 220.7 | 142.4 | 0.8 | — | 102.6 | — | 245.8 |
| B2B and others | — | 7.6 | 85.9 | — | 48.7 | 142.3 | — | 6.7 | 76.4 | — | 52.1 | 135.2 |
| **Total Revenue** | **634.9** | **52.8** | **174.6** | **163.3** | **50.5** | **1,076.1** | **669.4** | **53.1** | **159.8** | **166.3** | **53.4** | **1,102.3** |

(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 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 nine months ended September 30, 2013, we generated total revenue in Israel of €669.4 million, a 5.4% increase compared to €634.9 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our cable based services revenue increased by 3.4% and our mobile services revenue increased by 13.6%. Foreign exchange translation movements between the NIS and euro had a positive impact of €20.3 million on total revenue, €17.0 million on cable services revenue and €4.3 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel increased by 2.2%, our cable-based service revenue remained relatively stable and our mobile services revenue increased by 10.2%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.7% (4.2% at a constant exchange rate) from €44.2 for the nine months ended September 30, 2012 to €47.6 for the nine months ended September 30, 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 401,000 as of September 30, 2012 to 448,000 as of September 31, 2013. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 17,000 net decrease in our total cable RGUs, comprising a 12,000 net decrease in pay television RGUs, a 13,000 net decrease in broadband Internet infrastructure access RGUs and a 8,000 net increase in fixed-line telephony 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. This temporary misallocation of resources has now been rectified.

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 nine months ended September 30, 2013, we had 773,000 total mobile RGUs in Israel comprising 234,000 iDEN customers and 539,000 UMTS customers compared to 687,000 mobile customers comprising 371,000 iDEN customers and 316,000 UMTS RGUs as of September 30, 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 €3.5, or 17.2%, to €16.9 for the nine months ended September 30, 2013 compared to €20.4 for the nine months ended September 30, 2012, mainly due 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.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, we generated total revenue in Belgium and Luxembourg of €53.1 million, a 0.8% increase compared to €52.8 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our cable based services revenue increased by 1.1% and our B2B and other services revenue decreased by 11.8%. In addition, we launched mobile services (as an MNVO) in Belgium in September 2012 and generated €0.8 million in mobile services revenue in the nine months ended September 30, 2013.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €1.8, or 4.6%, to €41.1 for the nine months ended September 30, 2013 compared to €39.3 for the nine months ended September 30, 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 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 of 1,600 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 the general trend of customers switching to mobile services and a net decline in AIESH customers (although this did not have a substantial impact on revenue as we only acquired such AIESH customers in the third quarter of 2012).

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 fibre links for the CCTV network in the nine months ended September 30, 2012, a portion of which reflects non-recurring revenues, slightly offset by an increase in recurring revenue earned for fibre links leased to the Brussels police as part of this project in the nine months ended September 30, 2013.

*Portugal:* For the nine months ended September 30, 2013, we generated total revenue in Portugal of €159.8 million, a 8.4% decrease compared to €174.6 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our revenue in Portugal for our cable based services decreased by 5.9% and our B2B and other services revenue decreased by 11.1%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 54,000, comprising of a net decrease of 26,000 pay television RGUs, 24,000 fixed-line telephony RGUs and 5,000 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 increased slightly by €0.2, or 0.6%, to €35.1 for the nine months ended September 31, 2013 compared to €34.9 for the nine months ended September 31, 2012, predominately due to an increase in the prices at which we offer our products which we implemented in January 2013 and the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of

ARPU we experienced in 2012. However, the increase in ARPU was partially offset by 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. 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 the first nine months of 2012, linked to certain specific projects undertaken by ONI during this period.

*French Overseas Territories:* For the nine months ended September 30, 2013, we generated total revenue in the French Overseas Territories of €166.3 million, a 1.9% increase compared to €163.3 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our revenue in the French Overseas Territories for our cable based services decreased by 6.2% and our mobile services revenue increased by 7.6%.

The €4.2 million decrease in cable based services revenue in the French Overseas Territories was due to (i) a €2.2 million decrease in fixed-line revenue of Outremer, which in turn was mainly as a result of a net decrease of 2,000 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 €1.8 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 during the nine months ended September 30, 2013, prior to the integration of Outremer in the Group. This was partially offset by a 11.2% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €50.8 for the nine months ended September 30, 2013 compared to €47.5 for the nine months ended September 30, 2012 and a net increase of 8,000 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 15,000 as of September 30, 2013 from 11,000 as of September 30, 2012.

The €7.3 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 €0.2 million 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 Combined Basis*

For the nine months ended September 30, 2013, our total gross profit was €666.2 million, a 11.7% increase compared to €596.4 million for the nine months ended September 30, 2012. Our gross profit by our key regions in the nine months ended September 30, 2012 and 2013, respectively, were: (i) in Israel, €471.5 million and €485.0 million, (ii) Belgium and Luxembourg, €44.3 million and €44.1 million, (iii) in Portugal, €41.6 million and €64.5 million (gross profit for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the nine months ended September 30, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €16.2 million and €50.7 million (gross profit for the nine months ended September 30, 2012 and 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013). Our gross margin decreased from 73.4% in the nine months ended September 30, 2012 to 71.8% in the nine months ended September 30, 2013.

Foreign exchange translation movements between the NIS and the euro had a positive impact of €14.7 million on total gross profit.

Cable based services: For the nine months ended September 30, 2013, our gross profit from our cable based services was €550.6 million, a 13.3% increase compared to €485.8 million for the nine months ended September 30, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the nine months ended September 30, 2013 of €57.3 million compared to €41.6 million for the nine months ended September 30, 2012, following the acquisition of Cabovisão on February 28, 2012, the inclusion of Outremer's cable based services gross profit of €12.2 million for the period ended September 30, 2013 (with effect from July 5, 2013), 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 €12.9 million on cable based services gross profit. Our gross margin for cable based services increased from 75.4% in the nine months ended September 30, 2012 to 79.3% in the nine months ended September 30, 2013.

Mobile services: For the nine months ended September 30, 2013, our gross profit from our mobile services remained relatively stable at €82.1 million compared to the same period in the previous year. Although we saw a decrease in gross profit of €22.6 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of €22.4 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 65.5% in the nine months ended September 30, 2012 to 46.7% in the nine months ended September 30, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €1.8 million on mobile services gross profit.

B2B and others: For the nine months ended September 30, 2013, our gross profit from B2B and others was €33.5 million, a 18.0% increase compared to €28.4 million for the nine months ended September 30, 2012. Our gross margin for B2B and other services decreased from 66.0% in the nine months ended September 30, 2012 to 57.7% in the nine months ended September 30, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of €7.2 million generated by ONI, offset by a decrease in gross profit in Belgium and Luxembourg due to the factors discussed below.

*Pre-Transaction Pro Forma Basis*

The following table sets forth our purchasing and subcontracting services costs by country of operation and on a pro forma basis based on the Pre-Transaction Pro Forma Financial Information.

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 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 | 120.2 | 8.0 | 36.0 | 19.8 | 0.4 | 184.4 | 101.6 | 7.2 | 26.2 | 17.2 | 0.3 | 152.4 |
| Mobile Services | 43.1 | — | — | 28.9 | — | 72.0 | 82.8 | 0.7 | — | 31.6 | | 115.1 |
| B2B and others | — | 0.5 | 47.9 | — | 16.8 | 65.2 | — | 1.3 | 41.5 | — | 18.1 | 60.8 |
| **Total purchasing and subcontracting services** | 163.3 | 8.5 | 84.0 | 48.6 | 17.2 | 321.6 | 184.4 | 9.1 | 67.7 | 48.8 | 18.4 | 328.3 |

(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 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 nine months ended September 30, 2013, our purchasing and subcontracting services costs in Israel were €184.4 million, a 12.9% increase compared to €163.4 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our purchasing and subcontracting services costs for cable based services decreased by 15.5% and our purchasing and subcontracting services costs for mobile services

increased by 92.1%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by €5.6 million (including €3.1 million of cable based services purchasing and subcontracting services costs and €2.5 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 9.5%, our cable based service purchasing and subcontracting services costs decreased by 18.1% and our cellular services revenue increased by 86.2%.

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 capitalisation 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 nine months ended September 30, 2013 we capitalized €5.8 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 €63.1 million we incurred in the nine months ended September 30, 2013 with respect to our 3G mobile services which was launched in May 2012 compared to €24.1 million in the nine months ended September 30, 2012. Interconnection fees in the nine months ended September 30, 2013 included national roaming costs of €37.5 million compared to €9.9 million in the nine months ended September 30, 2012.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, our purchasing and subcontracting services costs in Belgium and Luxembourg were €9.1 million, a 7.1% increase compared to €8.5 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our purchasing and subcontracting services costs for cable based services decreased by 10.0% and our purchasing and subcontracting services costs for B2B services increased by 160.0% (from €0.5 million to €1.3 million). We began providing mobile services in Belgium in September 2012 as an MVNO and incurred costs of sales in an amount of €0.7 million in the nine months ended September 30, 2013.

The decrease in purchasing and subcontracting services costs for cable based services in Belgium and Luxembourg resulted from (i) a surplus in the provisions we had made for payments to copyright holders (such as authors' rights societies), having finalized the terms of certain contracts and the relevant payment obligations thereto, (ii) change of supplier and (iii) 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 increase in purchasing and subcontracting services costs for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with our mobile operations from September 2012 onwards.

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 nine months ended September 30, 2013, our purchasing and subcontracting services costs in Portugal was €67.7 million, a 19.4% decrease compared to €84.0 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our purchasing and subcontracting services costs for cable based services decreased by 27.4% and our purchasing and subcontracting services costs for B2B and others decreased by 13.4%.

The 27.4% decrease in purchasing and subcontracting services costs for cable based services in Portugal can primarily be attributed to the larger impact in the nine months ended September 30, 2013 compared to the prior year period of an operational optimisation program implemented by the Group

following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The 13.4% 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 nine months ended September 30, 2012, which are projects that inherently have a lower gross profit margin.

*French Overseas Territories:* For the nine months ended September 30, 2013, our purchasing and subcontracting services costs in the French Overseas Territories were €48.8 million, a 0.4% increase compared to €48.6 million for the nine months ended September 30, 2012. As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our purchasing and subcontracting services costs for cable based services decreased by 12.9% and our purchasing and subcontracting services costs for mobile services increased by 9.5%.

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 broadband Internet RGUs, which resulted in lower revenues and purchasing and subcontracting services costs.

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 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 basis based on the Pre-Transaction Pro Forma Financial Information was as follows:

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 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 | 389.4 | 37.2 | 52.6 | 48.2 | 1.4 | 528.7 | 425.4 | 38.5 | 57.3 | 46.5 | 1.0 | 568.7 |
| Mobile Services | 82.1 | — | — | 66.5 | — | 148.7 | 59.6 | 0.1 | — | 71.0 | — | 130.8 |
| B2B and others | — | 7.1 | 38.0 | — | 32.0 | 77.1 | — | 5.4 | 34.9 | — | 34.1 | 74.4 |
| **Total gross profit** | **471.5** | **44.3** | **90.6** | **114.7** | **33.4** | **754.6** | **485.0** | **44.1** | **92.3** | **117.5** | **35.1** | **774.0** |

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 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 (%) | 76.4 | 82.3 | 59.3 | 70.9 | 79.4 | 74.1 | 80.7 | 84.2 | 68.6 | 73.0 | 78.2 | 78.9 |
| Mobile Services (%) | 65.5 | — | — | 69.7 | — | 67.4 | 41.9 | 12.5 | — | 69.2 | — | 53.2 |
| B2B and others (%) | — | 93.4 | 44.2 | — | 65.6 | 54.2 | — | 80.6 | 45.7 | — | 66.2 | 55.5 |
| **Total gross margin (%)** | **74.3** | **83.9** | **51.9** | **70.2** | **66.1** | **70.1** | **72.5** | **82.9** | **57.8** | **70.7** | **66.5** | **70.3** |

(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 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 €14.7 million on total gross profit in Israel, €12.9 million for cable based services and €1.8 million for mobile services.

### Operating Expenses and EBITDA

*Historical Combined Basis*

For the nine months ended September 30, 2013, our total operating expenses (other than purchasing and subcontracting services) were €289.1 million, a 0.8% decrease compared to €291.6 million for the

nine months ended September 30, 2012. Our total operating expenses comprise of other operating expenses, which increased by 1.7%, general and administrative expenses, which increased by 4.3% and other sales and marketing expenses, which decreased by 12.3%, in each case in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Our total operating expenses by our key regions in the nine months ended September 30, 2012 and 2013, respectively, were: (i) in Israel, €242.3 million and €215.1 million, (ii) Belgium and Luxembourg, €9.0 million and €8.6 million, (iii) in Portugal, €21.8 million and €28.7 million (operating expenses for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €6.2 million and €22.3 million (operating expenses for the nine months ended September 30, 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 nine months ended September 30, 2013, our EBITDA was €376.9 million a 23.7% increase compared to €304.7 million for the nine months ended September 30, 2012. Our EBITDA by our key regions for the nine months ended September 30, 2013 and 2012, respectively, were: (i) in Israel, €229.2 million and €269.9 million, (ii) Belgium and Luxembourg, €35.3 million and €35.5 million, (iii) in Portugal, €19.8 million and €35.8 million (EBITDA for the nine months ended September 30, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the nine months ended September 30, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €10.0 million and €28.5 million (EBITDA for the nine months ended September 30, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Our EBITDA margin for the nine months ended September 30, 2013 was 40.6% compared to 37.5% for the nine months ended September 30, 2012. Our Adjusted EBITDA by key regions in the nine months ended September 30, 2013 and 2012, respectively, were: (i) in Israel, €269.9 million and €229.2 million, (ii) Belgium and Luxembourg, €35.5 million and €35.3 million, (iii) in Portugal, €35.8 million and 19.8 million, and (iv) in the French Overseas Territories, €28.5 million and €10.0 million (with the only adjustment being for equity related compensation in an amount of €3.8 million in Israel in the nine months ended September 30, 2012).

*Pre-Transaction Pro Forma Basis*

For the nine months ended September 30, 2013, our total operating expenses based on the Pre-Transaction Pro Forma Financial Information were €344.4 million, a 10.1% decrease compared to €383.1 million for the nine months ended September 30, 2012.

*Israel:* For the nine months ended September 30, 2013, our total operating expenses in Israel were €215.1 million, a 11.2% decrease compared to €242.3 million for the nine months ended September 30, 2012. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €6.5 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 13.9%.

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Israel decreased by 5.9% from €167.8 million to €157.9 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 nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Israel decreased by 13.9% from €24.2 million to €20.8 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 nine months ended September 30, 2012 pertaining to HOT stock options.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in Israel decreased by 27.7% from €50.4 million to €36.4 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, for the nine months ended September 30, 2013, in Israel our EBITDA was €269.9 million, a 17.8% increase compared to €229.2 million for the nine months ended September 30, 2012 and our EBITDA margin was 40.3% in the nine months ended September 30, 2013 compared to 36.1% in the nine months ended September 30, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €8.2 million on total EBITDA.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, our total operating expenses in Belgium and Luxembourg were €8.6 million, a 4.4% decrease compared to €9.0 million for the nine months ended September 30, 2012.

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Belgium and Luxembourg increased by 17.4% from €2.3 million to €2.7 million. This increase was primarily due to an increase in maintenance costs as well as an increase in customer service (call centre outsourcing) costs.

General and administrative expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Belgium and Luxembourg decreased by 16.9% from €5.7 million to €4.8 million primarily due to the renewal of our lease agreement for our property in Brussels incentivised through a twelve month no rent period from February 2013..

Other sales and marketing expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in Belgium and Luxembourg increased by 20.2% from €1.0 million to €1.2 million. This increase was primarily due to higher sales and marketing expenses in the nine months ended September 30, 2013 associated with the launch of 'La Box' in Belgium in Q2 2013.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2013, our EBITDA in Belgium and Luxembourg was €35.4 million, a 0.3% increase compared to €35.3 million for the nine months ended September 30, 2012. Our EBITDA margin was 66.5% in the nine months ended September 30, 2013 compared to 66.9% in the nine months ended September 30, 2012.

*Portugal:* For the nine months ended September 30, 2013, our total operating expenses in Portugal were €47.2 million, a 19.5% decrease compared to €58.7 million for the nine months ended September 30, 2012. This decrease was due to the larger impact in the nine months ended September 30, 2013, compared to the prior year period, of an operational optimisation program implemented by the Group following the acquisition of Cabovisão in February 2012 and a reduction in operational expenses by ONI, from €28.5 million for the nine months ended September 2012 to €23.7 million for the nine months ended September 30, 2013 achieved as a result of the optimisation efforts in several areas.

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in Portugal decreased by 13.0% from €33.9 million to €29.5 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 nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in Portugal decreased by 28.7% from €14.7 million to €10.5 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 nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in Portugal decreased by 27.9% from €10.1 million to €7.3 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 nine months ended September 30, 2013, our EBITDA in Portugal was €45.1 million, a 41.4% increase compared to €31.9 million for the nine months ended September 30, 2012. Our EBITDA margin was 28.2% in the nine months ended September 30, 2013 compared to 18.3% in the nine months ended September 30, 2012.

*French Overseas Territories:* For the nine months ended September 30, 2013, our total operating expenses in the French Overseas Territories were €55.5 million, a 4.0% decrease compared to €57.8 million for the nine months ended September 30, 2012.

Other operating expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other operating expenses in the French Overseas Territories decreased by 4.1% from €33.6 million to €32.3 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 centres in the French Overseas Territories to its offshoring centre 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 nine months ended September 30, 2012, for the nine months ended September 30, 2013 our general and administrative expenses in the French Overseas Territories increased by 14.2% from €10.6 million to €12.1 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice VII.

Other sales and marketing expenses: As compared to the nine months ended September 30, 2012, for the nine months ended September 30, 2013 our other sales and marketing expenses in the French Overseas Territories decreased by 18.4% from €13.6 million to €11.1 million. This decrease was predominantly due to the absence of major product launches during the nine months ended September 30, 2013, while the corresponding period in 2012 was marked by increased activities relating to new product introductions, in particular the mobile flat-fee rate plans, which Outremer began offering in the second quarter of 2012.

EBITDA: As a result of the factors discussed, for the nine months ended September 30, 2013, our EBITDA in the French Overseas Territories was €62.0 million, a 9.0% increase compared to €56.9 million for the nine months ended September 30, 2012. Our EBITDA margin was 37.3% in the nine months ended September 30, 2013 compared to 34.8% in the nine months ended September 30, 2012.

The following tables set forth our EBITDA across our segments for the nine months ended September 30, 2012 and 2013.

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 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]** . . . | 229.2 | 35.3 | 31.9 | 56.9 | 18.2 | 371.5 | 269.9 | 35.4 | 45.1 | 62.1 | 17.3 | 429.6 |

(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) €7.8 million and €10.1 million of EBITDA generated by our content production and distribution businesses for the nine months ended September 30, 2012 and 2013, respectively, (ii) €12.1 million and €12.4 million of EBITDA generated by Green Datacenter/Green for the

nine months ended September 30, 2012 and 2013 and (iii) €1.6 million and €4.8 million of negative EBITDA generated by our other holding entities (including corporate expenses) of for the nine months ended September 30, 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 nine months ended September 30, 2012 reflects costs relating to the purchase of exclusive third party content for the entire period and EBITDA for the nine months ended September 30, 2013 reflects costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

| | Pre-Transaction Pro Forma Financial Information | |
|---|---|---|
| | For the nine months ended September 30, | |
| | 2012 | 2013 |
| | € in millions | |
| **EBITDA** | 371.5 | 429.6 |
| Equity based compensation[1] | 3.8 | — |
| **Adjusted EBITDA** | 375.3 | 429.6 |

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

### Depreciation and Amortization

*Historical Combined Basis*

For the nine months ended September 30, 2013, depreciation and amortization on a historical combined basis totalled €277.6 million, a 5.5% decrease compared to €293.7 million for the nine months ended September 30, 2012. These were impacted by the factors listed under ''—Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012—Significant Events Affecting Historical Results''.

Depreciation and amortization in the nine months ended September 30, 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 nine 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 Combined Basis*

For the nine months ended September 30, 2013, on a historical combined basis, (i) other expenses, net totalled €8.9 million, a 38.2% decrease compared to €14.4 million for the nine months ended September 30, 2012 (primarily due to certain non-recurring penalties and fines paid in Israel partially offset by the reversal of a related provision); (ii) management fees primarily relating to consulting services totalled €0.7 million compared to €2.6 million for the nine months ended September 30, 2012 and (iii) restructuring and other non-recurring costs totalled €3.4 million compared to restructuring and other non-recurring costs of €8.4 million for the nine months ended September 30, 2012 (primarily due to a decrease in restructuring cost of €3.1 million associated with the restructuring undertaking for Cabovisão in 2012).

As a result of the factors described above, for the nine months ended September 30, 2013, our operating profit was €86.3 million, compared to an operating loss of €14.4 million for the nine months ended September 30, 2012.

### Finance costs (net)

*Historical Combined Basis*

For the nine months ended September 30, 2013, on a historical combined basis, our net finance costs totalled €153.9 million, a 32.6% increase compared to €116.1 million for the nine months ended

September 30, 2012 which was primarily due to an increase in the debt levels incurred by the Group to finance the take private transaction of HOT in December 2012 and the acquisition of Outremer and ONI in 2013.

### Income tax benefits/(expenses)

*Historical Combined Basis*

For the nine months ended September 30, 2013, on a historical combined basis, our total income tax expense was €27.5 million compared to an income tax expense of €1.0 million for the nine months ended September 30, 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 period

*Historical Combined Basis*

As a result of the factors discussed above, on a historical combined basis, for the nine months ended September 30, 2013, our loss for the year was €80.6 million compared to a loss of €113.4 million for the nine months ended September 30, 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 | |
| | 2011 | 2012 | Amount | % | 2011 | 2012 | Amount | % |
| | | | € in millions except percentages | | | | | |
| Statement of Income Items | | | | | | | | |
| 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 VII 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 VII 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 VII 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 VII'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 VII 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 VII 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 | | | | | |
| | € in millions | | | | | | | | | | | |
| | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total |
| **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 fibre 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 | | | | | |
| | € in millions | | | | | | | | | | | |
| | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total |
| **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 €21.4 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 optimisation 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 optimisation 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 | | | | | |
| | € in millions | | | | | | | | | | | |
| | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total | Israel | Belgium & Luxembourg | Portugal | French Overseas Territories[2] | Others[1] | Total |
| **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** |

| | 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 |
| **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 | — | 120.4 | 43.8 | — | 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 capitalise 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 capitalise 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 optimisation 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 optimise fixed costs, including to reduce payroll (in particular through reallocation of certain customer care staff from local centres in the French Overseas Territories to an offshoring centre 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 totalled €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 VII 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 totalled €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 totalled €6.2 million to €3.6 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totalled €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 recognised 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 Six 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 VII prior to the acquisition of controlling interest in March 2011.

**Finance costs (net)**

For the year ended December 31, 2012, our net finance costs totalled €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 recognised 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.

***Year Ended December 31, 2011 compared to the Year Ended December 31, 2010***

No pro forma financial information or illustrative aggregated financial information of the Group is available for any period prior to 2011. Consequently the following comparison of our results of

operations for the year ended December 31, 2010 and 2011 is based only on the Historical Combined Financial Information for the years ended December 31, 2010 and 2011.

| | Historical Combined Financial Information | | | |
|---|---|---|---|---|
| | For the year ended December 31, | | Change | |
| | 2010 | 2011 | Amount | % |
| | € in millions except percentages | | | |
| **Statement of Income Items** | | | | |
| **Revenue** | | | | |
| Cable based services | 22.5 | 560.3 | 537.8 | 2,390.2 |
| Mobile services | 103.5 | 180.6 | 77.1 | 74.5 |
| B2B and others | 41.2 | 43.3 | 2.1 | 5.1 |
| **Total Revenue** | **167.2** | **784.2** | **617.0** | **369.0** |
| Purchasing and subcontracting services | (54.0) | (175.4) | (121.4) | (224.8) |
| **Gross Profit** | **113.2** | **608.8** | **495.6** | **437.8** |
| Other operating expenses | (21.9) | (195.4) | (173.5) | (792.2) |
| General and administrative expenses[(1)] | (31.7) | (51.3) | (19.6) | (61.8) |
| Other sales and marketing expenses | (11.6) | (64.4) | (52.8) | (455.2) |
| **Operating income before depreciation and amortization** | **48.0** | **297.7** | **249.7** | **520.2** |
| Depreciation and amortization | (26.2) | (176.0) | (149.8) | (571.8) |
| Other expenses, net | (7.4) | (5.6) | 1.8 | 24.3 |
| Management fees | (0.8) | (3.6) | (2.8) | (350.0) |
| Restructuring and other non-recurring costs | (3.9) | (7.6) | (3.7) | (94.9) |
| **Operating profit** | **9.7** | **104.9** | **95.2** | **981.4** |
| Gain arising on step acquisitions | 1.0 | 134.8 | 133.8 | 13,380.0 |
| Share of profit of associates | 20.7 | 58.6 | 37.9 | 183.1 |
| Finance income | 51.1 | 26.8 | (24.3) | (47.6) |
| Finance costs | (30.9) | (130.6) | (99.7) | (322.7) |
| **Profit before income tax expenses** | **51.6** | **194.5** | **142.9** | **276.9** |
| Income tax benefits/(expenses) | (2.2) | (32.5) | (30.3) | (1,377.3) |
| **Profit for the year** | **49.4** | **162.0** | **112.6** | **227.9** |

(1) Also includes staff costs and employee benefits expenses

**Significant Events Affecting Historical Results**

Our results of operations for the year ended December 31, 2011 were significantly impacted by the following events:

- in March 2011, Altice VII 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 results of the HOT Telecom Group are consolidated in the Historical Combined Financial Information with effect from March 2011). The HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA in the year ended December 31, 2011.
- in June 2011, Altice VII acquired controlling equity interests 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 results of which are consolidated in the Historical Combined Financial Information with effect from July 1, 2011). Coditel Holding contributed €34.8 million to revenue, a €1.4 million operating loss and €20.4 million to EBITDA in the year ended December 31, 2011.

Our results of operations for the year ended December 31, 2010 were significantly impacted by the acquisition of MIRS Communications Ltd. in May 2010 (as a result of which the results of MIRS Communications Ltd. are consolidated in the Historical Combined Financial Information of Altice VII with effect from May 2010). In the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice VII and renamed HOT Mobile Ltd. In 2010, MIRS Communications Ltd. had €103.5 million of revenue, €8.6 million of operating income and €24.1 million of EBITDA, which are not consolidated in the Historical Combined Financial Information.

The consolidation of the results of operations of the HOT Telecom Group, Coditel Brabant S.p.r.l and Coditel S.à r.l. with the results of operations of the Group for the periods indicated above in 2011, as well as the financing arrangements entered into in connection with these transactions, and the consolidation of results of MIRS Communications Ltd. with the results of operations of the Group for only a portion of 2010 were the key drivers for the changes in our results of operations in the year ended December 31, 2011 compared to the year ended December 31, 2010 as described below.

**Revenue**

For the year ended December 31, 2011, we generated total revenue of €784.2 million compared to €167.2 million for the year ended December 31, 2010. Our total revenue by our key regions in the years ended December 31, 2011 and 2010, respectively, were: (i) in Israel, €680.4 million and €103.5 million (2010 revenue was limited to mobile revenue of MIRS Communications Ltd., which was the only subsidiary in Israel controlled by the Group in 2010 and was consolidated in the Historical Combined Financial Information with effect from May 2010), (ii) Belgium and Luxembourg, €34.8 million and nil (the Group did not have any operations in Belgium and Luxembourg prior to the acquisition of Coditel Brabant S.p.r.l and Coditel S.à r.l. in 2011), and (iii) in the French Overseas Territories, €23.6 million and €19.9 million. The Group did not have any operations in Portugal in either of these periods.

*Cable based services:* For the year ended December 31, 2011, we generated cable based services revenue of €560.3 million compared to €22.5 million for the year ended December 31, 2010.

*Mobile services:* For the year ended December 31, 2011, we generated mobile services revenue of €180.6 million compared to €103.5 million for the year ended December 31, 2010.

*B2B and others:* For the year ended December 31, 2011, we generated B2B and other services revenue of €43.3 million compared to €41.2 million for the year ended December 31, 2010. This revenue was primarily from our operations in Switzerland.

**Gross Profit**

Our purchasing and subcontracting services increased by €121.4 million to €175.4 million for the year ended December 31, 2011 from €54.0 million for the year ended December 31, 2010. Consequently, our gross profit increased by €495.6 million to €608.8 million for the year ended December 31, 2011 from €113.2 million for the year ended December 31, 2010. Our gross profit by our key regions in the years ended December 31, 2011 and 2010, respectively, were: (i) in Israel, €535.3 million and €70.1 million ((2010 gross profit was limited to gross profit from mobile services of MIRS Communications Ltd., which was the only subsidiary In Israel controlled by the Group in 2010 and was consolidated in the Historical Combined Financial Information with effect from May 2010), (ii) Belgium and Luxembourg, €27.5 million and nil (the Group did not have any operations in Belgium and Luxembourg prior to the acquisition of Coditel Brabant S.p.r.l and Coditel S.à r.l. in 2011), and (iii) in the French Overseas Territories, €19.8 million and €16.9 million.

Cable based services: For the year ended December 31, 2011, our gross profit from our cable based services was €435.0 million compared to €19.0 million for the year ended December 31, 2010.

Mobile services: For the year ended December 31, 2011, our gross profit from our mobile services was €149.7 million compared to €70.1 million for the year ended December 31, 2011.

B2B and others: For the year ended December 31, 2011, our gross profit from B2B and others was €24.2 million compared to €24.0 million for the year ended December 31, 2010.

**Operating Expenses and EBITDA**

*Other operating expenses:* Other operating expenses were €195.4 million for the year ended December 31, 2011 compared to €21.9 million for the year ended December 31, 2010.

*General and administrative expenses:* General and administrative expenses were €51.3 million for the year ended December 31, 2011 compared to €31.7 million for the year ended December 31, 2010.

*Other sales and marketing expenses:* Other sales and marketing expenses were €64.4 million for the year ended December 31, 2011 compared to €11.6 million for the year ended December 31, 2010.

*EBITDA:* As a result, our EBITDA increased by €249.7 million to €297.7 million for the year ended December 31, 2011 from €48.0 million for the year ended December 31, 2010.

**Depreciation and amortization**

Depreciation and amortization expenses were €176.0 million for the year ended December 31, 2011 compared to €26.2 million for the year ended December 31, 2010.

**Operating profit**

For the year ended December 31, 2011, (i) other expenses, net totalled €5.6 million compared to €7.4 million for the year ended December 31, 2010 (ii) management fees primarily relating to consulting services totalled €3.6 million compared to €0.8 million for the year ended December 31, 2010 (iii) restructuring and other non-recurring costs totalled €7.6 million compared to restructuring and other non-recurring costs of €3.9 million for the year ended December 31, 2010. As a result of the factors described above, our operating profit increased by €94.4 million to €104.9 million for the year ended December 31, 2011 from €9.7 million for the year ended December 31, 2010.

**Gains arising on step acquisitions**

Gains arising on step acquisitions was €134.8 million for the year ended December 31, 2011 compared to €1.0 million for the year ended December 31, 2010, which was primarily due to a non-recurring income of €133.0 million recognised 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 as a result of which the equity stake held in HOT Telecom 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**

Our share of profit of associates was €58.6 million for the year ended December 31, 2011 compared to €20.7 million for the year ended December 31, 2010 primarily due to an increase in our share of profit from HOT in the year ended December 31, 2011 (prior to the acquisition of controlling interest in March 2011) compared to the year ended December 31, 2010 and the share in profit at the Altice Six level, arising from its investment in Numericable and Completel.

**Finance costs (net)**

Our net finance costs totalled €103.8 million for the year ended December 31, 2011 compared to net finance income of €20.2 million for the year ended December 31, 2010. Net finance costs increase due to the higher levels of debt incurred in the year ended December 31, 2011 mainly in connection with the Group's investment in HOT, Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l.

**Income tax benefits/(expenses)**

Our income tax expenses increased by €30.3 million to €32.5 million for the year ended December 31, 2011 from €2.2 million for the year ended December 31, 2010.

***Profit for the year***

Our profit for the year increased by €112.6 million to €162.0 million for the year ended December 31, 2011 from €49.4 million for the year ended December 31, 2010.

**Liquidity and Capital Resources**

*Cash and Debt Profile*

As of September 30, 2013, our consolidated cash and cash equivalents amounted to €61.9 million on an actual basis. 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. Our total debt as of September 30, 2013 was €3,547 million (assuming full draw down of the 2013 Term Loan and the issuance of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes), in each case excluding finance leases and other long term and short term liabilities. In addition, in December 2013, Altice Financing and Altice Finco issued (i) €300 million senior secured notes, $900 million senior secured notes an (ii) $400 million of senior notes, respectively. Furthermore, as of September 30, 2013, Altice Financing made a renewal request for a guarantee of up to a maximum amount of €1.7 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group. Additionally, Altice Six entered into the 2013 Margin Loan, under which €326.1 million was outstanding as of December 31, 2013. Our material indebtedness (excluding the Revolving Credit Facilities, the 2013 Guarantee Facility, finance leases and other long term and short term liabilities) and principal repayment obligations, without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. As of September 30, 2013, we had €192.0 million equivalent of additional borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. 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 Part XIX of this Prospectus (*Description of Certain Indebtedness*).

| | Period ending December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 or later | Total |
| | € in millions | | | | | |
| HOT Unsecured Notes[1] | — | 27 | 27 | 27 | 199 | 280 |
| Existing Coditel Mezzanine Facility | — | — | — | — | 106 | 106 |
| 2012 Senior Secured Notes[2] | — | — | — | — | 550 | 550 |
| 2013 Term Loan Facility[3] | — | 8 | 8 | 8 | 771 | 795 |
| 2012 Senior Notes[2] | — | — | — | — | 314 | 314 |
| 2013 Euro Senior Notes | — | — | — | — | 250 | 250 |
| 2013 Dollar Secured Notes[4] | — | — | — | — | 294 | 294 |
| 2013 Secured Senior Notes[4] | — | — | — | — | 661 | 661 |
| 2013 Margin Loan | — | — | — | 324 | — | 324 |
| Total | — | 35 | 35 | 359 | 3,145 | 3,574 |

(1) The amount is based on the exchange rate as of September 30, 2013 of NIS 0.2094 = €1.00

(2) The amount is based on the exchange rates as of September 30, 2013 of $1.352 = €1.00.

(3) The amount is based on a fixed exchange rate of $1.301 = €1.00.

(4) The amounts are 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 is $80.0 million and €60.0 million of available borrowings under the Revolving Credit Facilities and €75 million under the 2013 Guarantee Facility. As of September 30, 2013, we had €192.0 million equivalent of borrowing capacity under the Revolving Credit Facilities and the 2013 Guarantee Facility. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Revolving Credit Facilities and under the 2013 Guarantee Facility 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 unfavourable impact on our cash flows and liquidity. See Part II of this Prospectus (*Risk Factors—Risks Relating to Our Financial Profile*).

The Revolving Credit Facilities and the 2013 Guarantee Facility requires us to maintain compliance with a consolidated leverage ratio, calculated on a net basis, tested as of the end of each fiscal quarter of no more than 4.5:1. 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 September 30, 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. See Part XIX of this Prospectus (*Description of Certain Indebtedness*). 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 favourable terms, or at all, to fund any such required repayment.

Altice VII and Altice Six are holding companies with no direct source of operating income. They are therefore dependent on dividends, servicing of intercompany loans and other payments from their operating subsidiaries to meet their liquidity requirements.

*Working Capital*

The Group has sufficient working capital for its present requirements. We expect our operating cash flows and, if required, available borrowings under the Revolving Credit Facilities and the 2013 Guarantee Facility will be sufficient to meet our working capital requirements during the next 12 months.

**Consolidated Cash Flow Statements**

| | Historical Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | € in millions | | |
| Cash and cash equivalents at beginning of period | 9.0 | 26.9 | 24.2 | 19.8 | 129.7 |
| Net cash provided by (used in) operating activities | (43.7) | 306.1 | 464.5 | 323.5 | 288.8 |
| Net cash provided by (used in) investing activities | (39.7) | (576.6) | (574.2) | (300.7) | (502.2) |
| Net cash provided by (used in) financing activities | 98.9 | 268.7 | 215.1 | (14.5) | 145.4 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2.4 | (0.9) | 0.2 | 0.2 | — |
| **Cash and cash equivalents at end of period** | **26.9** | **24.2** | **129.8** | **32.7** | **61.9** |

***Nine Months Ended September 30, 2013 compared to the Nine Months Ended September 30, 2012***

Changes in the Group's cash flows in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 were impacted by the significant acquisitions and related financing arrangements described under ''—Discussion and Analysis of our Results of Operations—Nine months

ended September 30, 2013 compared to the Nine months ended September 30, 2012—Significant Events Affecting Historical Results''.

*Net cash provided by (used in) operating activities*

Net cash provided by operating activities decreased by 10.7% to €288.8 million for the nine months ended September 30, 2013 compared to €323.5 million for the nine months ended September 30, 2012. The decrease was primarily due a €103.4 million negative impact from the movement in changes in working capital mainly driven by an increase in trade receivables in Israel as a result of migrating to invoicing on a post-services basis as opposed to pre-services, which we were required by the Council for Cable and Satellite Broadcasting to complete by the end of 2012. The decrease in net cash provided by operating activities was partially offset by an €72.3 million increase in EBITDA a as a result of the factors described under ''*—Discussion and Analysis of our Results of Operations—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012*''

*Net cash provided by (used in) investing activities*

Net cash used in investing activities increased by 67.0% to €502.2 million for the nine months ended September 30, 2013 compared to €300.7 million for the nine months ended September 30, 2012. The increase was primarily due to the higher cash outflows of €203.5 million in the nine months ended September 30, 2013 relating to the acquisition of Outremer and ONI on July 5, 2013 and August 8, 2013, compared to €35.1 million in the nine months ended September 30, 2012. In addition to these acquisitions a total amount of €105 million was paid to finance the buy back of minority interests in Cabovisao in February 2013. The increase in net cash used in investment activities was offset by a decrease in capital expenditure of €83.4 million, compared to the same period in the previous year as discussed under ''*—Capital Expenditures—Nine months ended September 30, 2013 compared to the Nine months ended September 30, 2012*''.

*Net cash provided by (used in) financing activities*

Net cash provided by financing activities increased by 902.8% to €145.4 million for the nine months ended September 30, 2013 compared to net cash used in financing activities of €14.5 million for the nine months ended September 30, 2012, due to higher levels of debt incurred for purposes other than refinancing of existing indebtedness (in an amount of €475.5 million versus €102.9 million in the nine months ended September 30, 2012) to, among other things, finance the acquisitions of the Outremer and ONI on July 5, 2013 and August 8, 2013, respectively. Furthermore, €212.5 million net cash was used to redeem preferred securities held by shareholders. The increase in interest paid in the nine months ended September 30, 2013 was €119.4 million compared to €91.3 million in the nine months ended September 30, 2012.

***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 2012 compared to a net gain in income of €162.0 million in 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).

***Year Ended December 31, 2011 compared to the Year Ended December 31, 2010***

Changes in the Group's cash flows in the year ended December 31, 2011 compared to the year ended December 31, 2010 were primarily due to the impact of the significant acquisitions and related financing arrangements described under ''*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2011 compared to the Year Ended December 31, 2010—Significant Events Affecting Historical Results*''.

*Net cash provided by (used in) operating activities*

Net cash provided by operating activities increased to €306.1 million for the year ended December 31, 2011 compared to net cash used in current operations of €43.7 million for the year ended December 31, 2010.

*Net cash provided by (used in) investing activities*

Net cash used in investing activities increased to €576.6 million for the year ended December 31, 2011 compared to €39.7 million for the year ended December 31, 2010.

*Net cash provided by (used in) financing activities*

Net cash provided by financing activities increased to €268.7 million for the year ended December 31, 2011 compared to €98.9 million for the year ended December 31, 2010.

**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 centres, 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 Combined Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | € in millions | | | | |
| Cable based services | 2.3 | 127.1 | 252.1 | 194.8 | 137.7 |
| Mobile services | 14.2 | 47.1 | 83.8 | 66.3 | 38.9 |
| B2B and others | 38.0 | 15.5 | 11.1 | 6.4 | 7.5 |
| **Total Capital Expenditures** | **49.9** | **189.8** | **347.0** | **267.5** | **184.1** |

***Nine Months Ended September 30, 2013 compared to the Nine Months Ended September 30, 2012***

**Capital expenditures on a Historical Combined Basis**

For the nine months ended September 30, 2013, our total capital expenditures were €184.1 million (representing 19.8% of revenue), a 31.2% decrease compared to €267.5 million for the nine months ended September 30, 2012 (representing 32.9% of revenue).

*Cable based services related:* For the nine months ended September 30, 2013, cable based services capital expenditures were €137.7 million (representing 74.8% of total capital expenditures), a 29.3% decrease compared to €194.8 million (representing 72.8% of total capital expenditures) for the nine months ended September 30, 2012.

*Mobile services related:* For the nine months ended September 30, 2013, mobile services capital expenditures were €38.9 million (representing 21.1% of total capital expenditures), a 41.3% decrease compared to €66.3 million (representing 24.8% of total capital expenditures) for the nine months ended September 30, 2012.

*B2B and others:* For the nine months ended September 30, 2013, B2B and other capital expenditures were €7.5 million (representing 4.1% of total capital expenditures), a 17.2% increase compared to €6.4 million (representing 2.4% of total capital expenditures) for the nine months ended September 30, 2012.

**Capital expenditures on a Pro Forma 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.

| | Pre-Transaction Pro Forma Financial Information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | For the nine months ended September 30, 2012 | | | | | | For the nine months ended September 30, 2013 | | | | | |
| | 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 | 74.0 | 3.3 | 6.3 | 4.7 | — | 88.3 | 35.0 | 5.8 | 7.9 | 3.1 | — | 51.8 |
| Cable network and constructions | 45.0 | 1.8 | 4.9 | 4.0 | — | 55.7 | 25.0 | 2.1 | 4.1 | 5.1 | — | 36.3 |
| Other cable based services | 45.0 | 5.8 | 0.9 | 0.2 | — | 51.9 | 40.0 | 5.6 | 2.7 | 0.2 | — | 48.5 |
| Cable based services | 164.0 | 10.9 | 12.0 | 8.8 | — | 195.7 | 100.0 | 13.5 | 14.7 | 8.4 | — | 136.6 |
| Mobile services | 66.0 | 0.7 | — | 7.9 | — | 74.6 | 36.0 | 1.2 | — | 8.9 | — | 46.1 |
| B2B and others | — | — | 5.8 | 4.9 | 13.5 | 24.2 | | — | 3.6 | 9.8 | 13.4 | 26.8 |
| **Total capital expenditures** | **230.0** | **11.6** | **17.8** | **21.6** | **13.5** | **294.6** | **136.0** | **14.7** | **18.3** | **27.1** | **13.4** | **209.5** |
| **EBITDA—total capital expenditures** | **(0.8)** | **23.6** | **14.0** | **35.3** | **4.7** | **76.9** | **133.9** | **20.7** | **26.7** | **34.6** | **3.6** | **220.1** |

(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.

(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 nine months ended September 30, 2012 do not include any costs relating to the purchase of exclusive third party content and the capital expenditures for the nine months ended September 30, 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 nine months ended September 30, 2013, our total capital expenditures in Israel were €136.0 million (representing 64.9% of total capital expenditures), a 40.9% decrease compared to €230.0 million for the nine months ended September 30, 2012 (representing 78.1% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the nine months ended September 30, 2012 related mainly to a one time capital expenditure for the purchase of a building for our call centre 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 fibre 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 nine months ended September 30, 2012 prior to the launch of our UMTS based cellular services in May 2012.

*Belgium and Luxembourg:* For the nine months ended September 30, 2013, our total capital expenditures in Belgium and Luxembourg were €14.7 million (representing 7.0% of total capital expenditures), a 26.7% increase compared to €11.6 million for the nine months ended September 30, 2012 (representing 3.9% of total capital expenditures). 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 nine months ended September 30, 2013

*Portugal:* For the nine months ended September 30, 2013, our total capital expenditures in Portugal were €18.3 million (representing 8.7% of total capital expenditures), relatively stable compared to €17.8 million for the nine months ended September 30, 2012 (representing 6.1% of total capital expenditures). This was due to a decrease in B2B and other capital expenditure incurred by ONI in the nine months ended September 30, 2013 offset by an increase in cable capital expenditures mainly due to the high level of investments made during the nine months ended September 30, 2013 to deploy ''La Box''.

*French Overseas Territories:* For the nine months ended September 30, 2013, our total capital expenditures in the French Overseas Territories were €27.1 million (representing 12.9% of total capital expenditures), a 25.5% increase compared to €21.6 million for the nine months ended September 30, 2012 (representing 7.3% of total capital expenditures). The increase was primarily due to (i) an increase in other capital expenditures as a result of certain major renovation work relating to Outremer's distribution network, and the development of a payment platform offering value-added payment services to Outremer's customers, (ii) the work related to the expansion of our 3G mobile network in Martinique, Guadeloupe, French Guyana, Mayotte and La Reunion, and (iii) the acquisition of KERTELcom, a small fixed line French operator.

*Others:* Capital expenditures for our other businesses were relatively stable and decreased by 0.7% in the nine month period ended September 30, 2013 to reach €13.4 million as compared to €13.5 million for the nine period ended September 30, 2013.

***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 fibre 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 centre operations and due to an increase in capitalised 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 fibre 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 summarises the payments that we will be obligated to make under our material contractual commitments as of September 30, 2013 other than operating leases for which commitments are calculated on an annual basis and for which we have provided payments due as of December 31, 2012. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

**Payments due by period**

| | Period ending December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 or later | Total |
| | € in millions | | | | | |
| Long-term debt obligations | 13.0 | 34.0 | 34.0 | 34.0 | 2,190.0 | 2,336.0 |
| Finance leases | 8.7 | 8.4 | 6.9 | 3.7 | 4.7 | 32.3 |
| Operating leases[1] | 40.6 | 37.3 | 29.4 | 21.2 | 68.2 | 196.7 |
| **Total** | **62.3** | **79.7** | **70.3** | **58.9** | **2,321.9** | **2,565.0** |

(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 13 to combined financial statements of the Company as of and for the nine months ended September 30, 2013 and note 28 to the combined financial statements of the Company as of and for the year ended December 31, 2012 included elsewhere in this Prospectus.

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 recognise a liability regarding employee benefits in the statement of financial position of the Group 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 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 recognised as an expense at the time of the deposit in the plan, in parallel to the receipt of the labour services from the employee and no additional provision is recognised in the financial statements. As of September 30, 2013, our total pension liabilities were €9.0 million.

**Post Balance Sheet Date Events**

***Dominican Republic Acquisitions***

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice VII) 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 has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the ''ODO Sellers''), and the ODO Sellers have 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 less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel and is expected to occur in the first quarter of 2014.

On October 31, 2013, Altice Caribbean (a wholly owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the ''Tricom Seller''), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the ''Tricom Purchase Agreements'') pursuant to which Altice Caribbean or one of its subsidiaries (the ''Tricom Purchaser'') is expected to purchase approximately 95.5% of the outstanding equity interests in Tricom S.A. and approximately 91% of the outstanding equity interests in Global Interlinks Ltd. (together, ''Tricom'') from the Tricom Sellers (the ''Tricom Acquisition''). The aggregate purchase price payable by Altice Caribbean for the Tricom Acquisition is $405 million. Simultaneously with the Tricom Acquisition, it is envisaged that the Tricom Seller will contribute the remainder of its outstanding equity interest in Tricom S.A. and in Global Interlinks Ltd to Altice Bahamas or one of its subsidiaries (the ''Tricom Contribution'') so that, upon completion, of the Tricom Acquisition and the Tricom Contribution, Altice Bahamas and/or its subsidiaries will hold 100% of the outstanding equity interests in Tricom S.A. and in Global Interlinks Ltd. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican Republic regulatory authority Indotel.

*Potential Benefits from the acquisition of Tricom and ODO*

The acquisition of Tricom and 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 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. After the consummation of the ODO Acquisition and the Tricom Acquisition, 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 optimising mobile frequencies and networks, including utilizing Tricom's excess 4G spectrum which should allow for a cost efficient roll out of 4G services.

***Numericable Acquisition***

In November 2013, we entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable Group from Cinven and Carlyle (the ''Numericable Acquisition'') following which Altice Six (a wholly owned subsidiary of the Company) will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes on the board of directors pursuant to the Numericable Shareholders' Agreement. The Numericable Acquisition is subject to antitrust approval and is expected to be completed in the first quarter of 2014. For details regarding the financing of the Numericable Acquisition, please see Part XIX

of this Prospectus (*Description of Certain Indebtedness—Post Balance Sheet Date Events—Other Financing Arrangements*).

***2013 Coditel Acquisition***

As of September 30, 2013, Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, was the owner of 60% of the outstanding shares of Coditel Holding and various funds advised by Apax Partners MidMarket SAS (the ''Coditel Minority Shareholder'') was the owner of the remaining outstanding shares of Coditel Holding. On March 7, 2013, Altice VII and the Coditel Minority Shareholder entered into a purchase and sale agreement (the ''Coditel Purchase Agreement'') pursuant to which Altice VII, through a wholly owned subsidiary, agreed to purchase all of the outstanding shares of Coditel Holding held by the Coditel Minority Shareholder (the ''2013 Coditel Acquisition''). The 2013 Coditel Acquisition was consummated on November 29, 2013 and was funded in part by using the remaining amounts available under the 2013 Term Loan.

***Acquisition of Content Subsidiaries***

On October 4, 2013, Valemi Corp., Ma Chaîne Sport S.A.S., Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S. (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 10.25%, respectively) in Ma Chaîne Sport S.A.S. to Altice VII. In addition, on October 10, 2013, the general shareholders' meeting of Ma Chaîne Sport S.A.S. decided on a capital decrease of €5 million by way of a share buy back of the remaining shares in Ma Chaîne Sport S.A.S. held by Valemi Corp which was not sold under the sale and purchase agreement, corresponding to 21.75% of Ma Chaîne Sport S.A.S. share capital. This capital decrease has been completed on November 8, 2013. As a result of these transactions, Altice VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S. which in turn holds 100% of Sportv S.A. Ma Chaîne Sport S.A.S. produces and assembles a diverse range of content including live broadcasts of sports events and other programmes 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 S.A. 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. In 2012, Ma Chaîne Sport S.A.S. and Sportv S.A. generated EBITDA of €9.0 million and €0.8 million respectively and had an EBITDA margin of 56.7% and 62.5% respectively.

***Acquisition of the Mobius Group***

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the ''Mobius Acquisition''). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the ''Mobius Technology'' brand and double and triple play services based on xDSL technology to residential customers under the ''IZI'' brand. The consummation of the Mobius Acquisition is expected to occur on January 15, 2014. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the ''Mobius Managers'') have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately €4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 75%. However, Altice Blue Two and the Mobius Managers are in advanced discussions to amend the existing investment agreement in order to provide that the Mobius Managers' reinvestment will be made directly in the Company, through the subscription by the Mobius Managers, at the Offer Price, of Ordinary Shares of the Company.

***Network Sharing Agreement***

On November 8, 2013, HOT Mobile 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 that will

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 also 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 or preparation by the parties and subject to any required agreement or regulation. We expect that 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. For a description of the Network Sharing Agreement and the RoU Agreement, please see Part XVII of the Prospectus (''*Information about the Company and the Group—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*'').

***Current Trading***

*The information relating to our revenue, EBITDA margin and capital expenditures are estimates based on our internal management accounts for the periods below. While we believe these estimates to be reasonable, our actual results could vary from these estimates and these differences could be material. These estimates have been prepared by and are the responsibility of management and have not been reviewed or audited by our independent auditors and you should not place undue reliance on them.*

With respect to the Altice VII Group pro forma combined financial information (including ODO):

- Revenue in Q4 2013 is estimated to be in line with the average quarterly revenue realised in Q1-3 2013 by the Altice VII Group on a constant currency basis. In Q1-3 2013, the Altice VII Group realised revenue of €1,102.3 million.
- EBITDA margin in Q4 2013 is estimated to be in line with the average quarterly EBITDA margin realised in Q1-3 2013 by the Altice VII Group. In Q1-3 2013, the Altice VII Group realised an EBITDA margin of 39.0%.
- Capital expenditures in Q4 2013 is estimated to be slightly above the average quarterly capital expenditures spent in Q1-3 2013 by the Altice VII Group. In Q1-3 2013, the Altice VII Group made capital expenditures of €209.5 million.

Except as disclosed in this section of the Prospectus (Part XII—*Operating and Financial Review of the Group*), there has been no material change in the financial and trading position of the Group since December 31, 2012.

*Financial Targets*

*The Company has adopted certain financial targets as discussed in more detail below. These targets do not constitute projections, guidance or other forward-looking statements and, while the targets have been set in good faith by the Company, there can be no assurance that the Company will be able to achieve them.*

The Company's business consists of two capital structure units, the Numericable Group and the Altice VII Group, both of which have public debt securities. With respect to the current Altice VII Group, Altice is targeting:

- Low to mid-single digit organic revenue growth;
- EBITDA margin in the high 40s; and
- Decline in capital expenditures to revenue ratio.

***New Financing Arrangements***

Since September 30, 2013, we have entered into the following additional financing arrangements:

- On December 12, 2013, we issued $1,309 million (equivalent) senior secured notes and €300 million of senior notes (hereinafter the ''2013 Senior Secured Notes'' and ''2013 Dollar Senior

Notes'', respectively), which are currently held in escrow to be used to consummate the ODO Acquisition and the Tricom Acquisition.

- On November 7, 2013, Altice Six entered into the 2013 Margin Loan, pursuant to which it incurred €324 million of debt which was used to purchase certain of Numericable's ordinary shares in connection with Numericable's initial public offering which priced on November 7, 2013 and closed on November 12, 2013.
- On November 29, 2013, we incurred an additional €80.6 million of debt under the 2013 Term Loan to consummate the 2013 Coditel Acquisition. For further details see Part XIX—*Description of Certain Indebtedness—The 2013 Term Loan.*

**Related Party Transactions**

During the year ended December 31, 2010, 2011 and 2012 the Group incurred an aggregate of €0.8 million, €3.6 million and €6.2 million to related parties as management fees and during the nine months ended September 30, 2013 the Group paid an aggregate of €0.7 million. 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 the Numericable Group, 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 the notes to the historical combined financial statements of the Company included in this Prospectus, the Group did not have any material transactions with related parties during 2010, 2011 and 2012 and the nine months ended September 30, 2013.

In addition, we pay a fee to broadcast the news channel i-24 over our networks. I-24 is majority-held by our Selling Shareholder.

**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.

*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 September 30, 2013, these guarantees amounted to approximately €300 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. On a combined basis, our primary fixed rate debt obligations were in an amount equivalent to €1.4 billion (excluding finance leases and other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Notes and the HOT Unsecured Notes while our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to €716.0 million comprising of the 2013 Term Loan. 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 Group 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 September 30, 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 euro respectively at certain specified rates (maturing between July and November 2018).

In addition, because the reporting currency of the Group 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 Group's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 17 to the Group's financial statements as of and for the year ended December 31, 2012 included elsewhere in this Prospectus.

**Critical Accounting Policies, Judgments and Estimates**

See note 1 to the Historical Combined Financial Information included elsewhere in this Prospectus.

## PART XIII—BUSINESS, INDUSTRY AND MARKET 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 2011 and its unaudited condensed standalone financial statements as of and for the nine months ended September 30, 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 Financial Condition and Results of Operations of ODO'' in conjunction with the standalone financial statements of the Company and the accompanying notes included elsewhere in this Prospectus. An overview of the critical accounting estimates that have been applied to the Company's financial statements is set forth below in ''—Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO—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, 2012. ODO provides mobile telephony and wireless broadband 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 32% market share as of June 2013, according to Informa Telecoms & Media, and the third largest broadband wireless provider in the country, with approximately 17% market share, according to management estimates. ODO also has a significant presence in the B2B market, having captured approximately 25% market share as of September 30, 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, 2012.

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 3.2 million mobile subscribers (including postpaid business subscribers) of which approximately 2.6 million subscribe through prepaid plans as of September 30, 2013. Approximately 403,000 residential mobile customers subscribe through postpaid plans, with a choice between different offers and more tailored solutions. In the B2B segment, ODO offers services through approximately 188,000 connections as of September 30, 2013. ODO also offers plans to approximately 8,700 SOHOs, 2,500 SMEs and 240 large companies as of June 2013. In the past, ODO's most successful offerings have been in the prepaid consumer business; however, ODO is growing its postpaid 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 prepaid and new postpaid tariffs and has launched value-

added services. ODO has also expanded its business services with features such as mobile-to-mobile, enhanced data security and telepresence.

- *Broadband.* ODO offers a range of wireless broadband services, through nomadic broadband (through dongles and WiFi devices) and customer premises equipment (CPE) as well as capacity based plans and voice and data bundles on 3G and 4G LTE. ODO also offers fixed broadband services, although this is relatively limited. ODO offers both prepaid and postpaid 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. Approximately 78,000 residential customers take up broadband services through postpaid capacity-based plans as of September 30, 2013. In the business segment, ODO also offers packages including capacity-based offers and speed-based offers for SOHOs and SME/large companies, respectively. As of September 30, 2013, we have approximately 47,000 postpaid business subscriber connections for the broadband services offered by ODO, of which over 40% are SMEs and large companies, which can also benefit from ODO's fibre and WiMax technologies and other value added services.
- *Carrier 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, prepaid, 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 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. We offer mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising as of December 31, 2012 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 (98% population coverage as of December 2012), which is fully EDGE capable. ODO has installed 63 new 2G sites during 2013, with additional sites identified for future installations. In addition, ODO has achieved 75% population coverage as of December 2012 through its 3G network, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is ongoing 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 4% of the population as of December 2012. ODO plans to increase its population coverage, subject to favourable 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 centred 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 fibre to connect high- density areas and progressively decommission the SDH microwave links while sustaining future traffic growth.

Its transmission backbone includes underground fibre along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). ODO has been opportunistically deploying fibre 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 expects to offer B2B services in the eastern area of the Dominican Republic following the roll-out of fibre along the east route to Punta Cana, which was finalized by the end of 2013. In addition, ODO has identified other high density traffic locations to be connected with fibre in the future. Fibre is being rolled-out both below and above ground, in an ongoing effort to optimize cost and deployment time. At the same time, in remote areas where the deployment of fibre is expensive, ODO is making use of microwave backhaul. ODO is also developing IT and network infrastructure redundancy on an ongoing basis in order to ensure a high level of reliability to its customers. In addition, ODO has focused on IP multimedia systems (IMS) projects to support fixed-like (GSM technology-based fixed offers such as GSM deskphone) and new multimedia services, including fixed-like 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 aims to move 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 compared to its competitors, whose points of sales are mainly concentrated in the North and metropolitan regions of the Dominican Republic. We believe ODO's strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from a strong brand recognition and a focus on customer service. ODO captured a 42% share of mobile gross-adds for the nine months ended September 30, 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 will enter into the 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 postpaid 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 postpaid 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 postpaid 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 postpaid revenues in the twelve months ended December 31, 2012 and decreased to 1.09% the nine months ended September 30, 2013. We also offer direct debit and e-payment.

Prepaid 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 2 data centres.

### *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 and 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.

Mobile spectrum frequencies in the Dominican Republic are auctioned in spectrum auctions. The next auction is expected to be held in the short- to medium-term.

### *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 have entered into a Transitional Agreement, 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 centre support, data management and human resources consulting, among others. The service agreements with TechComm and Transunion S.A. will terminate in the event of a change in control in our corporate structure.

*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 Orange Dominicana Acquisition Completion Date, 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 Orange Dominicana Acquisition Completion Date.

### *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 will become effective on the Completion Date. 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 ‘‘*The Transactions—ODO Acquisition*.’’ The brand license agreement may be terminated by either party in certain circumstances, including if we or France Telecom 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 September 30, 2013, we had 1,269 full-time employees and 208 full-time equivalent 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 labour laws.

We believe that our employee relations are good. We are recognized as a ''great place to work'' according to surveys conducted inside and outside the company. Orange is ranked as the top employer in the Dominican Republic according to the annual ranking by Revista Mercadeo. We have not experienced any labour-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 called deslinde 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 and xDSL 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% 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 79 channels available in HD, which we believe 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 product is currently experiencing strong growth, and it has launched mobile broadband 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. We believe that 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 September 30, 2013, Tricom's cable network passed approximately 440,000 one-way and two-way homes and Tricom had approximately 138,000 pay television subscribers, 124,000 broadband subscribers (including xDSL and cable), 272,000 fixed-line telephony subscribers (including DSL, VoIP, fibre and WLL) and 302,000 mobile subscribers.

In the B2B segment, which accounted for just under 18% of its revenue in 2012, Tricom mainly offers fixed-line services but is also present in the broadband, data, pay television and wireless segments. Tricom serves a large portfolio of approximately 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.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fibre technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of June 30, 2013, Tricom has upgraded 80% 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 present significant growth potential. To this end, it relies on an in-house team which designs approximately 150-200 kilometres of network each

month, as well as third party construction teams which implement in-house design and build approximately 70-80 kilometres of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focussed 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. 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 50 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 approximately 7% in 2010 to approximately 16% as of August 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 17 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 155 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 constantly reaches out to clients to offer Tricom's services and products and (ii) door-to-door sales where the 98-employee sales force 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.

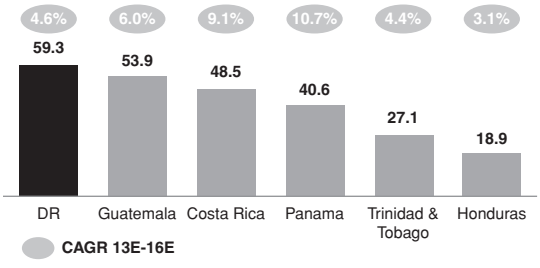
For the nine months ended September 30, 2013, Tricom generated revenues of approximately $159 million and Adjusted EBITDA of approximately $49 million and had capital expenditures of approximately $28 million, in each case based on unaudited and unreviewed management accounts. Tricom defines Adjusted 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.

**Industry Overview**

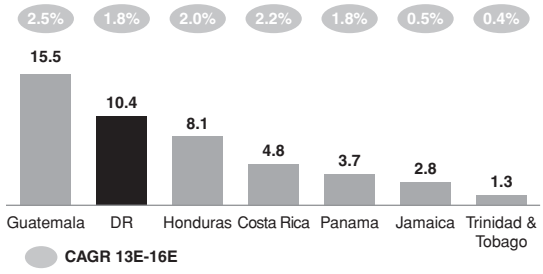
The Dominican Republic is the third largest economy in the Caribbean and Central America after Cuba and Puerto Rico, with a GDP of $59.3 billion according to the IMF, and the third largest country in terms of population after Haiti and Cuba, with a population of 10.4 million according to the United Nations database, 30% of which live in the two main cities, Santo Domingo and Santiago, according to Analysys Mason. According to the IMF, between 2008 and 2012, the GDP of the Dominican Republic grew at an average rate of 6.7%. The economy is predominantly based on services, in particular tourism. Its GDP per capita, however, is lower than other countries in the region, including Trinidad & Tobago, Panama and Costa Rica, and GDP is expected to grow at 4.6% per annum between 2013 and 2016 according to the IMF. In addition, the Dominican Republic enjoys a strong commercial relationship with the United States, its largest export and import partner. The number of Dominicans residing in the United States has nearly doubled between 2000 and 2010, with remittances into the Dominican Republic from the United

States showing similar growth. These factors are expected to continue help drive personal consumption and usage of telecommunications products and services.

**Nominal GDP (in $ billions)**




**Population (in millions)**




Source: International Monetary Fund (Nov-13)

The Dominican Republic telecommunications markets is dominated by Claro, the incumbent owned by the Mexican telecom operator America Movil, and its main challengers, Tricom and Orange, in the fixed and mobile markets, respectively. All three operators own and operate multiple fixed and mobile technologies running in parallel, to ensure maximum coverage and reliability to their customers. Other players in the Dominican Republic telecommunications market are relatively small, with less advanced networks and more limited coverage. These include Wind Telecom, a wireless operator; Viva, a mobile operator and Aster, a cable operator.

*Mobile Telephony*

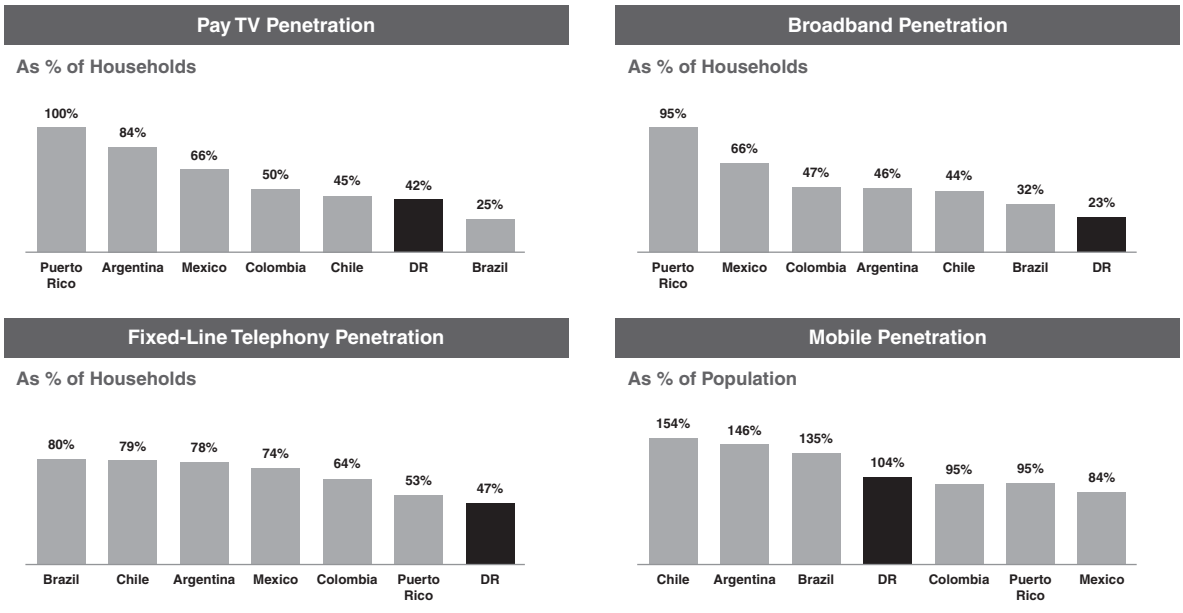
The mobile market is the largest telecom market in the Dominican Republic. Compared to other Western European markets, the Dominican Republic is characterised by a young population with lower purchasing power. According to Informa Telecoms & Media, the mobile penetration rate in the Dominican Republic was approximately 104% as of June 30, 2013, lower than mobile penetration rates in Brazil, Argentina or Chile. Claro enjoys a 54% market share, followed by Orange (32%), Viva (7%) and Tricom (7%), who re-launched its mobile operations earlier this year. Due to lack of space in the spectrum currently assigned to ODO and Claro, 4G deployment has been slower than initially expected as the two leading mobile operators are currently unable to offer nationwide 4G mobile offers.

The regulator INDOTEL regulates the sector based on what management perceives as an ex post approach focused on achieving consensus among the various stakeholders. Telecom concession attributions are decided by the regulator based on certain administrative criteria and the renewal of these concessions generate no meaningful incremental fees. Frequency licenses attribution and renewal processes typically occur concomitantly with the telecom concession processes. New frequencies are tendered with several parties typically bidding and the new license attributed to the highest bidder while renewal of frequency licenses gives rise to no incremental fees for telecom operators. Mobile termination rates are determined by bilateral discussions between operators and have decreased by 2% per semester since 2009; the regulator does not typically impose MTR reductions and favours such bilateral agreements between operators. The law provides for the possibility of MVNOs. From a telecom infrastructure standpoint, the regulator favours passive and active sharing with bilateral negotiation being the preferred route.

In the fourth quarter of 2011, INDOTEL launched an auction for the spectrum in the 900 and 1,700 MHz bands, however that process was put on hold in the first quarter of 2012, following ownership claims of certain frequencies by local TV channels (Arcoiris TV, Colorvision, Supercanal and Satel). The 2011 auction was a sealed bid process in which there was only one round. The auction was to be awarded to the bidder that offered the highest price, together with the best technical offer. In case of equal offers for the same block, a new round of bids was to be launched within two hours. The winning bidder's obligations included providing minimum population coverage of 50% within 18 months and 88% within 36 months in addition to social free lines for five years. Also, the winning bidder was to be obligated to pay the technical migration of existing frequency users in the granted blocks. Further, the winning bidder was to pay 10% of the offer as a three-year guarantee. Under the current auction design only ODO, Claro and Viva have permission to participate in this particular spectrum auction, unless Indotel launches a new auction.

*Pay Television*

According to Informa Telecoms & Media, the Dominican Republic had an estimated 42% pay television penetration rate and an estimated 23% broadband penetration rate as of June 30, 2013. These penetration rates are typically lower than those measured in a number of Latin American countries and evidence significant potential for growth in the Dominican Republic, with penetration rates expected to more than double by 2020, according to Analysys Mason. Mobile will play an increasingly important role, with only a third of broadband uptake expected to be attributable to fixed broadband, according to Analysys Mason. In addition, fixed-line telephony is expected to continue to decline going forward, in particular due to ongoing substitution of fixed-line by mobile services, in line with trends seen in other developed economies.




Source: Informa Telecoms & Media (June 2013).

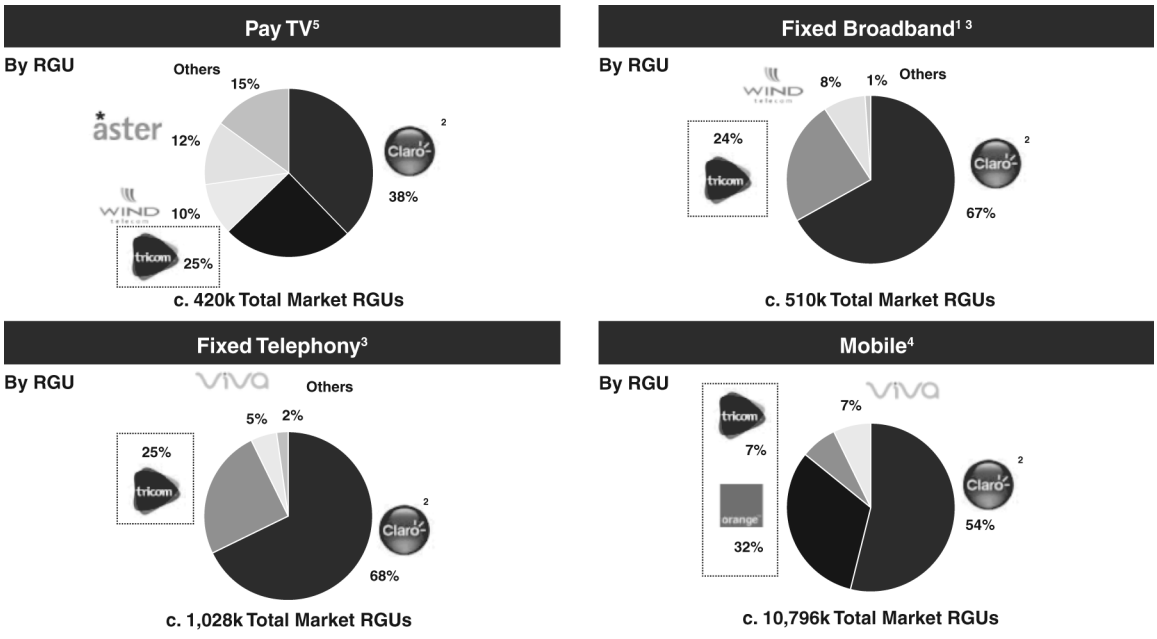
The pay television market in the Dominican Republic is highly fragmented with over 80 pay television operators, although only a limited number operate a two-way network, and a handful of other players have a subscriber base exceeding 10,000. Claro and Tricom together represent over 60% market share (38% and 25% market share respectively), delivering services over IPTV and DTH and cable respectively. Other smaller players include cable operator Aster (12%) and Wind through its MMDS technology (10%), according to Analysys Mason.

*Broadband and Fixed Line Telephony*

Broadband internet access is typically delivered by a mix of fixed line infrastructure and mobile access, with the use of mobile broadband being primarily driven by the availability of fixed line infrastructure in a given location. In fact, approximately 70% of households have access to copper- based line telephony in the Dominican Republic, primarily in the large agglomerations, which means that wireless solutions are effectively the only way for the rural population to get access to broadband.

The broadband and fixed telephony markets are relatively concentrated, with Claro and Tricom together accounting for approximately 90% market share (67% and 24% respectively in the broadband market excluding mobile and 68% and 25% respectively in the fixed telephony market) according to Indotel. Claro delivers broadband services through its xDSL and FTTx networks, while Tricom uses its xDSL and cable infrastructure. Both Claro and Tricom offer fixed-line telephony services using VoiP and PSTN. Other smaller players have a limited presence, with Wind Telecom taking 8% market share in the

broadband market through its wireless technology and Viva 5% market share in the fixed-telephony market using its GSM infrastructure.




Source: Indotel, Informa Telecoms & Media, Analysys Mason

(1) Excluding Mobile Broadband

(2) Belongs to America Movil

(3) Source: Indotel, as of June 2013

(4) Source: Informa Telecoms & Media, as of June 2013

(5) Source: Analysys Mason

## 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, 2011 and 2012 and the nine months ended September 30, 2012 and 2013 have been prepared in accordance with IFRS as issued by 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 86.9% of our total revenue for the twelve months ended December 31, 2012 and the nine months ended September 30, 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 behaviour) and 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, or mobile ''renewal'' for prepaid 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 postpaid residential subscribers. Handsets are typically sold to our postpaid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commissions paid out varies depending on distribution channels (direct or indirect). Commissions, which are an operating expense, are paid for both, new and retained postpaid subscribers solicited through indirect distribution channels.

***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, | | For the nine months ended September 30, | |
| | 2011 | 2012 | 2012 | 2013 |
| | (subscribers in thousands) | | | |
| Postpaid subscribers[1][2][4][5] | 565 | 589 | 588 | 591 |
| Prepaid residential subscribers[1][3][4] | 2,482 | 2,504 | 2,414 | 2,587 |
| **Subscribers at end of period[1]** | **3,047** | **3,093** | **3,002** | **3,178** |

(1) Includes subscribers through reseller (dealers and franchises) as we enter into direct contractual arrangements with customers of resellers

(2) All postpaid subscribers are considered as active

(3) Active prepaid subscribers exclusively. Prepaid subscribers are considered as inactive when connected on the home network more than 3 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 analysed separately in this section

(5) Includes both postpaid residential subscribers and postpaid business subscribers

We provide mobile services to prepaid residential customers, postpaid residential customers and postpaid business customers, constituting 81.0%, 13.0% and 6.0%, respectively, as of December 31, 2012 and 81.4%, 12.7% and 5.9%, respectively, as of September 30, 2013 of our mobile subscriber base. For the twelve months ended December 31, 2012 and the nine months ended September 30, 2013, prepaid residential subscribers formed the largest segment of our customer base, contributing 52.9% and 52.4% of total revenues, receptively, as compared to 28.6% and 28.5%, respectively, for postpaid residential subscribers and 8.2% and 8.3%, respectively, for postpaid 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 1.5% and 5.9% for the twelve months ended December 31, 2012 and the nine months ended September 30, 2013, respectively, compared to the relevant period in the previous period. We believe the key drivers of this growth are: (i) favourable 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, (iv) competitive prepaid and postpaid offers with the continuous expansion of our enterprise line,

(v) anti-churn incentives geared at our prepaid 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 postpaid 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, 2012, our postpaid business subscribers increased by 12.8% and our prepaid subscribers increased by 0.9% and for the nine months ended September 30, 2013, our postpaid business subscribers increased by 2.8% and our prepaid residential subscribers increased by 7% compared to the relevant period in the previous year. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 38.4% as of December 31, 2012 and 39.8% as of September 30, 2013.

Although we have seen a slight decrease in our postpaid residential subscriber base (0.5%) for the nine months ended September 30, 2013, we have recently initiated a revamp of our service offering, by introducing 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 postpaid basis. We believe that this will attract users of prepaid mobile phones to migrate to a postpaid subscription, as the difference between the monthly top-up and post-paid subscription fee is small. Furthermore, we offer substantial handset subsidies to our postpaid subscribers, which enables us to promote the usage of smartphones and associated voice and data usage. We aim to increase our market share in the postpaid residential segment in the future, especially in light of the increase in smartphone and data usage (which are less popular in the prepaid segment), 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 total ARPU was DOP 533 per month as of December 31, 2012, a decrease of 0.9% from ARPU of DOP 538 per month as of December 31, 2011. ARPU has been affected by a slight decrease in prices for voice services, largely reflecting the impact of decreasing mobile termination rates, which was partially offset by growth of revenue from non-voice services, in particular data ARPU in the twelve months ended December 31, 2012. Our ARPU for the nine months ended September 30, 2013 was DOP 526, a decrease of 1.1% from ARPU of DOP 531 for the nine months ended September 30, 2012 due to an increase in our prepaid segment at the lower end of our offerings (with comparatively lower ARPU than for our postpaid offerings) impacting the overall composition of our subscriber base. The table below sets out our ARPU for our prepaid and postpaid mobile subscribers:

| | Mobile ARPU | | | |
|---|---|---|---|---|
| | For the twelve months ended December 31, | | For the nine months ended September 30, | |
| | 2011 | 2012 | 2012 | 2013 |
| | (in DOP per month/percentages) | | | |
| Postpaid ARPU[3] | 1,219 | 1,126 | 1,130 | 1,142 |
| Increase/(decrease) from prior equivalent period | | (7.6)% | | 1.1% |
| Prepaid residential ARPU[2] | 391 | 393 | 390 | 386 |
| Increase/(decrease) from prior equivalent period | | 0.5% | | (1.7)% |
| **Total ARPU[1]** | **538** | **533** | **531** | **526** |
| Increase/(decrease) from prior equivalent period | — | (0.4)% | — | (1.3)% |

(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.

Our postpaid subscriber ARPU decreased by 7.6% from DOP 1,219 per month as of December 31, 2011 to DOP 1,126 per month as of December 31, 2012. This decline was due to a decrease in our postpaid

residential ARPU by 8.2% due to (i) a substantial decrease in outgoing voice ARPU as a result of a change in our subscriber base (higher number of mid-range postpaid residential subscribers) and (ii) the substitution of voice to data ARPU with higher smartphone penetration. Furthermore, our postpaid business subscriber ARPU decreased by 4.3% due to an increase of larger businesses joining our network, resulting in a larger number of subscriptions and, in return, higher levels of discounts. In the nine months ended September 30, 2013, our postpaid subscriber ARPU increased by 1.1%, from DOP 1,130 per month for the nine months ended September 30, 2012 to DOP 1,141 per month in the nine months ended September 30, 2013. Despite the decline in our postpaid business subscriber ARPU by 4.8% due to larger businesses joining our network, this decrease was offset by an increase of 4.1% for our postpaid residential subscriber ARPU, due to the increase in higher value plans.

In order to mitigate the impact of postpaid subscribers ARPU deterioration, we intend to implement a stimulation plan which includes an increase in the take-up of data options, increased cross- and up-selling through telesales and facilitating the migration of prepaid subscribers to postpaid subscribers.

Our prepaid residential subscriber ARPU remained relatively stable from DOP 391 per month as of December 31, 2011 to DOP 393 per month as of December 31, 2012. We attribute the slight increase in prepaid residential subscriber blended ARPU to the increase of data ARPU significantly offsetting the decline in outgoing and incoming voice ARPU (due to FTR/MTR erosion on domestic market resulting from the bi-annual decrease for 2% prescribed by the DE013 INDOTEL regulation). As of September 30, 2013, our prepaid residential subscriber ARPU decreased slightly from DOP 386 per month compared to DOP 390 per month as of September 30, 2013. We attribute the decrease to the voice decrease in the prepaid residential subscriber blended ARPU by DOP 4.

***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 2010-2013. SMS termination rates remained unchanged between twelve months ended December 31, 2010 and the nine months ended September 30, 2013, at $0.018 per SMS.

| | Year ended December 31, | | | Nine month ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | (in $) | | |
| MTR | 0.069 | 0.066 | 0.064 | 0.064 | 0.060 |
| FTR local | 0.018 | 0.018 | 0.017 | 0.017 | 0.016 |
| SMS | 0.018 | 0.018 | 0.018 | 0.018 | 0.018 |

***Internet***

Revenues for Internet, which is run through our mobile network, were DOP 507 million for the twelve months ended December 31, 2012, an increase of DOP 155 million, or 44.1%, from DOP 352 million for the twelve months ended December 31, 2011. For the nine months ended September 30, 2013 Internet revenues increased by 22.5% to DOP 459 million compared to DOP 374 million for the nine months ended September 30, 2012. We consider Internet services used by our postpaid business subscribers as a commercial lever to cross-sell postpaid business mobile subscription.

Our total number of Internet subscribers increased by 124% for the twelve months ended December 31, 2012 to 121,000 compared to 54,000 for the twelve months ended December 31, 2011. Our Internet subscribers increased by 20% to 125,000 for the nine months ended September 30, 2013 compared to 104,000 for the nine months ended September 30, 2012. This increase was mainly driven by an increase in the number of our postpaid residential subscribers by 51% in the twelve months ended December 31, 2013 and 39% in the postpaid residential subscribers in the nine months ended September 30, 2013 due to (i) higher laptop penetration and (ii) the expansion of Internet services into new geographic regions.

The table below shows our Internet subscriber base for the twelve months ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, respectively:

| | Internet subscriber base | | | |
|---|---|---|---|---|
| | For the twelve months ended December 31, | | For the nine months ended September 30, | |
| | 2011 | 2012 | 2012 | 2013 |
| | (in thousands of subscribers) | | | |
| Postpaid residential subscribers[1] | 41 | 62 | 56 | 78 |
| Postpaid business subscribers[1] | 12 | 59 | 48 | 47 |
| **Subscribers at end of period[1]** | **54** | **121** | **104** | **125** |

(1) All postpaid 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 the Transaction and Separation***

We have links with Orange S.A. at both operational and support levels, which 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 corporate fees such as brand fees and management fees (DOP 352 million and DOP 231 million, respectively, in the twelve months ended December 31, 2012 and DOP 275 million and DOP 188 million, respectively, in the nine months ended September 30, 2013). The transitional services agreement to be entered into between ODO and Orange S.A. is scheduled to be signed on or around December 10, 2013, after approval by Orange S.A's board. Final specific terms of the services to be rendered thereunder will be negotiated prior to completion of the ODO Acquisition in light of the synergies with Tricom and the Group which will be identified or confirmed and quantified during such period.

**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 facilities delivered to postpaid residential subscribers or business postpaid 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;
- Labour 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 financials 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 rate set by the Dominican Central Bank).

The table below shows our results of operations for the twelve months ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013:

| | For the twelve months ended December 31, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | (in DOP million) | | | |
| **Revenues** | 22,184 | 22,754 | 16,943 | 17,954 |
| Cost of equipment sold | (3,370) | (3,000) | (2,143) | (2,233) |
| Selling, distribution and traffic costs | (5,899) | (5,861) | (4,398) | (4,635) |
| Advertising and sponsoring costs | (1,054) | (937) | (695) | (559) |
| Offices and technical sites costs | (467) | (564) | (421) | (461) |
| Labour expenses | (1,061) | (1,175) | (880) | (913) |
| Corporate fees | (580) | (583) | (425) | (464) |
| Maintenance costs | (305) | (332) | (240) | (237) |
| Other costs and income | (1,975) | (2,573) | (1,863) | (1,759) |
| Depreciation and amortization | (3,355) | (3,509) | (2,545) | (2,565) |
| Total costs and operating expenses | (18,066) | (18,533) | (13,609) | (13,825) |
| **Operating income** | 4,118 | 4,221 | 3,334 | 4,128 |
| Bank commissions | (66) | (71) | (53) | (57) |
| Interest income | 65 | 37 | 29 | 11 |
| Foreign currency exchange gains (losses) | 17 | 70 | 28 | 17 |
| Other | — | (20) | (11) | (13) |
| Non-operating income (expenses) | 15 | 15 | (8) | (42) |
| **Profit before income tax** | 4,133 | 4,236 | 3,326 | 4,086 |
| Income tax | (8) | (790) | (678) | (1,158) |
| **Net income** | 4,125 | 3,446 | 2,648 | 2,929 |
| Other comprehensive income | — | — | — | — |
| **Total comprehensive income for the year** | 4,125 | 3,446 | 2,648 | 2,929 |

***Nine Months Ended September 30, 2013 as compared to Nine Months Ended September 30, 2012***

Our total revenue increased by DOP 1,011 million (+6.0%) from DOP 16,943 million for the nine months ended September 30, 2012 to DOP 17,954 million for the nine months ended September 30, 2012, driven by an increase in our prepaid subscriber base and increased data usage.

| | For the nine months ended September 30, | | | | Variation | |
|---|---|---|---|---|---|---|
| | 2012 | % of total revenue | 2013 | % of total revenue | Amount | % |
| | | | (in DOP million) | | | |
| Mobile | 14,554 | 85.9 | 15,143 | 84.3 | 589 | 4.1 |
| Wholesale | 1,236 | 7.3 | 1,365 | 7.6 | 129 | 10.4 |
| Internet | 374 | 2.2 | 459 | 2.6 | 85 | 22.5 |
| Equipment | 591 | 3.5 | 772 | 4.3 | 180 | 30.5 |
| Other | 187 | 1.1 | 214 | 1.2 | 26 | 14.8 |
| **Total revenue** | 16,943 | — | 17,954 | — | 1,011 | 6.0 |

| | For the nine months ended September 30, | | | | Variation | |
|---|---|---|---|---|---|---|
| | 2012 | % of total revenue | 2013 | % of total revenue | Amount | % |
| | (in DOP million) | | | | | |
| Postpaid residential subscribers | 4,577 | 31.4 | 4,717 | 31.1 | 140 | 3.1 |
| Prepaid residential subscribers | 8,651 | 59.4 | 9,075 | 59.9 | 424 | 4.9 |
| Postpaid business subscribers | 1,326 | 9.1 | 1,351 | 8.9 | 25 | 1.9 |
| **Mobile revenue** | 14,554 | — | 15,143 | — | 589 | 4.1 |

*Mobile revenue*

Mobile revenue was DOP 15,143 million for the nine months ended September 30, 2013, an increase of DOP 589 million, or 4.1%, from DOP 14,554 million for the nine months ended September 30, 2012.

Postpaid residential subscribers revenue increased by 3.1% in the nine months ended September 30, 2013 to DOP 4,717 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.

Prepaid residential subscribers revenue increased by 4.9% in the nine months ended September 30, 2013 to DOP 9,075 million primarily driven our ''anti-churn'' incentives.

Postpaid business subscribers revenue increased by 1.9% in the nine months ended September 30, 2013 to DOP 1,351 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 1,365 million for the nine months ended September 30, 2013, an increase of DOP 129 million, or 10.4%, from DOP 1,236 million for the nine months ended September 30, 2012. This increase was due to an increase in transit revenues by 41.4% to DOP 883 million for the nine months ended September 30, 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 21.2% to DOP 482 million for the nine months ended September 30, 2013, as result of the increase in network coverage of our competitors, thereby increasing competition and pushing down global inter-operator roaming rates, as well as macro economic conditions.

*Internet revenue*

Internet revenue increased by 22.5% to DOP 459 million in the nine months ended September 30, 2013 mainly due to the increase in the average subscriber base driven by the expansion of Internet services into new geographic regions and, our 3G roll-out.

*Equipment revenue*

Equipment revenue was DOP 772 million for the nine months ended September 30, 2013, an increase of DOP 180 million, or 30.5%, from DOP 591 million for the nine months ended September 30, 2012, due to an increase in our postpaid subscribers retention rate, which resulted in higher amounts of handset subsidies.

*Other revenue*

Other revenue was DOP 214 million for the nine months ended September 30, 2013, an increase of DOP 26 million, or 14.8%, from DOP 187 million for the nine months ended September 30, 2012 as a result of an increase in our postpaid business segment, leading to an increase in M2M revenue of 144% and other operation revenue of 66% offsetting a 19.1% decrease of non-subsidized equipment revenue.

***Operating costs***

*Cost of equipment sold*

Cost of equipment sold were DOP 2,233 million for the nine months ended September 30, 2013, an increase of DOP 90 million, or 4.2%, from DOP 2,143 million for the nine months ended September 30, 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 postpaid residential subscribers.

*Selling, distribution and traffic costs*

Selling, distribution and traffic costs were DOP 4,635 million for the nine months ended September 30, 2013, an increase of DOP 237 million, or 5.4%, from DOP 4,398 million for the nine months ended September 30, 2012. The increase was mainly due to an increase in commissions paid to indirect distributors for high retention rates of postpaid subscribers.

*Advertising and sponsoring costs*

Advertising and sponsoring costs decreased by 19.5% or DOP 136 million for the nine months ended September 30, 2013, 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 461 million for the nine months ended September 30, 2013, an increase of DOP 41 million, or 9.6%, from DOP 421 million for the nine months ended September 30, 2012. The increase in technical expenses was primarily driven by network extension (site roll-out), partially offset by certain savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

*Labour expenses*

Labour expenses were DOP 913 million for the nine months ended September 30, 2013, an increase of DOP 33 million, or 3.7%, from DOP 880 million for the nine months ended September 30, 2012. The increase in labour expenses was primarily attributable to an increase in average total labour cost per employee, driven by annual salary increases and the recruitment of more experienced employees.

*Corporate fees*

Corporate fees were DOP 464 million for the nine months ended September 30, 2013 which were relatively stable compared to DOP 425 million for the nine months ended September 30, 2012.

*Maintenance costs*

Maintenance costs were DOP 237 million for the nine months ended September 30, 2013, a decrease of DOP 3.2 million, or 1.3%, from DOP 240 million for the nine months ended September 30, 2012. The decrease was mainly attributable to the implementation of measures to streamline costs and renegotiation of agreements with our contractors.

*Other costs and income*

Other costs and income were DOP 1,759 million for the nine months ended September 30, 2013, a decrease of DOP 104 million, or 5.6%, from DOP 1,863 million for the nine months ended September 30, 2012.

*Depreciation and amortization*

Depreciation and amortization were DOP 2,565 million for the nine months ended September 30, 2013, an increase of DOP 20 million, or 0.8%, from DOP 2,545 million for the nine months ended September 30, 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.

*Operating income*

As a result of the foregoing factors, our operating income was DOP 4,128 million for the nine months ended September 30, 2013, an increase compared to DOP 3,334 million for the nine months ended September 30, 2012, representing an increase in operating margins by 24%. Operating income margin (as a percentage of total revenues) was 23.0% for the nine months ended September 30, 2013 as compared to 19.7% for the nine months ended September 30, 2012.

*Non-operating income/expenses*

Non-operating expenses increased by DOP 34 million to DOP 42 million for the nine months ended September 30, 2013, compared to non-operating expenses of DOP 8 million for the nine months ended September 30, 2012. This increase was primarily due to foreign exchange gains primarily corresponding to unrealized translation gains on cash and cash equivalents.

*Income Tax*

The following table sets forth our income tax expense for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012:

| | For the nine months ended September 30, | | Variation | |
|---|---|---|---|---|
| | 2012 | 2013 | Amount | % |
| | (in DOP million/percentages) | | | |
| Current tax expense in respect of the current year | 957 | 1,225 | 268 | 28% |
| Deferred tax income/(expense) | (279) | (67) | 212 | (76)% |
| **Total income tax** | **678** | **1,158** | **480** | **71%** |

Income tax increased by DOP 480 million from DOP 678 million for the nine months ended September 30, 2012 to DOP 1,158 million for the nine months ended September 30, 2013 mainly affected by dividend credits. Dividend credits went from negative DOP 136 million in the nine months ended September 30, 2012 to nil in the nine months ended September 30, 2013. Such credits relate mainly to the refund of dividend withholding tax which was 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 nine months ended September 30, 2013.

***Twelve Months Ended December 31, 2012 as compared to Twelve Months Ended December 31, 2011***

***Revenue***

Our total revenue increased by DOP 570 million (+2.6%) from DOP 22,184 million for the twelve months ended December 31, 2011 to DOP 22,754 million for the twelve months ended December 31, 2012 driven by subscriber base increases and increased data adoption (reflecting a shift between voice and non voice).

| | For the twelve months ended December 31, | | | | Variation | |
|---|---|---|---|---|---|---|
| | 2011 | % of total revenue | 2012 | % of total revenue | Amount | % |
| | (in DOP million) | | | | | |
| Mobile | 18,820 | 84.8 | 19,436 | 85.4 | 616 | 3.3 |
| Wholesale | 1,729 | 7.8 | 1,662 | 7.3 | (67) | (3.9) |
| Internet | 352 | 1.6 | 507 | 2.2 | 155 | 44.1 |
| Equipment | 978 | 4.4 | 866 | 3.8 | (112) | (11.4) |
| Other | 305 | 1.4 | 283 | 1.2 | (22) | (7.2) |
| **Total revenue** | 22,184 | — | 22,754 | — | 570 | 2.6 |

| | For the twelve months ended December 31, | | | | Variation | |
|---|---|---|---|---|---|---|
| | 2011 | % of total revenue | 2012 | % of total revenue | Amount | % |
| | (in DOP million) | | | | | |
| Postpaid residential subscribers | 5,886 | 31.3 | 6,084 | 31.3 | 198 | 3.4 |
| Prepaid residential subscribers | 11,343 | 60.3 | 11,580 | 59.6 | 238 | 2.1 |
| Postpaid business subscribers | 1,592 | 8.5 | 1,772 | 9.1 | 180 | 11.3 |
| **Mobile revenue** | 18,820 | 100.0 | 19,436 | 100.0 | 616 | 3.3 |

*Mobile revenue*

Mobile revenue was DOP 19,436 million for the twelve months ended December 31, 2012, an increase of DOP 616 million, or 3.3%, from DOP 18,820 million for the twelve months ended December 31, 2011.

Postpaid residential subscribers revenue increased by 3.4% in the twelve months ended December 31, 2012 to DOP 6,084 million primarily driven by our mix of plans and offers and, to a lesser extent, the ''out of package'' additional revenue. Although postpaid plans generate an ARPU lower than prepaid plans, the recurrence of revenue is generally more predictable for postpaid mobile services.

Prepaid residential subscribers revenue increased by 2.1% in the twelve months ended December 31, 2012 to DOP 11,580 million primarily driven by the subscriber base despite a slight decrease in mobile ARPU.

Postpaid business subscribers revenue increased by 11.3% in the twelve months ended December 31, 2012 to DOP 1,772 million primarily driven by customer mix and higher volumes.

*Wholesale revenue*

Wholesale revenue was DOP 1,662 million for the twelve months ended December 31, 2012, a decrease of DOP 67 million, or 3.9%, from DOP 1,729 million for the twelve months ended December 31, 2011. Visitor roaming revenue amounted to DOP 793 million for the twelve months ended December 31, 2012, a decrease of DOP 144 million, or 15.4%, from DOP 937 million for the twelve months ended December 31, 2011. This decrease was driven primarily by tariff erosion and decreasing traffic, which we believe was due to non voice solutions and increasing customer education concerning roaming charges. Transit revenues were DOP 870 million for the twelve months ended December 31, 2012, an increase of DOP 77 million from the twelve months ended December 31, 2011 due to a change in our transit strategy that occurred in 2011 whereby we lowered our prices in an effort to better compete in the market and protect margin in value.

*Internet revenue*

Internet revenue increased by 44.1% or DOP 155 million for the twelve months ended December 31, 2012, mainly due to the increase in the average subscriber base driven by higher laptop penetration and the expansion of Internet services into new geographic regions.

*Equipment revenue*

Equipment revenue was DOP 866 million for the twelve months ended December 31, 2012, a decrease of DOP 112 million, or 11.4%, from DOP 978 million for the twelve months ended December 31, 2011. This decrease was primarily due to a higher number of gross adds in our postpaid subscriber base in 2011, increasing our costs relating to handset subsidies.

*Other revenue*

Other revenue was DOP 283 million for the twelve months ended December 31, 2012, a decrease of DOP 22 million, or 7.2%, from DOP 305 million for the twelve months ended December 31, 2011.

***Operating costs***

*Cost of equipment sold*

Cost of equipment sold was DOP 3,000 million for the twelve months ended December 31, 2012, a decrease of DOP 370 million, or 11.0% from DOP 3,370 million for the twelve months ended

December 31, 2011. The decrease in cost of equipment sold was mainly due to streamlining and optimizing commercial costs, such as reducing subscriber acquisition cost subsidies, implementing a new commissioning scheme focused on retention and increasing loyalty program bonuses generating subscriber retentions.

*Selling, distribution and traffic costs*

Selling, distribution and traffic costs were DOP 5,861 million for the twelve months ended December 31, 2012, a decrease of DOP 38 million, or 0.6%, from DOP 5,899 million for the twelve months ended December 31, 2011. The decrease was mainly due to a semi-annual decrease by 2% of MTR and FTR rates and the launch of offers which increased on-net traffic share.

*Advertising and sponsoring costs*

Advertising and sponsoring costs decreased by 11.1% to DOP 937 million for the twelve months ended December 31, 2012. This decrease was primarily due to improved cost monitoring methods, including the centralization of advertising and sponsoring costs and allocation of such costs to our communications department.

*Offices and technical sites costs*

Offices and technical sites costs were DOP 564 million for the twelve months ended December 31, 2012, an increase of DOP 96 million, or 20.6%, from DOP 467 million for the twelve months ended December 31, 2011. The increase was primarily driven by network extension (site roll-out), partially offset by certain savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

*Labour expenses*

Labour expenses were DOP 1,175 million for the twelve months ended December 31, 2012, an increase of DOP 113 million, or 10.7%, from DOP 1,061 million for the twelve months ended December 31, 2011. The increase in labour expenses was primarily attributable to (i) an increase in full-time equivalent (FTE) staff (mainly own shops and sales and marketing) and (ii) an increase in average total labour cost per employee driven by annual salary increases and the recruitment of more experienced employees.

*Corporate fees*

Corporate fees were DOP 583 million for the twelve months ended December 31, 2012 which were relatively stable compared to DOP 580 million for the twelve months ended December 31, 2011.

*Maintenance costs*

Maintenance costs were DOP 332 million for the twelve months ended December 31, 2012, an increase of DOP 27 million, or 8.9%, from DOP 305 million for the twelve months ended December 31, 2011. The increase was mainly attributable to network extension (site roll-out).

*Other costs and income*

Other costs and income were DOP 2,573 million for the twelve months ended December 31, 2012, an increase of DOP 597 million, or 30.3%, from DOP 1,975 million for the twelve months ended December 31, 2011.

*Depreciation and amortization*

Depreciation and amortization were DOP 3,509 million for the twelve months ended December 31, 2012, an increase of DOP 155 million, or 4.6%, from DOP 3,355 million for the twelve months ended December 31, 2011. 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.

*Operating income*

As a result of the foregoing factors, our operating income was DOP 4,221 million for the twelve months ended December 31, 2012, an increase compared to DOP 4,118 million for the twelve months ended December 31, 2011, representing stable operating income margins (as a percentage of total revenues) of 18.6% for both periods.

*Non-operating income*

Non-operating income was DOP 15 million for the twelve months ended December 31, 2012, which compares to DOP 15 million for the twelve months ended December 31, 2011. Non-operating income was stable primarily due to foreign exchange gains primarily corresponding to unrealized translation gains on cash and cash equivalents partially offset by effect of the ARO provision.

*Income Tax*

The following table sets forth our income tax expense for the twelve months ended December 31, 2012 as compared to the twelve months ended December 31, 2011:

| | For the twelve months ended December 31, | | Variation | |
|---|---|---|---|---|
| | 2011 | 2012 | Amount | % |
| | (in DOP million/percentages) | | | |
| Current tax expense in respect of the current year | (421) | (1,122) | (701) | 166.5% |
| Deferred tax income/(expense) | 413 | 333 | (81) | (19.6)% |
| **Total income tax** | **(8)** | **(790)** | **(782)** | **(97.8)%** |

Income tax increased by DOP 782 million from DOP 8 million for the twelve months ended December 31, 2011 to DOP 790 million for the twelve months ended December 31, 2012, mainly affected by dividend credits. Dividend credits went from DOP 875 million for the twelve months ended December 31, 2011 to DOP 330 million for the twelve months ended December 31, 2012. Such dividend credits relate mainly to the refund of dividend withholding tax which was terminated with the change in certain tax regulations in the Dominican Republic from November 2012.

**Liquidity and Capital Resources**

***Capital Resources***

*Capital Resources prior to the ODO Acquisition*

Prior to the ODO Acquisition, our principal source of liquidity was 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, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | (in DOP million) | | | |
| **Operating activities** | | | | |
| Net income | 4,125 | 3,446 | 2,648 | 2,929 |
| *Adjustments to reconcile net profit to cash provided by operating activities* | | | | |
| Depreciation and amortization | 3,355 | 3,509 | 2,545 | 2,565 |
| Gains (losses) on disposal | — | 1 | 0,7 | — |
| Change in provisions (Litigations) | (279) | 68 | 6 | (46) |
| Income tax | (413) | (333) | (315) | (67) |
| *Change in net working capital* | | | | |
| Decrease (increase) in inventories, net | 260 | 105 | 184 | 134 |
| Decrease (increase) in trade receivables, | 124 | (59) | (57) | (227) |
| Decrease (increase) in other receivables, | 493 | (3) | (1,708) | (1,029) |
| Decrease (increase) in trade payables | 152 | (483) | (1,282) | (470) |
| *Other changes in working capital* | | | | |
| Decrease (increase) in prepaid expenses | (57) | 25 | (17) | (183) |
| Decrease (increase) in other non-current | (29) | (2) | (0.8) | (0.6) |
| Decrease (increase) in other non-current | 53 | 8 | 12 | 24 |
| Decrease (increase) in other current | 104 | 47 | 214 | (58) |
| Deferred income | (59) | 42 | (111) | (94) |
| Income tax paid | (370) | 625 | 559 | 506 |
| **Net cash provided by operating activities** | 7,458 | 6,997 | 2,675 | 3,984 |
| **Investing activities** | | | | |
| Purchase of PPE and intangible assets | (3,702) | (3,637) | (1,928) | (2,093) |
| **Net cash used in investing activities** | (3,702) | (3,637) | (1,928) | (2,093) |
| **Financing activities** | | | | |
| Dividends paid | (3,252) | (3,345) | (1,137) | (1,855) |
| **Net cash used in financing activities** | **(3,252)** | **(3,345)** | **(1,137)** | **(1,855)** |
| Net increase (decrease) in cash and cash | 504 | 15 | (391) | 36 |
| Cash and cash equivalents—opening | 641 | 1,145 | 1,145 | 1,160 |
| **Cash and cash equivalents—closing** | **1,145** | **1,160** | **754** | **1,196** |

***Nine Months Ended September 30, 2013 as compared to Nine Months Ended September 30, 2012***

*Net cash provided by operating activities*

Net cash provided by operating activities for the nine months ended September 30, 2013 was DOP 3,984 million. Our net cash provided by operating activities for the nine months ended September 30, 2013 included net income of DOP 2,929 million and depreciation and amortization of DOP 2,565 million. Change in net working capital was negative DOP 1,592 million for this period, principally reflecting an increase in other accounts receivable of DOP 1,029 million, due to a higher cash position in CTMA as no dividend payments had been made since May 2013, and an increase in trade payables of DOP 470 million, due to the measures implemented by our management, such as increasing normative payout terms from 45 to 60 days for several suppliers. Furthermore, we did not make a $50 million dividend payout in the second half of 2013, having paid such a dividend during the same period in the previous year. We define net working capital as the sum of inventories, trade receivables, trade payables and other receivables.

For the nine months ended September 30, 2012, net cash provided by operating activities was DOP 2,675 million. Our net cash provided by operating activities for the nine months ended September 30, 2012 included net income of DOP 2,648 million and depreciation and amortization of DOP 2,545 million.

Change in net working capital was negative DOP 2,768 million for this period, principally reflecting a decrease in other trade accounts receivable of DOP 1,708 million, due to improvements in our collection process in 2012 and a decrease in trade payables of DOP 1,282 million, due to a decrease in the level of delays we saw during this period.

*Net cash used in investing activities*

Net cash used in investing activities for the nine months ended September 30, 2013 and 2012 was DOP 2,093 million and DOP 1,928 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 nine months ended September 30, 2013 and 2012 was DOP 1,855 million and DOP 1,137 million, respectively. This increase was due to higher cash generation resulting from the improvement to our working capital and business profitability.

***Twelve Months Ended December 31, 2012 as compared to Twelve Months Ended December 31, 2011***

*Net cash provided by operating activities*

Net cash provided by operating activities was DOP 6,997 million for the twelve months ended December 31, 2012. Our net cash provided by operating activities for the twelve months ended December 31, 2012 included net income of DOP 3,446 million and depreciation and amortization of DOP 3,509 million. Change in net working capital was a negative DOP 440 million in 2012, principally reflecting a decrease in trade payables of DOP 483 million.

Net cash provided by operating activities was DOP 7,458 million for the twelve months ended December 31, 2011. Net cash provided by operating activities for the twelve months ended December 31, 2011 included net income of DOP 4,125 million and depreciation and amortization of DOP 3,355 million. Change in net working capital was DOP 1,029 million in 2011, principally reflecting a decrease in trade accounts receivable of DOP 124 million and an increase in trade payables of DOP 152 million.

*Net cash used in investing activities*

For the twelve months ended December 31, 2012, net cash used in investing activities was DOP 3,637 million, compared to DOP 3,702 million for the twelve months ended December 31, 2011. 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*

For the twelve months ended December 31, 2012, net cash used in financing activities was DOP 3,345 million, compared to DOP 3,252 million for the twelve months ended December 31, 2011. This increase was primarily due to higher cash generation resulting from the improvement to our working capital and business profitability.

***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 September 30, 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 September 30, 2013 | |
|---|---|---|---|---|
| | (in DOP million/percentages) | | | |
| Rental commitments[1] | 1,975 | 49% | 2,444 | 48% |
| Orders related to handset purchase | 632 | 16% | 1,095 | 22% |
| Firm supply and service order opex commitments | 459 | 11% | 401 | 8% |
| Total opex commitments | 3,065 | 76% | 3,941 | 78% |
| Capex commitments | 966 | 24% | 1,123 | 22% |
| **Total off-balance sheet commitments** | **4,031** | **—** | **5,063** | **—** |

(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 and for the nine months ended September 30, 2012 and 2013:

| | For the twelve months ended December 31, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | (in DOP million) | | | |
| Network | 2,502 | 2,521 | 1,358 | 1,434 |
| Customers | 206 | 404 | 195 | 114 |
| IT | 382 | 443 | 251 | 390 |
| Shops | 179 | 98 | 53 | 40 |
| Other (including GSM licenses) | 432 | 171 | 71 | 115 |
| **Total capital expenditure** | **3,702** | **3,637** | **1,928** | **2,093** |

For the nine months ended September 30, 2013, our capital expenditures amounted to DOP 2,093 million, of which DOP 1,434 million related to our network. This increase was primarily due to the higher volume in site roll-outs in 2013 and the implementation of multi-platform infrastructure.

For the twelve months ended December 31, 2012, our total capital expenditure amounted to DOP 3,637 million, of which DOP 2,521 million related to our network. 3G and 4G equipment was mostly added to existing 2G sites, limiting incremental civil works costs, which are the main component of our new site costs. Most 2G capital expenditure was related to replacement of old material (which is expected to lead to energy savings), while 3G capital expenditure is expected to lead to increased coverage and capacities (notably following the rise of the data revenue streams resulting from the increasing penetration of smartphones). We have also significantly invested in a backbone and backhaul, and more generally in the Radio Access Network to have a high quality proprietary network.

**Quantitative and Qualitative Disclosures about Market Risk**

We are, and upon completion of the ODO Acquisition will be, 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 to a lesser extent 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 expenditures 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 3,058 million as of December 31, 2012 and DOP 3,267 million as of September 30, 2013. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 488 million as of December 31, 2012 and DOP 469 million as of September 30, 2013. 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, 2012 and September 30, 2013 for both dealers and postpaid residential subscribers:

| | Dealers and others | | | |
|---|---|---|---|---|
| | As of December 31, 2012 | | As of September 30, 2013 | |
| | (in DOP million/percentages) | | | |
| Not due or less than 30 days | 1,279 | 61% | 1,663 | 77% |
| Between 31 and 60 days | 538 | 26% | 591 | 27% |
| Between 61 and 90 days | 141 | 7% | (39) | −2% |
| More than 91 days | 123 | 6% | (46) | −2% |
| **Total gross trade receivables past due** | **2,081** | **100%** | **2,169** | **100%** |
| Provisions for bad debt | (299) | — | (289) | — |
| **Net receivables** | **1,782** | **—** | **1,195** | **—** |

| | Postpaid residential subscribers | | | |
|---|---|---|---|---|
| | As of December 31, 2012 | | As of September 30, 2013 | |
| | (in DOP million/percentages) | | | |
| Not due or less than 30 days | 605 | 62% | 670 | 61% |
| Between 31 and 60 days | 116 | 12% | 180 | 16% |
| Between 61 and 90 days | 40 | 4% | 28 | 3% |
| More than 91 days | 216 | 22% | 219 | 20% |
| **Total gross trade receivables past due** | **977** | **100%** | **1,097** | **100%** |
| Provisions for bad Debt | (189) | — | (179) | — |
| **Net receivables** | **788** | **—** | **918** | **—** |

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, 2012, such provision amounted to DOP 299 million consisting of (i) DOP 128 million wholesaler related provisions, (ii) DOP 79 million interconnection related provisions and (iii) DOP 89 million dealer related provisions. As of September 30, 2013, such provision amounted to DOP 289 million consisting of (i) DOP 58 million dealer related provisions, (ii) DOP 146 million wholesaler related provision and (iii) DOP 85 million interconnection related provision.

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 February 2009, we signed a centralized treasury management agreement (hereafter ''CTMA'') with Orange S.A. The CTMA concerns a euro account and a US$ account. Orange S.A. manages the cash pool, ensuring efficient management of liquidity at the Group level. The agreement allows us to lend our cash surplus, or, in case of cash needs, to obtain cash from the Group. This cash pooling agreement will be terminated at closing of the ODO Acquisition and there will be no outstanding debt owed to Orange S.A. at closing.

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, 2012 and as of September 30, 2013, respectively, 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 |

## PART XIV—SELECTED FINANCIAL INFORMATION OF THE NUMERICABLE GROUP

### Basis of Presentation

The following tables set forth summary selected financial information derived from the Numericable Group Financial Information and should be read with the corresponding financial statements, including the accompanying notes, included in this Prospectus. For more information regarding the financial information presented in this Prospectus, please see Part VI of this Prospectus (*Important Information—Presentation of Financial and Other Information*).

### Income Statement Data

| | Numericable Group Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| (in € millions) | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| **Revenues** | **1,208.7** | **1,306.9** | **1,302.4** | **959.1** | **968.9** |
| *Revenues contributed by the B2C segment[1]* | *832.6* | *830.3* | *826.2* | *616.4* | *645.4* |
| *Revenues contributed by the B2B segment[1]* | *252.6* | *328.2* | *323.2* | *236.0* | *225.5* |
| *Revenues contributed by the Wholesale segment[1]* | *123.6* | *148.3* | *153.1* | *106.7* | *98.0* |
| **Operating income before depreciation and amortization (EBITDA)** | **513.9** | **563.2** | **590.8** | **441.3** | **436.3** |
| *EBITDA margin rate* | *42.5%* | *43.1%* | *45.4%* | *46.0%* | *45.0%* |
| Depreciation and amortization | (305.4) | (294.5) | (291.7) | (212.2) | (219.0) |
| **Operating income** | **208.4** | **268.7** | **299.0** | **229.1** | **217.3** |
| **Finance costs, net** | **(178.4)** | **(186.0)** | **(211.4)** | **(152.3)** | **(148.8)** |
| Income tax expense | (3.8) | (13.4) | (2.5) | (1.6) | (8.3) |
| Share in net income (loss) of associates | 0.4 | (0.3) | (0.2) | (0.1) | (0.1) |
| **Net income (loss) from continuing operations** | **26.6** | **69.0** | **84.9** | **75.1** | **60.0** |
| Net income from discontinued operations[2] | 31.2 | 126.1 | — | — | — |
| **Net income (loss) attributable to owners of the entity** | **58.0** | **194.9** | **84.9** | **75.1** | **60.0** |

(1) Segment revenues presented herein are after inter-segment eliminations. Revenues before inter-segment eliminations (in accordance with Note 5 to the combined annual financial statements of the Numericable Group) form the basis of the operating and financial review in ''*Operating and Financial Review of the Numericable Group—Overview—Introduction*''. Please see that section for an explanation of this approach and a reconciliation of the figures.

(2) Results of Coditel Belgium and Coditel Luxembourg, participations in which were sold by the Numericable Group to the Altice VII Group at June 30, 2011.

### EBITDA and Capital Expenditures

| | Numericable Group Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| (in € millions) | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| **EBITDA[1]** | **513.9** | **563.2** | **590.8** | **441.3** | **436.3** |
| **Adjusted EBITDA[2]** | **539.0** | **572.2** | **619.4** | **457.9** | **453.6** |
| **Adjusted EBITDA margin rate[2]** | **44.6%** | **43.8%** | **47.6%** | **47.8%** | **46.8%** |
| **Capital expenditures** | **239.1** | **242.7** | **285.7** | **197.1** | **205.9** |

(1) Numericable Group defines EBITDA as operating income before depreciation and amortization. Although EBITDA should not be considered a substitute measure for operating income and net cash provided by operating activities, the Group believes that it provides useful information regarding the Numericable Group's ability to meet future debt service requirements.

(2) Unaudited. Numericable Group defines Adjusted EBITDA as EBITDA (i.e., Operating Income before Depreciation and Amortization), adjusted for certain items as reflected in the table below. The Group believes that this measure is useful to readers of its financial statements as it provides them with a measure of the operating results which excludes certain items the Numericable Group considers outside of its recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding the Numericable Group's operating results and cash-flow generation that allows investors to better identify trends in its financial performance. It 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 Altice VII Group). The following table provides a reconciliation of Adjusted EBITDA to EBITDA for the Numericable Group:

| | Numericable Group Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| **(in € millions)** | **2010** | **2011** | **2012** | **2012** | **2013** |
| | (Unaudited) | | | (Unaudited) | |
| **EBITDA** | **513.9** | **563.2** | **590.8** | **441.3** | **436.3** |
| Debt-refinancing or amendment related advisory fees[(a)] | 1.1 | 3.5 | 7.4 | 4.2 | 1.5 |
| Acquisition-related restructuring costs[(b)] | — | 14.2 | 2.5 | 0.7 | 1.1 |
| Provisions / costs for tax and social security audits | 0.9 | 0.8 | 0.6 | 0.2 | 0.2 |
| Exceptional income from SFR[I] | — | (19.0) | — | — | — |
| Exceptional income from France Télécom-Orange[(d)] | — | (10.0) | 0.1 | — | — |
| CVAE[I] | 12.0 | 10.5 | 11.9 | 8.9 | 9.2 |
| Accelerated depreciation of equipment[(f)] | 6.6 | 7.0 | 5.2 | — | 4.2 |
| Coditel continuing activities[(g)] | 4.6 | — | — | — | — |
| Penalties[(h)] | — | 1.9 | 1.0 | 2.6 | 1.1 |
| **Adjusted EBITDA** | **539.0** | **572.2** | **619.4** | **457.9** | **453.6** |

(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 benefits expense).

(c) Amount received from SFR in connection with the early termination of a long-term IRU lease it had inherited through an acquisition and no longer needed (classified in revenues of the wholesale segment). See Part XII of this Prospectus (*Operating and Financial Review of the Numericable Group*).

(d) Amount received from France Télécom-Orange as payment of damages and interest pursuant to a ruling of the Paris Commercial Court against France Télécom-Orange related to restrictive trade practices on the ADSL market in 2001 and 2002. See Part XVII of this Prospectus (*Information about the Company and the Group—Legal Proceedings—Other Matters—Dispute with Orange relating to access to the DSL market*). In 2012 and 2013, amounts paid to France Télécom-Orange in connection with disputes.

(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 losses resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers (classified in purchases and subcontracting services).

(g) EBITDA derived from services rendered to Coditel Belgium and that continued to be provided after its disposal and were classified in discontinued activities.

(h) Penalties, including penalties payable to SFR as a result of a delay incurred in the deployment of vertical fibre networks pursuant to a fibre deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

## Cash Flow Data

| (in € thousands) | Numericable Group Financial Information | | | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | | For the nine months ended September 30, | |
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | (Unaudited) | | |
| Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax | 307,894 | 366,326 | 380,211 | 417,027 | 417,361 |
| Net cash provided (used) by operating activities | 544,722 | 577,127 | 530,960 | 372,474 | 414,421 |
| Net cash provided (used) by investing activities | (291,859) | (237,652) | (285,217) | (195,542) | (204,023) |
| Net cash provided (used) by financing activities | (269,249) | (489,705) | (278,327) | (209,185) | (197,494) |
| Net cash from discontinued operations* | 15,196 | 156,258 | — | — | — |
| **Total net increase (decrease) in cash and cash equivalents** | **(1,190)** | **6,027** | **(32,584)** | **(32,254)** | **12,904** |

* 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).

## Balance Sheet Data

| (in € millions) | Numericable Group Financial Information | | | |
|---|---|---|---|---|
| | As of December 31, | | | As of September 30, |
| | 2010 | 2011 | 2012 | 2013 |
| | | | (Unaudited) | |
| Goodwill | 1,458.6 | 1,458.6 | 1,458.7 | 1,461.7 |
| Other intangible assets | 376.8 | 346.1 | 326.2 | 283.3 |
| Property, plant and equipment | 1,340.9 | 1,348.6 | 1,389.9 | 1,443.6 |
| Investments in associates | 3.9 | 3.6 | 3.4 | 3.2 |
| Other non-current financial assets | 7.4 | 7.8 | 6.8 | 7.6 |
| **Total Non-current assets** | **3,187.5** | **3,164.6** | **3,185.0** | **3,199.4** |
| Inventories | 33.8 | 39.0 | 45.6 | 46.3 |
| Trade receivables and other receivables | 357.1 | 363.0 | 417.4 | 417.0 |
| Other current financial assets | 0.2 | 0.0 | 4.0 | 3.2 |
| Income tax receivable | 0.3 | 0.0 | 0.0 | — |
| Cash and cash equivalents | 30.9 | 40.6 | 8.0 | 20.9 |
| **Total Current assets** | **422.4** | **442.6** | **475.0** | **487.4** |
| Assets classified as held for sale | 270.5 | — | — | — |
| **Total assets** | **3,880.4** | **3,607.2** | **3,660.0** | **3,686.7** |
| **Net invested equity attributable to owners of the entity** | **(567.0)** | **(372.2)** | **(287.4)** | **(227.1)** |
| Non-current portion of financial liabilities | 3,174.5 | 2,913.0 | 2,926.3 | 2,943.4 |
| **Total non-current liabilities** | **3,333.0** | **3,076.8** | **3,101.6** | **3,113.1** |
| **Total current liabilities** | **903.4** | **902.7** | **845.8** | **800.9** |
| Liabilities classified as held for sale | 211.4 | — | — | — |
| **Total equity and liabilities** | **3,880.4** | **3,607.2** | **3,660.0** | **3,686.7** |

## Key Operating Measures

| | As of, or for the year ended, December 31, | | | As of, or for the nine months ended, September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | (Unaudited) | | |
| | (in thousands except EBITDA, percentages, number of RGUs per individual user and ARPU) | | | | |
| **B2C Operating Data:** | | | | | |
| **Footprint**[1] | | | | | |
| Homes passed[2] | 9,798 | 9,833 | 9,875 | 9,860 | 9,932 |
| Triple-play enabled | 8,299 | 8,368 | 8,428 | 8,409 | 8,493 |
| EuroDocsis 3.0 enabled plugs | 4,171 | 4,285 | 4,788 | 4,694 | 5,093 |
| Digital individual subscribers | 1,275 | 1,238 | 1,228 | 1,214 | 1,253 |
| Multi-play[3] | 917 | 938 | 972 | 946 | 1,019 |
| Stand-alone television | 313 | 267 | 223 | 235 | 201 |
| Other[4] | 44 | 34 | 34 | 32 | 32 |
| White label end-users[5] | 103 | 206 | 297 | 264 | 334 |
| **Total digital individual users** | **1,378** | **1,444** | **1,525** | **1,476** | **1,587** |
| Analog television individual subscribers | 195 | 133 | 103 | 109 | 88 |
| **Total individual users** | **1,573** | **1,577** | **1,628** | **1,587** | **1,674** |
| TV Individual RGUs[6] | 1,292 | 1,216 | 1,163 | 1,170 | 1,144 |
| Internet Individual RGUs[6] | 928 | 950 | 985 | 962 | 1,032 |
| Fixed Telephony Individual RGUs[6] | 850 | 897 | 946 | 919 | 1,000 |
| Mobile Telephony Individual RGUs[6] | 7 | 47 | 113 | 90 | 167 |
| **Total individual RGUs[6]** | **3,078** | **3,110** | **3,207** | **3,141** | **3,343** |
| Number of individual RGUs per individual user[6] | 2.09 | 2.27 | 2.41 | 2.39 | 2.49 |
| Bulk subscribers[7] | 1,848 | 1,837 | 1,829 | 1,840 | 1,797 |
| Churn—individual subscribers | 17.2% | 19.4% | 18.6% | 18.4% | 18.6% |
| Stand-alone digital television | 14.9% | 17.1% | 19.0% | 18.6% | 18.2% |
| Analog television | 18.4% | 25.2% | 18.3% | 18.3% | 17.3% |
| Triple-play | 16.9% | 18.1% | 17.2% | 17.6% | 16.8% |
| **ARPU per month—new digital individual subscribers (gross-adds)[8]** | **34.4 €** | **41.5 €** | **41.7€** | **41.5€** | **41.1€** |
| **ARPU per month—digital individual subscribers (customer base)[8]** | **39.0 €** | **40.3 €** | **40.7€** | **40.7€** | **41.4€** |
| **B2B Operating Data:** | | | | | |
| Order intake (in € thousands)[9] | 5,949.0 | 5,290.0 | 5,659.7 | 3,885.3 | 4,648.1 |
| Churn rate[10] | 25.6% | 19.0% | 25.3% | N/A | N/A |
| **Wholesale Operating Data:** | | | | | |
| DSL white label end-users (Bouygues ex-Darty) | 208 | 204 | 168 | 182 | 132 |

(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) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).

(4) Includes stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

(5) Fibre 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 Group (fibre white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(6) Revenue Generating Units. Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Numericable Group's network represents one RGU. Thus, one subscriber who receives all of the Numericable Group's B2C services would be counted as four RGUs. RGUs representing only Numericable brand direct subscribers (i.e., does not include white label or bulk subscribers).

(7) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

(8) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

(9) Order intakes in the B2B segment are an indicator of the increase in revenues generated by new B2B contracts, a measurement which provides the monthly recurring value of new orders for a given period. This indicator includes the additional revenue generated by new contracts executed during a given period. It is comparable to the product of the ARPU of new subscribers multiplied by the volume of new clients in the B2C segment.

(10) The B2B churn rate is an indicator based on the relative value of B2B contracts in a one month period as regards to the value of the same B2B contracts in the previous month, illustrating both loss of clients and price adjustments.

## PART XV—OPERATING AND FINANCIAL REVIEW OF THE NUMERICABLE GROUP

The following discussion of the Numericable Group's financial condition and results of operations should be read together with (i) the Numericable Group's audited annual combined financial statements for the years ended December 31, 2010, 2011 and 2012 and the notes thereto and (ii) the Numericable Group's unaudited interim condensed combined financial statements for the nine months ended September 30, 2012 and 2013 and the notes thereto, all of which are included in this Prospectus. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties. Please see Part VI of this Prospectus (*Important Information—Forward-Looking Statements*).

### 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 fibre white label offerings. The B2C segment makes up the largest part of the Numericable Group's revenues, contributing €645.4 million in revenues for the nine month period ending September 30, 2013 and €826.2 million in revenues for the year ended December 31, 2012 (or 66.6% 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 the Numericable Group revenues, contributing €225.5 million in revenues for the nine month period ending September 30, 2013 and €323.2 million in revenues for the year ended December 31, 2012 (or 23.3% 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 €98.0 million in revenues for the nine month period ending September 30, 2013 and €153.1 million in revenues for the year ended December 31, 2012 (or 10.1% 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, 2010, 2011 and 2012 and the nine month periods ending September 30, 2013 and 2012. This table follows the breakdown found in Note 5 to the combined annual financial statements and Note 4 to the interim condensed combined financial statements, where eliminations of inter-segment sales are not allocated by segment. The Numericable Group analyses 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, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| **(in € millions)** | **2010** | **2011** | **2012** | **2012** | **2013** |
| **Revenue** | | | | | |
| B2C | 836.8 | 835.3 | 832.6 | 621.5 | 648.5 |
| B2B | 253.4 | 331.1 | 324.5 | 238.0 | 227.8 |
| Wholesale | 159.8 | 201.1 | 211.5 | 153.5 | 140.7 |
| *Inter-segment eliminations* | (41.3) | (60.6) | (66.1) | (54.0) | (48.1) |
| **Total** | **1,208.7** | **1,306.9** | **1,302.4** | **959.1** | **968.9** |

In order to reconcile this contribution with each segment's contribution to Numericable Group combined revenue, the following table allocates inter-segment sales eliminations by segment revenue:

| (in € millions) | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| **Segment** | | | | | |
| B2C | (4.2) | (5.0) | (6.4) | (5.1) | (3.1) |
| B2B | (0.8) | (2.9) | (1.3) | (2.0) | (2.3) |
| Wholesale | (36.3) | (52.8) | (58.4) | (46.8) | (42.7) |
| **Total inter-segment eliminations** | **(41.3)** | **(60.6)** | **(66.1)** | **(54.0)** | **(48.1)** |

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 fibre/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 fibre network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of September 30, 2013, the Numericable Group served approximately 1.25 million direct individual subscribers, approximately 1.80 million bulk customers, and approximately 466,000 white label end-users (fibre and DSL) 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, 2012, the Numericable Group's combined revenues were €1,302.4 million, and the Numericable Group's EBITDA was €590.8 million.

**Presentation of the Combined Annual Financial Statements Included in this Prospectus**

The Numericable Group's combined annual financial statements have been prepared in accordance with IFRS as adopted by the European Union.

Numericable Group was formed on August 2, 2013. In the context of the listing of Numericable's shares on Euronext Paris in November 2013, Numericable's shareholders simultaneously contributed to Numericable the entirety of their securities holdings in Ypso Holding S.à r.l., parent company of the Ypso Sub-Group, and Altice B2B S.à r.l., parent company of the Altice B2B Sub-Group. Following the completion of these contributions, Numericable is the parent company of the Numericable Group with 20 consolidated entities (11 companies in France and 9 foreign companies).

The combined annual financial statements have been prepared to reflect the carrying value of historical assets, liabilities, revenues, expenses and cash flows that were directly related to the Ypso Sub-Group and the Altice B2B Sub-Group, which were historically separate legal groups, under common control and management, and are based on the separate consolidated financial statements of each Sub-Group. For further information, see Note 1.4 to the Numericable Group's combined annual financial statements included elsewhere in this Prospectus.

All companies in which a Sub-Group has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to benefit from their operations, are included in the scope of combination. The effects of transactions between the two Sub-Groups on assets, liabilities, revenue and expense for periods presented have been eliminated in full in the combined annual financial

statements. Non-controlling interests in subsidiaries are identified separately from the Numericable Group's equity under ''other financial assets'' in the Numericable Group's combined annual financial statements.

**Critical Accounting Policies**

For a description of the Numericable Group's significant accounting policies and critical accounting estimates, see Notes 3 and 4 to the annual combined annual financial statements as of and for the years ended December 31, 2010, 2011 and 2012 included elsewhere in this Prospectus.

**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 optimisation 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. 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 fibre/cable network. These products compete with those of the Numericable Group's competitors. See Part II of this Prospectus (*Risk Factors—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*).

The Numericable Group's new B2C customers commit for a period of 12 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 three-quarters of gross new customer adds for the period from September 30, 2012 to September 30, 2013 were for the Numericable Group's premium multiple-play offerings. The Numericable Group had equipped subscribers with approximately

257,050 units as of September 30, 2013. Just under half of subscribers who subscribed to an offer with LaBox were existing subscribers of the Numericable Group, and the penetration rate of LaBox among the Numericable Group's multiple-play customers was 25%.

*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 Part II of this Prospectus (*Risk Factors—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*).

As described in Part XVII of this Prospectus (*Information about the Company and the Group—Customer Contracts and Billing*), 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 fibre 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 fibre 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 fibre 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 Part XVII of this Prospectus (*Information about the Company and the Group—Wholesale Services in France—Infrastructure Wholesale Services*)). 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 Part II of this Prospectus (*Risk Factors—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*).

***Pricing***

*B2C Segment Pricing*

Pricing in the French B2C market segment is primarily driven by the pricing of multiple-play packages, to which the vast majority of customers subscribe. 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 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 multiple-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 multiple-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,'' for €34.90 and €24.90, respectively. The Numericable Group also lowered the price of its stand-alone mobile telephony services (to a range of between €1.99 to €29.99 per month) and the mobile telephony component of its quadruple-play packages (to a range between no charge (Basic Mobile Package) and €15.99 (Ultra-Mobile Monde Package) per month). Numericable Group customers may purchase additional add-on products and services at an extra cost, in particular a Blu-Ray/DVD player, an optional external hard drive, and VoD programming.

The Numericable Group continues to offer television services on a stand-alone basis to existing subscribers. Where technically possible, the Numericable Group attempts 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 customisation. 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 Part XVII of this Prospectus (*Information about the Company and the Group—Wholesale Services in France—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, 2010, 2011 and 2012 and the nine month periods ended September 30, 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.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| **Product** | | | | | |
| Stand-alone digital television | 14.9% | 17.1% | 19.0% | 18.6% | 18.6% |
| Analog television | 18.4% | 25.2% | 18.3% | 18.3% | 18.3% |
| Triple-play | 16.9% | 18.1% | 17.2% | 17.6% | 17.6% |
| **Overall** | **17.2%** | **19.4%** | **18.6%** | **18.4%** | **18.6%** |

The Numericable Group believes that the B2C segment has 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 fibre/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-fibre/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 Part XVII of this Prospectus (*Information about the Company and the Group—Products and Services—Cable Based Services—Pay Television—Western Europe—France*). The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends.

*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 2010, 2011 and 2012.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2010 | 2011 | 2012 |
| **Product** | | | |
| Churn rate | 25.6% | 19.0% | 25.3% |

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 Part XVIII of this Prospectus (*Regulatory Overview—France—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications—Market Analysis—Asymmetric Regulation)*.

***Cost Structure and Cost Optimisation***

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 fibre/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 2010, 2011 and 2012, approximately 9% (€27 million), 15% (€35 million) and 16% (€45 million) 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 €38 million, €54 million and €56 million in network operation and maintenance expenses in 2010, 2011 and 2012, 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 2010, 2011 and 2012 and the nine months ended September 30, 2013, the Numericable Group deployed fibre 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 fibre network under a French law scheme known as délégation de service public (with this one known as the ''DSP 92''). Fibre 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. 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 combined annual financial statements have been prepared assuming that the Numericable Group will continue as a going concern. As discussed in Note 1.6 to the combined annual financial statements and Note 2.5 to the interim condensed combined 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 (substantial goodwill, substantial debt and negative shareholders' equity), 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 Prospectus, the Numericable Group services its debt and funds its investments through net cash from operations. Under the conditions described in Note 2.5 to the interim condensed combined financial statements included elsewhere in this Prospectus, and given the updated cash flow projections, Numericable Group management 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 interim condensed combined financial statements and meet its financial debt obligations during the period. As a result, the Numericable Group's combined financial statements as of December 31, 2012, 2011, 2010 and as of September 30, 2013 have been prepared on a going concern basis.

**Changes in Scope of Combination**

The Numericable Group's results are affected by acquisitions and divestitures.

The Numericable Group made one significant acquisition during the period under review. On December 29, 2010, it acquired 100% of the shares of Altitude Télécom, a network operator operating primarily in Western France. The acquisition cost of approximately €58 million was financed mainly by drawings under the Numericable Group's senior credit facilities.

The Numericable Group made one significant divestiture during the period covered by the financial statements included elsewhere in this Prospectus: on June 30, 2011, it sold its holdings in Coditel Belgium and Coditel Luxembourg to Coditel Holding S.A., a Luxembourg entity owned by the Altice VII Group, Deficom and Apax Partners MidMarket SAS. The sale generated a gain of €118 million (from a gross sale price of €360 million). This 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, 2010, 2011 and 2012, respectively, included elsewhere in this Prospectus.

**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 analyse the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

| | As of and for the year ended December 31 | | | As of and for the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | (Unaudited in thousands) | | | | |
| Homes passed[1] | 9,798 | 9,833 | 9,875 | 9,860 | 9,932 |
| Triple-play enabled | 8,299 | 8,368 | 8,428 | 8,409 | 8,493 |
| EuroDocsis 3.0 enabled plugs | 4,171 | 4,285 | 4,788 | 4,694 | 5,093 |
| Digital individual subscribers | 1,275 | 1,238 | 1,228 | 1,214 | 1,253 |
| Multiple-play[2] | 917 | 938 | 972 | 946 | 1,019 |
| Stand-alone television | 313 | 267 | 223 | 235 | 201 |
| Other[3] | 44 | 34 | 34 | 32 | 32 |
| Fibre white label end-users[4] | 103 | 206 | 297 | 264 | 334 |
| **Total digital individual users** | **1,378** | **1,444** | **1,525** | **1,476** | **1,587** |
| Analog television individual subscribers | 195 | 133 | 103 | 109 | 88 |
| **Total individual users** | **1,573** | **1,577** | **1,628** | **1,587** | **1,674** |
| Bulk subscribers[5] | 1,848 | 1,837 | 1,829 | 1,840 | 1,797 |
| DSL white label end-users (Bouygues ex-Darty) | 208 | 204 | 168 | 182 | 132 |

(1) A home is deemed ''passed'' if it can be connected to the distribution system without further extension of the network.

(2) Includes dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet).

(3) Stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

(4) Fibre 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 (fibre white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(5) 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 Part XVII of this Prospectus (*Information about the Company and the Group—Marketing and Sales*).

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. 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 periods indicated:[1]

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | (Unaudited) | | |
| | | | (in thousands except RGUs per individual user) | | |
| TV Individual RGUs[2] | 1,292 | 1,216 | 1,163 | 1,170 | 1,144 |
| Internet Individual RGUs[2] | 928 | 950 | 985 | 962 | 1,032 |
| Fixed Telephony Individual RGUs[2] | 850 | 897 | 946 | 919 | 1,000 |
| Mobile Telephony Individual RGUs[2] | 7 | 47 | 113 | 90 | 167 |
| **Total individual RGUs[2]** | **3,078** | **3,110** | **3,207** | **3,141** | **3,343** |
| **Number of individual RGUs per individual user[2]** | **2.09** | **2.27** | **2.41** | **2.39** | **2.49** |

(1) Only Numericable direct individual subscribers (i.e., not including white label end-users or bulk subscribers).

(2) Each subscriber receiving cable TV, broadband Internet or fixed or mobile telephony services over the Numericable Group's network represents one RGU. Thus, one subscriber who receives all of the Numericable Group's B2C services would be counted as four RGUs.

***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.

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.

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. Although the Numericable Group's customer-base ARPU was historically higher than its gross-adds ARPU, since 2011, the Numericable Group's gross-adds ARPU has been higher, as illustrated by the chart below. 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, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | (Unaudited) | | |
| **ARPU per month—new digital individual subscribers (gross-adds)[1]** | €34.4 | €41.5 | €41.7 | €41.5 | €41.1 |
| **Monthly ARPU—digital individual subscribers (customer-base)[1]** | €39.0 | €40.3 | €40.7 | €40.7 | €41.4 |

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated and do not reflect ARPU from white label end users or bulk subscribers.

***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 2010, 2011, 2012 and the nine months ended September 30, 2012 and 2013.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | (Unaudited) | (in € thousands) | | |
| Order intake revenue | 5,949.0 | 5,290.0 | 5,659.7 | 3,885.3 | 4,648.1 |

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 multiple-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 multiple-play service customers.

The subscriber acquisition costs for B2C fibre/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 fibre 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 combined financial statements included elsewhere in this Prospectus.

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. In 2010, certain contracts located in eastern France came up for renewal and were repriced down, resulting in a decrease in revenue from this source in 2010 and 2011;
- Analog revenue, including recurring monthly subscription fees for the Numericable Group's analog television offering, including related one-time connection and disconnection fees; and
- Fibre 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 fibre); 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 Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—White Label Contracts in France*)). 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 centres; advertising costs; fees payable under the Numericable Group's MVNO contracts with Bouygues Télécom; utilities, including electricity, and fees paid for rights of way and rental and leasehold charges. See Note 7 to the Numericable Group's combined annual financial statements included elsewhere in this Prospectus.

***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, and (iii) costs associated with the use of temporary, external and non-salaried personnel.

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 foncière 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 combined annual financial statements.

***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. See Part XVII of this Prospectus (*Information about the Company and the Group—Legal Proceedings—Disputes with Orange in France*).

***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 the Company, Cinven and Carlyle in relation to certain management, financing and advisory services provided. In 2010 and 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; 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 combined financial statements 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 combined financial statements 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, CVAE tax (cotisation sur la valeur ajoutée des entreprises) (a French business tax), and, in respect of the year ended December 31, 2010, EBITDA from services that continued to be rendered to Coditel Belgium following its classification under discontinued activities.

The Numericable Group believes that this measurement is useful to readers of its 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 11.4 to the combined annual financial statements for the three-year period ended December 31, 2012) 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 losses (€1,225 million as of December 31, 2012) can currently only be offset against the profits of NC Numericable SAS (''NC Numericable''), an operating company of the Numericable Group (mostly present in the B2C segment); (ii) a part of the losses (€210 million as of December 31, 2012) can only be offset against the profits of Completel SAS (''Completel''), an operating company in the B2B and Wholesale segments and (iii) the reorganisation of Numericable prior to the Numericable IPO, the consequences of which were not taken into account in the preparation of the combined annual financial statements for 2010, 2011 and 2012, will not have an impact on the losses of NC Numericable and Completel, but will trigger additional losses for Ypso France and, in the event of Completel's refinancing, Altice B2B France, the use of which 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) and will limit the ability to use the tax losses of the two tax consolidations (it being specified that, (x) based on results as of December 31, 2012, €497 million out of the €565 million of Ypso France Group's losses—and all of the €214 million of Altice B2B France group's losses should be available, subject to certain conditions and limitations, to be offset against the profits of the companies of the former Ypso France and Altice B2B tax consolidations, respectively, which will be included within the scope of the new tax consolidation; and (y) that absent a refinancing of Completel's debt, the Alice B2B France tax group will continue to exist and the ability to use tax losses of this group would not be affected);
- 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;
- The extremely limited use of the Luxembourg holding company losses (about €48 million as of December 31, 2012) and of Altice B2B's own tax losses (€13 million), which can only be offset against this structurally loss-making company's own income, as well as the fact that Ypso France's losses (€42 million) should be considered as lost since the company has not received any favourable 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.

***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. See ''—*Changes in Scope of Combination*.'' Net income from discontinued operations amounted to €31.2 million in 2010 and €126.1 million in 2011.

**Analysis of Results for the Nine Months Ended September 30, 2012 and September 30, 2013**

The table below shows the Numericable Group's combined statement of income for the nine month periods ended September 30, 2012 and September 30, 2013, in millions of euros and as a percentage of revenues for the periods in question.

| | For the nine months ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2012 | | 2013 | | |
| (Unaudited) | (in € millions) | (as a % of revenues) | (in € millions) | (as a % of revenues) | Change |
| **Revenues** | **959.1** | **100.0%** | **968.9** | **100.0%** | **1.0%** |
| *Revenues contributed by the B2C segment[(1)]* | *616.4* | *64.3%* | *645.4* | *66.6%* | *4.7%* |
| *Revenues contributed by the B2B segment[(1)]* | *236.0* | *24.6%* | *225.5* | *23.3%* | *(4.5)%* |
| *Revenues contributed by the Wholesale segment[(1)]* | *106.7* | *11.1%* | *98.0* | *10.1%* | *(8.1)%* |
| Purchases and subcontracting services | (448.8) | (46.8)% | (448.5) | (46.3)% | (0.1)% |
| Staff costs and employee benefits expense | (100.2) | (10.4)% | (109.0) | (11.2)% | 8.8% |
| Taxes and duties | (24.4) | (2.5)% | (25.6) | (2.6)% | 4.9% |
| Provisions | 0.9 | 0.1% | (1.2) | (0.1)% | (241.7)% |
| Other operating income | 61.3 | 6.4% | 58.5 | 6.0% | (4.5)% |
| Other operating expenses | (6.5) | (0.7)% | (6.8) | (0.7)% | 3.9% |
| **Operating income before depreciation and amortization (EBITDA)** | **441.3** | **46.0%** | **436.3** | **45.0%** | **(1.1)%** |
| Depreciation and amortization | (212.2) | (22.1)% | (219.0) | (22.6)% | 3.2% |
| **Operating income** | **229.1** | **23.9%** | **217.3** | **22.4%** | **(5.2)%** |
| Financial income | 2.3 | 0.2% | 6.9 | 0.7% | 198.7% |
| Interest relative to gross financial debt | (135.9) | (14.2)% | (144.1) | (14.9)% | 6.0% |
| Other financial expense | (18.8) | (2.0)% | (11.6) | (1.2)% | (38.1)% |
| **Finance costs. Net** | **(152.3)** | **(15.9)%** | **(148.8)** | **(15.4)%** | **(2.3)%** |
| Income tax expense | (1.6) | (0.2)% | (8.3) | (0.9)% | 424.4% |
| Share in net income (loss) of equity affiliates | (0.1) | 0.0% | (0.1) | 0.0% | 52.7% |
| **Net income (loss)** | **75.1** | **7.8%** | **60.0** | **6.2%** | **(20.1)%** |
| Attributable to owners of the entity | 75.1 | 7.8% | 60.0 | 6.2% | (20.1)% |
| Attributable to non-controlling interests | 0.0 | — | (0.1) | — | — |

***Revenues***

Numericable Group revenues totalled €968.9 million for the nine months ended September 30, 2013, up 1% compared to revenues of €959.1 million for the nine months ended September 30, 2012. Numericable Group revenues for the third quarter of 2013 totalled €318.9 million, up 0.8% compared to revenues of €316.3 million for the third quarter of 2012, reflecting an increase in B2C revenues and a decrease in B2B and wholesale revenues in the third quarter of 2013.

Among the Numericable Group's segments, the B2C segment's activities progressed the most, accelerating growth compared to prior quarters. Revenues from the B2C segment increased by 4.7% in the nine months ended September 30, 2013, compared to the nine months ended September 30, 2012. In the third quarter of 2013, the B2C segment's revenues increased by 5.4% compared to the third quarter of 2012, from €204.0 million to €215.0 million. This acceleration in growth was driven by the growth in the customer base and the maintenance of a high ARPU.

At June 30, 2013, the B2C segment had 1.65 million individual digital users, up 22,000 users compared to 1.628 million individual users at December 31, 2012. This growth was primarily driven by growth in Numericable direct digital multiple-play customers, which increased by 30,000, and to a lesser extent by an increase in fibre white label users, which increased by 23,000. In the third quarter of 2013, growth accelerated, with 24,000 more individual digital users compared to the number of individual digital users at June 30, 2013, and continued higher growth in the Numericable direct digital multiple-play customer

base compared to the fibre white label customer base (up 17,000 and 14,000 respectively in the third quarter of 2013).

Customer-base ARPU remained high, at €41.9 in the third quarter of 2013, up more than €1 compared to ARPU for the third quarter of 2012. Gross-adds ARPU in the third quarter of 2013 decreased compared to gross-adds ARPU for the first half of 2013 reflecting seasonal trends, related to strong customer acquisition (particularly students) through telesales and internet distribution channels, which generate sales with lower ARPUs than average, particularly compared to store sales.

B2B segment revenues totalled €225.5 million for the nine months ended September 30, 2013, representing a 4.5% decrease compared to €236 million for the nine months ended September 30, 2012. B2B segment revenues decreased by 6.9% in the third quarter of 2013 compared to the third quarter of 2012, from €79.6 million in the third quarter of 2012 to €74.1 million in the third quarter of 2013.

This nine-month decrease was principally related to (i) the effect of decreases in regulated termination rates, which resulted in certain clients, particularly large corporates, calling for a decrease in prices, as reflected in the B2B churn rate, which was stable at 31.8% in the first half of 2013 and 31.7% for the third quarter 2013, compared to rates of 25.9% in the first half of 2012 and 26.8% in the third quarter of 2012, and (ii) the impact of administrative and operational problems that occurred in 2012 and that notably resulted in the issuance of credit notes in 2013 and higher revenues in the second half of 2012 due to catch-up invoicing of contracts signed in the first half of 2012, thereby complicating the quarterly comparison.

The Numericable Group notes that an improvement in the B2B revenue trend can be seen in the increase in new orders, which increased from €2,692 thousand in the first half of 2012 to €3,161 thousand in the first half of 2013 (i.e., an increase of 17%), and from €1,193 thousand in the third quarter of 2012 to €1,487 thousand in the third quarter of 2013 (i.e., an increase of 24%). The Numericable Group expects that this increase should translate into higher revenues in 2014, given the timing of installation of such orders.

Wholesale segment revenues also declined, from €106.7 million for the nine months ended September 30, 2012 to €98 million for the nine months ended September 30, 2013, for similar reasons reflecting the systematic passing on of decreased termination rates. Revenues decreased by 8.1% in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012, with an 8.5% decrease in the third quarter of 2013 compared to the third quarter of 2012, from €32.5 million in the third quarter of 2012 to €29.8 million in the third quarter of 2013.

The main reason for this decrease is the decrease in termination rates, which in wholesale contracts are applied immediately and systematically to other operators. The decrease in the DSL Bouygues Telecom ex-Darty Telecom white label customer base also contributed to the decline in revenues, as the number of DSL white label users declined from 182,000 users at September 30, 2012 to 143,000 users at June 30, 2012 and 132,000 users at September 30, 2013.

***Purchases and Subcontracting Services***

In the nine months ended September 30, 2013, purchases and subcontracting services totalled €448.5 million, stable compared to the nine months ended September 30, 2012 (€448.8 million). This apparent stability covered contrasting trends, principally (i) a significant decrease in termination rates relating to B2C, B2B and wholesale fixed telephony activities (−€16.4 million) and (ii) an increase in subscriber acquisition costs related to the higher volume of newly acquired subscribers (+€12.3 million).

***Staff Costs and Employee Benefits Expense***

In the nine months ended September 30, 2013, staff costs and employee benefits expense totalled €109.0 million, compared to €100.2 million for the nine months ended September 30, 2012, representing an increase of 8.8%. This increase reflected in particular the increase in staff costs of the B2C segment and to a lesser extent the B2B segment, due to hirings in the sales teams and distribution of higher bonuses related, in particular, to the increase in sales (B2C) and orders (B2B) in the period.

***Taxes and Duties***

In the nine months ended September 30, 2013, taxes and duties increased by 4.9% to €25.6 million, from €24.4 million for the nine months ended September 30, 2012, reflecting an increase in the Numericable Group's value-added contribution (Cotisation sur la Valeur Ajoutée des Entreprises (CVAE)) in the B2C and B2B segments.

***Provisions***

In the nine months ended September 30, 2013, provisions increased to €1.2 million, from a reversal of provisions of €0.9 million in the nine months ended September 30, 2012. This increase is due to a slight deterioration in provisions for doubtful accounts in value, although they remained relatively stable as a percentage of revenues.

***Other Operating Income***

Other operating income decreased by 4.5%, or €2.8 million, from €61.3 million in the nine months ended September 30, 2012 to €58.5 million in the nine months ended September 30, 2013, principally due to a slowdown in charges incurred for DSP 92 at the time phase 2 of the project was under discussion and phase 1 was being completed. This decline in activity generated lower capitalisation of external purchases (down €6 million), partially offset by the transfer of cable networks to local authorities in the context of exiting DSP contracts (up €3.4 million).

***Other Operating Expenses***

Other operating expenses increased by 3.9%, or by €0.2 million, from €6.5 million in the nine months ended September 30, 2012 to €6.8 million in the nine months ended September 30, 2013. Other operating expenses remained relatively stable, with higher advisory fees in connection with Numericable Group's debt refinancing in 2012 and the transfer of cable networks to local authorities in the context of exiting DSP contracts accounting for €3.4 million in 2013.

***Operating Income Before Depreciation and Amortization (EBITDA)***

EBITDA decreased 1.1%, or €5.0 million, from €441.3 million in the nine months ended September 30, 2012 to €436.3 million in the nine months ended September 30, 2013.

This slight decrease reflects increased growth in the revenues of the B2C segment, which in 2013 was accompanied by an increase in subscriber acquisition costs (marketing and communications costs and sales commissions), which increased from €52 million in the in the nine months ended September 30, 2012 to €64 million in the nine months ended September 30, 2013, and in staff costs in owned stores. This explains that B2C EBITDA (before inter-segment eliminations) increased by only €1 million, or 0.3%, to €305.8 million in the nine months ended September 30, 2013 (i.e., an EBITDA margin of 47.2%), compared to €304.8 million in the nine months ended September 30, 2012 (i.e., an EBITDA margin of 49.0%).

In addition, in the B2B segment, commercial performance in 2012 was down, and administrative and operational problems that had an adverse impact last year (mainly due to the integration of Altitude Télécom) adversely affected 2013 results, which decreased (before inter-segment eliminations) by €10.2 million, or 13.9%, in the nine months ended September 30, 2013 compared to in the nine months ended September 30, 2012, including the issuance of €10 million of credit notes in the first half of 2013. B2B EBITDA (before inter-segment eliminations) totalled €63.3 million in the nine months ended September 30, 2013 (i.e., an EBITDA margin of 27.8%), compared to B2B EBITDA (before inter-segment eliminations) of €73.5 million in the nine months ended September 30, 2012 (i.e., an EBITDA margin of 30.9%).

EBITDA from the wholesale segment (before inter-segment eliminations) increased €4.2 million, or 6.6%, in the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. Wholesale segment EBITDA (before inter-segment eliminations) totalled €67.2 million in the nine months ended September 30, 2013 (i.e., an EBITDA margin of 47.7%), compared to Wholesale segment EBITDA (before inter-segment eliminations) of €63.0 million in the nine months ended September 30, 2012 (i.e., an EBITDA margin of 41.0%).

***Adjusted EBITDA***

Adjusted EBITDA decreased 0.9%, or €4.3 million, from €457.9 million in the nine months ended September 30, 2012 to €453.6 million in the nine months ended September 30, 2013. The slight decrease in Adjusted EBITDA is due primarily to (i) the increased acquisition of new customers in the B2C segment in 2013 compared to 2012, generating higher acquisition costs and penalizing profitability in the short term and (ii) the administrative and operational problems that occurred in 2012 following the integration of Altitude Telecom into the B2B segment and which, in particular, resulted in the issuance of €10 million of credit notes in the first half of 2013.

Adjusted EBITDA declined by €7.1 million, or 4.5%, in the third quarter of 2013 compared to the third quarter of 2012, due to increased marketing investments in the B2C segment during a period of strong customer acquisition and unusual seasonal generation of EBITDA in 2012 (see ''—Revenues'' above), which makes the quarterly comparison in the B2B segment less relevant.

See Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group*) for a discussion of Adjusted EBITDA and its components.

***Depreciation and Amortization***

Depreciation and amortization increased 3.2%, or €6.8 million, from €212.2 million in the nine months ended September 30, 2012 to €219.0 million in the nine months ended September 30, 2013. This increase reflects the increase in the level of investments in recent years, in both the B2C and B2B segments, in order to renovate the network and connect increasing numbers of customers.

***Operating Income***

Operating income decreased 5.2%, or €11.8 million, from €229.1 million in the nine months ended September 30, 2012 to €217.3 million in the nine months ended September 30, 2013, for the reasons discussed above.

***Finance Costs, Net***

Finance costs, net, increased by 2.3%, or by €3.5 million, from a net charge of €152.3 million in the nine months ended September 30, 2012 to a net charge of €148.8 million in the nine months ended September 30, 2013. This improvement reflects principally (i) financial income of €4.5 million received in connection with a claim filed by the Numericable Group against Lehman Brothers, (ii) reversal of €1.9 million in risk provisions and (iii) a decrease in other financial expenses, the Numericable Group having paid substantial waiver fees in connection with its debt refinancing in the first half of 2012. However, interest increased due to the refinancing in October 2012 as well as the refinancing in February 2012 (to a lesser extent because it only relates to the first 45 days of the year). The amendments that were signed in the third quarter of 2013 have only increased interest expenses slightly; however the commissions paid for these transactions increased other financial expenses.

The other finance costs in the nine months ended September 30, 2013 included mainly amortization of the fees paid in connection with debt refinancings conducted in 2012 and 2013 for a total amount of €6 million (of which €0.2 million relating to the renegotiation conducted in 2013), calculated based on the effective interest rate method, as well as late financial penalties mainly paid to clients for €5.3 million. The other finance costs in the nine months ended September 30, 2012 included mainly waiver fees relating to the establishment of the revolving credit facility for €8.6 million, a provision for financial risks for €1.8 million and amortization of the fees paid for the implementation of the new borrowings for €4.4 million, calculated based on the effective interest rate method.

***Income Tax Expense***

Income tax expense increased by €6.8 million from €1.6 million in the nine months ended September 30, 2012 to €8.3 million in the nine months ended September 30, 2013. This significant increase is a result of the anticipated tax expense of €8 million for the year 2013 for the Ypso France Group (or €6 million in the nine months ended September 30, 2013) whereas in 2012 the Ypso France Group incurred tax losses, primarily due to costs resulting from the 2012 debt refinancing.

**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)% | (7.7) | (0.6)% | (3.8)% |
| 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)** | **563.2** | **43.1%** | **590.8** | **45.4%** | **4.9%** |
| Depreciation and amortization | (294.5) | (22.5)% | (291.7) | (22.4)% | (1.0)% |
| **Operating income** | **268.7** | **20.6%** | **299.0** | **23.0%** | **11.3%** |
| 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% | (33.3)% |
| **Net income (loss) from ongoing activities** | **69.0** | **5.3%** | **84.9** | **6.5%** | **23.0%** |
| Net income from discontinued operations | 126.1 | 9.6% | — | 0.0% | (100.0)% |
| **Net income (loss)** | **195.1** | **14.9%** | **84.9** | **6.5%** | **(56.5)%** |
| Attributable to owners of the entity | 194.9 | 14.9% | 84.9 | 6.5% | (56.4)% |
| Attributable to non-controlling interests | 0.2 | 0.0% | 0.0 | 0.0% | NA |

See ''*—Key Performance Indicators*'' for a discussion of key performance indicators by segment.

***Revenues***

Numericable Group revenues remained relatively stable, decreasing €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 fibre 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 reorganisation 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 fibre 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—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 0.4%, 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 €7.7 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 €27.6 million, or 4.9%, from €563.2 million for the year ended December 31, 2011 to €590.8 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 €47.2 million, or 8.2%, from €572.2 million for the year ended December 31, 2011 to €619.4 million for the year ended December 31, 2012. See Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group*) 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 €30.3 million, or 11.3%, from €268.7 million for the year ended December 31, 2011 to €299.0 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 Numericable Group—Combined 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 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.

| B2C Segment (in € millions) | Year ended December 31, 2011 | Year ended December 31, 2012 | Change 2012/2011 |
|---|---|---|---|
| **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% |
| *Fibre 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) | (5.7) | 7.5% |
| 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** | **395.4** | **(0.8)%** |
| *EBITDA margin rate* | *47.7%* | *47.5%* | *(0.2)%* |

*Revenues*

B2C segment revenues remained relatively stable, totalling €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 totalled 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 Part XVII of this Prospectus (*Information about the Company and the Group—Cable Based Services—Pay Television—Western Europe—France*).

Bulk revenues remained stable, totalling €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.

Fibre 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 fibre 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 approximately €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 favourable financial terms for the MVNO 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 €5.7 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 €395.4 million for the year ended December 31, 2012. This is tied to the relative stability of revenues, optimisation of content-related costs and a number of items included in the table in Part XI—of this Prospectus (*Selected Financial Information of the Numericable Group—EBITDA and Capital Expenditures—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 (in € millions) | Year ended December 31, 2011 | 2012 | Change 2012/2011 |
|---|---|---|---|
| **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) | (1.7) | (48.5)% |
| 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** | **99.6** | **34.6%** |
| *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 optimisation 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 approximately €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 optimisation 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 €1.7 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 €99.6 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.

| Wholesale Segment (in € millions) | Year ended December 31, 2011 | Year ended December 31, 2012 | Change 2012/2011 |
|---|---|---|---|
| **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 fibre 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 favourable 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 Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—White Label Contracts in France*).

Finally, fibre wholesale revenues increased by €8.2 million, essentially driven by a stronger need for fibre 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.

**Analysis of Results for the Years Ended December 31, 2010 and December 31, 2011**

The table below shows the Numericable Group's combined statement of income for the years ended December 31, 2010 and December 31, 2011, in millions of euros and as a percentage of revenues for the periods in question.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | | 2011 | | |
| | (in € millions) | (as a % of revenues) | (in € millions) | (as a % of revenues) | Change |
| **Revenues** | **1,208.7** | **100.0%** | **1,306.9** | **100.0%** | **8.1%** |
| Purchases and subcontracting services | (557.8) | (46.1)% | (621.7) | (47.6)% | 11.5% |
| Staff costs and employee benefits expense | (127.2) | (10.5)% | (141.0) | (10.8)% | 10.8% |
| Taxes and duties | (30.1) | (2.5)% | (28.3) | (2.2)% | (6.0)% |
| Provisions | (16.7) | (1.4)% | (8.0) | (0.6)% | (52.1)% |
| Other operating income | 64.3 | 5.3% | 80.4 | 6.2% | 25.0% |
| Other operating expenses | (27.3) | (2.3)% | (25.1) | (1.9)% | (8.1)% |
| **Operating income before depreciation and amortization (EBITDA)** | **513.9** | **42.5%** | **563.2** | **43.1%** | **9.6%** |
| Depreciation and amortization | (305.4) | (25.3)% | (294.5) | (22.5)% | (3.6)% |
| **Operating income** | **208.4** | **17.2%** | **268.7** | **20.6%** | **28.9%** |
| Financial income | 0.8 | 0.1% | 1.2 | 0.1% | 50.0% |
| Interest relative to gross financial debt | (175.1) | (14.5)% | (177.3) | (13.6)% | 1.3% |
| Other financial expense | (4.2) | (0.3)% | (9.9) | (0.8)% | 135.7% |
| **Finance costs, net** | **(178.4)** | **(14.8)%** | **(186.0)** | **(14.2)%** | **4.3%** |
| Income tax expense | (3.8) | (0.3)% | (13.4) | (1.0)% | 252.6% |
| Share in net income (loss) of equity affiliates | 0.4 | 0.0% | (0.3) | 0.0% | (175.0)% |
| **Net income (loss) from ongoing activities** | **26.6** | **2.2%** | **69.0** | **5.3%** | **159.4%** |
| Net income from discontinued operations | 31.2 | 2.6% | 126.1 | 9.6% | 304.2% |
| **Net income (loss)** | **57.8** | **4.8%** | **195.1** | **14.9%** | **237.5%** |
| Attributable to owners of the entity | 58.0 | 4.8% | 194.9 | 14.9% | 236.0% |
| Attributable to non-controlling interests | (0.2) | 0.0% | 0.2 | 0.0% | 200.0% |

***Revenues***

Numericable Group revenues increased by €98.2 million, or 8.1%, from €1,208.7 million for the year ended December 31, 2010 to €1,306.9 million for the year ended December 31, 2011. This increase reflects increased revenues in both the B2B and wholesale segments, partially offset by a slight decrease in the B2C segment. 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 decreased slightly by €2.3 million, or 0.3%, from €832.6 million for the year ended December 31, 2010 to €830.3 million for the year ended December 31, 2011. This relative stability reflects decreases in digital, analog and bulk revenues almost entirely offset by an increase in fibre white label revenue.

The B2B segment's contribution to Numericable Group revenues increased by €75.6 million, or 29.9%, from €252.6 million for the year ended December 31, 2010 to €328.2 for the year ended December 31, 2011. This increase reflects the contribution of Altitude Télécom, acquired in late 2010, as well as an increase in data revenues.

The wholesale segment's contribution to Numericable Group revenues increased by €24.7 million, or 20.0%, from €123.6 million for the year ended December 31, 2010 to €148.3 million for the year ended December 31, 2011. This increase reflects a one-off €19 million payment in 2011 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, as well as increases in data revenues and fibre wholesale revenues.

***Purchases and Subcontracting Services***

Purchases and subcontracting services expenses increased by €63.9 million, or 11.5%, from a total expense of €557.8 million for the year ended December 31, 2010 to a total expense of €621.7 million for the year ended December 31, 2011. This increase reflects the integration of Altitude Télécom's purchases and subcontracting services expenses, as well as expenses in connection with the Numericable Group's MVNO contract with Bouygues Télécom, which was entered into in 2011.

***Staff Costs and Employee Benefits Expense***

Staff costs and employee benefits expenses increased by €13.8 million, or 10.8%, from €127.2 million for the year ended December 31, 2010, to €141.0 million for the year ended December 31, 2011. This increase primarily reflects the staff costs and employee benefits expenses of Altitude Télécom, which amounted to approximately €12 million in 2011.

***Taxes and Duties***

Taxes and duties decreased by €1.8 million, or 6.0%, from €30.1 million for the year ended December 31, 2010 to €28.3 million for the year ended December 31, 2011, despite additional taxes resulting from the acquisition of Altitude Télécom amounting to approximately €1.3 million.

***Provisions***

Net provisions decreased by €8.7 million, or 52.1%, from €16.7 million for the year ended December 31, 2010 to €8.0 million for the year ended December 31, 2011. The decrease reflected the high level of provisions in 2010 in which the Numericable Group began recording provisions for customers failing to return the Numericable Group's set-top boxes after cancelling their subscriptions and also took an additional provision for employment litigation in connection with its termination of certain door-to-door salespeople.

***Other Operating Income***

Other operating income increased by €16.1 million, or 25.0%, from €64.3 million for the year ended December 31, 2010 to €80.4 million for the year ended December 31, 2011, reflecting (i) an increase of €11.5 million in own work capitalized, primarily in connection with DSP 92, and (ii) a payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court.

***Other Operating Expenses***

Other operating expenses decreased by €2.2 million, or 8.1%, from €27.3 million for the year ended December 31, 2010 to €25.1 million for the year ended December 31, 2011. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders.

***Operating Income Before Depreciation and Amortization (EBITDA)***

EBITDA increased by €49.3 million, or 9.6%, from €513.9 million for the year ended December 31, 2010 to €563.2 million for the year ended December 31, 2011. This increase reflects (i) a one-off €19 million payment in 2011 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, (ii) the payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court, and (iii) increased operational profitability.

***Adjusted EBITDA***

Adjusted EBITDA increased by €33.2 million, or 6.2%, from €539.0 million for the year ended December 31, 2010 to €572.2 million for the year ended December 31, 2011. See Part IVX of this

Prospectus (*Selected Financial Information of the Numericable Group*) for an explanation of adjusted EBITDA and its components.

***Depreciation and Amortization***

Depreciation and amortization expenses decreased by €10.9 million, or 3.6%, from €305.4 million for the year ended December 31, 2010 to €294.5 million for the year ended December 31, 2011. The high level of depreciation and amortization expenses in 2010 reflected heavy investments undertaken in preceding years.

***Operating Income***

Operating income increased by €60.3 million, or 28.9%, from €208.4 million for the year ended December 31, 2010 to €268.7 million for the year ended December 31, 2011. This increase reflects the same elements as EBITDA.

***Finance Costs, Net***

This cost increased by €7.6 million, or 4.3%, from €178.4 million for the year ended December 31, 2010 to €186.0 million for the year ended December 31, 2011. This increase reflected an increase in EURIBOR, outstripping the combination of a reduction in total debt outstanding and lower mark-to-market gains on an interest rate swap that was terminated mid-2011.

***Income Tax Expense***

Income tax expense increased by €9.6 million from €3.8 million for the year ended December 31, 2010 to €13.4 million for the year ended December 31, 2011. This increase is due to a provision of €11 million for tax audits recorded in 2011. The effective income tax rate increased from 12.79% in 2010 to 16.19% in 2011.

**Analysis of Results by Segment for the Years Ended December 31, 2010 and December 31, 2011**

***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, 2010 and 2011.

| B2C Segment (in € millions) | Year ended December 31, 2010 | 2011 | Change 2011/2010 |
|---|---|---|---|
| **Revenues** | **836.8** | **835.3** | **(0.2)%** |
| *Digital revenues* | 665.4 | 660.4 | (0.8)% |
| *Analog revenues* | 69.5 | 51.1 | (26.5)% |
| *Bulk revenues* | 75.1 | 70.0 | (6.8)% |
| *Fibre white label revenues* | 26.8 | 53.8 | 100.7% |
| Purchases and subcontracting services | (356.4) | (385.0) | 8.0% |
| Staff costs and employee benefits expense | (74.8) | (73.5) | (1.7)% |
| Taxes and duties | (21.4) | (18.9) | (11.7)% |
| Provisions | (16.7) | (5.3) | (68.3)% |
| Other operating income | 46.6 | 60.2 | 29.2% |
| Other operating expenses | (16.7) | (14.4) | (13.8)% |
| **Operating income before depreciation and amortization (EBITDA)** | **397.4** | **398.4** | **(0.3)%** |
| *EBITDA margin rate* | *47.5%* | *47.7%* | *0.2%* |

***Revenues***

B2C segment revenues remained relatively stable, totalling €836.8 million for the year ended December 31, 2010, compared to €835.3 million for the year ended December 31, 2011.

Digital revenues slightly decreased by €5.0 million, or 0.8%, from €665.4 million for the year ended December 31, 2010 to €660.4 million for the year ended December 31, 2011. This decrease reflected a

2.9% decrease in the Numericable Group's digital subscriber base as of December 31, 2011 compared to December 31, 2010, due to losses of television-only customers not being fully offset by additions of multiple-play customers. The decrease in the digital customer base was partially offset by an increase in average digital monthly ARPU in 2011 compared to 2010, with an overall impact of €1.3 million, which resulted from the successful introduction of new offers in mid-2010, price increases implemented in January 2011 and an increase in VoD revenue (which increased from €9 million in 2010 to €10 million in 2011).

The slight decrease in revenues also reflected a reduction in set-up fees from new subscribers as a result of promotional offers on the Numericable Group's premium packages. The Numericable Group also launched its mobile offers in May 2011, which made only an incremental contribution to revenues.

Analog revenues decreased by €18.4 million, or 26.5%, from €69.5 million for the year ended December 31, 2010 to €51.1 million for the year ended December 31, 2011, primarily due to the decrease in the Numericable Group's analog subscriber base, due to the migration to digital services following the DTT roll-out in France, which allows anyone to receive a free television package that is comparable to the Numericable Group's pay-television analog offer.

Bulk revenues decreased by €5.1 million, or 6.8%, from €75.1 million for the year ended December 31, 2010 to €70.0 million for the year ended December 31, 2011. This decrease was primarily due to tariff reductions resulting from the renegotiation of the Numericable Group's bulk contracts in eastern France. The Numericable Group's bulk customer base remained stable year-over-year.

Fibre white label revenues increased by €27.0 million, or 100.7%, from €26.8 million for the year ended December 31, 2010 to €53.8 million for the year ended December 31, 2011, reflecting the increase in the number of white label end-users, which doubled between December 2010 and December 2011, following the launch of such services in 2010.

*Purchases and Subcontracting Services*

Purchases and subcontracting services increased by €28.6 million, or 8.0%, to €385.0 million for the year ended December 31, 2011 from. €356.4 million for the year ended December 31, 2010. This increase resulted mainly from the introduction of mobile offers in May 2011 and increased sales and marketing expenses in connection with the Numericable Group's new marketing strategy. ''Subscriber acquisition'' costs, which include subscriber acquisition-related marketing, communications and commissions paid to external distribution networks amounted to €57.0 million and €73.8 million, respectively, for the years ended December 31, 2010 and 2011.

The Numericable Group began offering an unlimited mobile package in May 2011, which resulted in increased telephony costs by €11.0 million in 2011 compared with 2010. In the same year, the Numericable Group undertook to increase its brand visibility in the French triple-play market, resulting in an increase in advertising fees.

*Staff Costs and Employee Benefits Expenses*

Staff costs and employee benefits expenses decreased slightly, by 1.7%, or €1.3 million, from €74.8 million for the year ended December 31, 2010 to €73.5 million for the year ended December 31, 2011. This decrease mainly reflects the reorganisation of the door-to-door sales structure.

*Taxes and Duties*

Taxes and duties decreased by 11.7% or €2.5 million, from €21.4 million for the year ended December 31, 2010 to €18.9 million for the year ended December 31, 2011.

*Provisions*

Net provisions decreased significantly, from €16.7 million for the year ended December 31, 2010 to €5.3 million for the year ended December 31, 2011.

In 2010, the Numericable Group began recording provisions for customers failing to return the Numericable Group's set top boxes after cancelling their subscriptions. In 2010, the Numericable Group also recorded a provision for employment litigation in connection with the termination of certain door-to-door salespeople.

*Other Operating Income*

Other operating income increased by €13.6 million, or 29.2%, from €46.6 million for the year ended December 31, 2010 to €60.2 million for the year ended December 31, 2011. This increase resulted mainly from a payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court.

*Other Operating Expenses*

Other operating expenses decreased by €2.3 million, or 13.8%, from €16.7 million for the year ended December 31, 2010 to €14.4 million for the year ended December 31, 2011. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders.

*Operating Income Before Depreciation and Amortization (EBITDA)*

EBITDA increased slightly by €1.0 million, or 0.3%, from €397.4 million for the year ended December 31, 2010 to €398.4 million for the year ended December 31, 2011. This resulted from relative stability of revenues, increased costs associated with the launch of the Numericable Group's new mobile offering and advertising expenses associated with the Numericable Group's new marketing strategy, optimisation of content-related costs (which decreased) and a number of items that the Numericable Group considers to be one-offs (which increased) (see Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group*) for a presentation of such items at the Numericable Group level).

B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external distribution networks) increased from €454.0 million for the year ended December 31, 2010 to €461.8 million for the year ended December 31, 2011, an increase of 1.7%.

***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, 2010 and 2011.

The Numericable Group acquired Altitude Télécom at the end of 2010 and its results are included in combination as from January 1, 2011. Full integration of Altitude Télécom within Completel was completed on December 31, 2011.

| B2B Segment (in € millions) | Year ended December 31, 2010 | Year ended December 31, 2011 | Change 2011/2010 |
|---|---|---|---|
| **Revenues** | **253.4** | **331.1** | **30.7%** |
| *Voice revenues* | 155.2 | 152.2 | (1.9)% |
| *Data revenues* | 98.2 | 179.0 | 85.3% |
| Purchases and subcontracting services | (150.3) | (196.7) | 30.9% |
| Staff costs and employee benefits expense | (47.2) | (61.0) | 29.2% |
| Taxes and duties | (5.3) | (5.7) | 7.5% |
| Provisions | 0.5 | (3.3) | (760.0)% |
| Other operating income | 17.3 | 20.1 | 16.2% |
| Other operating expenses | (10.7) | (10.6) | (0.9)% |
| **Operating income before depreciation and amortization (EBITDA)** | **57.7** | **74.0** | **28.2%** |
| *EBITDA margin rate* | *22.8%* | *22.3%* | *(0.5)%* |

*Revenues*

B2B segment revenues increased by €77.7 million, or 30.7%, from €253.4 million for the year ended December 31, 2010 to €331.1 million for the year ended December 31, 2011. The main trends are the following:

- Voice revenues decreased by €3.0 million, or 1.9%, from €155.2 million for the year ended December 31, 2010 to €152.2 million for the year ended December 31, 2011. This decrease resulted from a gradual passing on to customers of successive decreases in regulated termination rates.

- Data revenues increased by €80.8 million or 82.3% from €98.2 million for the year ended December 31, 2010 to €179.0 million for the year ended December 31, 2011. This increase primarily reflects the impact of the acquisition of Altitude Télécom on the Numericable Group's revenues in 2011, which amounted to €69.4 million in increased revenues (Altitude Télécom having generated revenue of approximately €60 million in 2010 before its acquisition by the Numericable Group), and of the Numericable Group's strategy of focusing on data services, which are less commoditized and regulated.

*Purchases and Subcontracting Services*

Purchases and subcontracting services increased by €46.4 million, or 30.9%, from €150.3 million for the year ended December 31, 2010 to €196.7 million for the year ended December 31, 2011, due to increases in both external and internal costs.

The external cost increases consisted primarily of the integration of purchases and subcontracting services expenses incurred by Altitude Télécom in 2011 (that amounted to approximately €35 million in 2010) and an increase in data-related costs (+€3.7 million), in line with the increase in data revenues, notwithstanding a €5.7 million decrease in voice-related expenses between 2010 and 2011, mainly due to regulated reductions in termination rates.

The internal cost increase consisted primarily of higher rental costs (+€12 million) of fibre supplied by the wholesale segment due to higher demand from B2B customers and a change to market-based from at-cost pricing in the wholesale segment. This intra-Group cost is eliminated in combination.

*Staff Costs and Employee Benefits Expenses*

Staff costs increased by 29.2% or €13.8 million, from €47.2 million for the year ended December 31, 2010 to €61.0 million for the year ended December 31, 2011. This increase mainly reflects the staff costs and employee benefits expenses of Altitude Télécom, integrated as from January 1, 2011, which amounted to approximately €12 million in 2010, prior to its acquisition by the Numericable Group.

*Taxes and Duties*

Taxes and duties increased slightly from €5.3 million for the year ended December 31, 2010 to €5.7 million for the year ended December 31, 2011.

*Provisions*

Net provisions amounted to €3.3 million for the year ended December 31, 2011, as compared to a net reversal of €0.5 million for the year ended December 31, 2010. The increase 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 increased by €2.8 million, or 16.2%, from €17.3 million for the year ended December 31, 2010 to €20.1 million for the year ended December 31, 2011. This increase reflects increased staff costs between 2010 and 2011 resulting from the acquisition of Altitude Télécom, a portion of which is accounted for as own work capitalized.

*Other Operating Expenses*

Other operating expenses remained stable at respectively €10.6 million and €10.7 million for the years ended December 31, 2010 and 2011, respectively.

*Operating Income Before Depreciation and Amortization (EBITDA)*

Operating income before depreciation and amortization increased by €16.3 million, or 28.2%, from €57.7 million for the year ended December 31, 2010 to €74.0 million for the year ended December 31, 2011. This increase reflects the improved profitability of the Numericable Group, in particular following the acquisition of Altitude Télécom, which had operating income before depreciation and amortization of approximately €11 million in 2010 prior to its acquisition by the Numericable Group.

***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, 2010 and 2011.

| Wholesale Segment (in € millions) | Year ended December 31, 2010 | 2011 | Change 2011/2010 |
|---|---|---|---|
| **Revenues** | **159.8** | **201.1** | **25.8%** |
| Purchases and subcontracting services | (92.4) | (100.6) | 8.9% |
| Staff costs and employee benefits expense | (5.1) | (6.6) | 29.4% |
| Taxes and duties | (3.4) | (3.7) | 8.8% |
| Provisions | (0.5) | 0.6 | 220.0% |
| Other operating income | 0.4 | 0.1 | (75.0)% |
| Other operating expenses | — | — | — |
| **Operating income before depreciation and amortization (EBITDA)** | **58.7** | **90.9** | **54.9%** |
| *EBITDA margin rate* | *36.7%* | *45.2%* | *8.5%* |

*Revenues*

Wholesale segment revenues increased by €41.3 million, or 25.8%, from €159.8 million for the year ended December 31, 2010 to €201.1 million for the year ended December 31, 2011. This increase primarily reflects increases in data revenues and fibre wholesale revenues.

Data revenues increased by €23 million, primarily reflecting a one-time payment of €19 million from SFR in 2011 following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed. Excluding this payment, data revenues would have increased by €4 million, or 20%, as compared to 2010, reflecting the increased demand for data services.

Fibre wholesale revenues increased by €18.0 million, reflecting the increased revenues derived from sales of fibre to the B2B segment as discussed above. These intra-Group revenues are eliminated in combination.

*Purchases and Subcontracting Services*

Purchases and subcontracting services increased slightly, by €8.2 million or 8.9%, from €92.4 million for the year ended December 31, 2010 to €100.6 million for the year ended December 31, 2011. This increase reflects increased wholesale revenues in sub-segments such as data and fibre wholesale, where growth requires only limited additional expenses.

*Staff Costs and Employee Benefits Expenses*

Staff costs increased by €1.5 million, from €5.1 million for the year ended December 31, 2010 to €6.6 million for the year ended December 31, 2011. This increase primarily reflects sales force hiring.

*Taxes and Duties*

Taxes and duties remained relatively stable, amounting to €3.4 million for the year ended December 31, 2010 and €3.7 million for the year ended December 31, 2011.

*Provisions*

Net provisions amounted to a net reversal of €0.6 million for the year ended December 31, 2011 and consisted of a reversal of a provision for €0.6 million for potential service claims.

*Operating Income Before Depreciation and Amortization (EBITDA)*

Operating income before depreciation and amortization increased by €32.2 million, or 54.9%, from €58.7 million for the year ended December 31, 2010 to €90.9 million for the year ended December 31, 2011. EBITDA in 2011 included the one-time payment of €19 million by SFR in connection with the early termination of a long-term IRU which it inherited as part of an acquisition.

**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.

The Numericable Group has also regularly refinanced its debt and, in 2012, made two bond issuances to extend its debt maturity profile.

As in 2010, 2011 and 2012 and the nine months ended September 30, 2013, the Numericable Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements (see ''*—Presentation and Analysis of the Main Categories of Use of the Group's Cash—Financing of Working Capital Requirements*''), capital expenditures, interest payments and debt repayments. The Numericable Group believes that its combined liquidity sources, without taking into account the capital increase in connection with the new shares issued by Numericable in the Numericable IPO in November 2013, are sufficient with respect to its obligations for the twelve months following the date of this Prospectus.

The Altice VII Group and the Numericable Group are currently financed on a stand-alone 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 VII Group and the Numericable Group). Consequently, cash flows from operations of the Altice VII Group may not be able to be applied to meet to the obligations of the Numericable Group and cash flows from operations of the Numericable Group may not be able to be applied to meet the obligations of the Altice VII Group.

***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 €544.7 million, €577.1 million and €549.0 million in 2010, 2011 and 2012, respectively, and €372.5 million and €414.4 million, respectively, during the nine months ended September 30, 2012 and 2013;
- Cash on hand. Cash and cash equivalents at December 31, 2010, 2011 and 2012 totalled €30.9 million, €40.6 million and €8.0 million, respectively. Cash and cash equivalents at September 30, 2012 and 2013 totalled €8.3 million and €20.9 million, respectively. See Note 20 ''Cash and cash equivalents'' to the Numericable Group's combined financial statements included elsewhere in this Prospectus. The significant reduction in cash on hand as of December 31, 2012 followed the Numericable Group's entry into a revolving credit facility as part of the amendments to the Senior Facility Agreement (defined below) in 2012, which reduced the Numericable Group's need to maintain cash balances (subject, however, to the limitations imposed by the applicable covenants of its financing agreements (which affected cash and cash equivalent levels at September 30, 2013)); and
- Indebtedness, which consists of the Numericable Group's Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), shareholder loans, NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 ''Financial Liabilities'' to the Numericable Group's combined financial statements included elsewhere in this Prospectus and the discussion below.

*Financial Liabilities*

The Numericable Group's financial liabilities totalled €3,385.5 million, €2,562.1 million and €3,901.2 million at December 31, 2010, 2011 and 2012, respectively, and €3,857.3 million at September 30, 2013. The decrease in gross debt over the period resulted primarily from principal

repayments. The following table provides a breakdown of the Numericable Group's gross debt at the dates presented:

| (in € millions) | At December 31, 2010 | 2011 | 2012 | At September 30, 2013 |
|---|---|---|---|---|
| Financial Liabilities under Senior Facility Agreement | 3,140.0 | 2,871.4 | 2,800.7 | 2,735.4 |
| *Of which Senior Secured Notes (defined below)* | — | — | *860.2* | *860.2* |
| Perpetual subordinated notes | 30.7 | 32.9 | 35.2 | 37.1 |
| Financial liabilities under finance leases | 24.4 | 29.6 | 27.3 | 37.6 |
| Interest-rate derivatives | 28.1 | 1.1 | — | — |
| Deposits received from customers | 42.9 | 42.9 | 44.5 | 50.0 |
| Other financial liabilities | 5.7 | 51.9 | 4.3 | 3.6 |
| **Total financial liabilities** | **3,271.8** | **2,439.8** | **3,772.2** | **3,723.9** |

The following table shows the Ypso France Group's and the Altice B2B France Group's credit ratings:

| | Moody's | S&P |
|---|---|---|
| Ypso France Group | B2[1] | B(positive outlook)[2] |
| Altice B2B France Group | — | BB – (negative outlook)[3] |

(1) Rating (B2) established on March 13, 2012, confirmed on March 13, 2013.

(2) Rating (B) established February 16, 2012, shifted to B(positive outlook) on September 5, 2013.

(3) Rating (BB – (negative outlook)) established on September 5, 2013.

The following section discusses the main categories of the Numericable Group's financial liabilities.

***Senior Facility Agreement***

The Numericable Group is party to one senior facility agreement.

*Ypso France SFA*

Ypso France S.A.S. (''**Ypso France**'') entered into a senior facility agreement dated June 6, 2006 (as most recently amended on October 21, 2013, the ''**Ypso France SFA**'' or ''**Senior Facility Agreement**'')) with a syndicate of banks and BNP Paribas as Agent and Security Agent, for the principal purpose of the acquisition and refinancing of the financial indebtedness of Ypso France and its subsidiaries (the ''**Ypso France Group**''). Numericable Finance & Co. S.C.A. (the ''**Notes Issuer**'') acquired loans under the Ypso France SFA in amounts equal to the principal amount of the February 2012 Notes and the October 2012 Notes (each as defined below). Certain members of the Ypso France Group are joint guarantors under the Ypso France SFA, each guaranteeing, subject to certain limitations, the obligations of each other borrower and guarantor under the Ypso France SFA (Ypso Holding S.à r.l, Ypso France, ENO Belgium SPRL, ENO Holding SA, Ypso Finance S.à r.l., Coditel Debt S.à r.l., EST Videocommunication SAS, Numericable SAS, NC Numericable SAS, all borrowers together with any such additional borrower and guarantors, the ''**Ypso France Obligors**'').

The initial amount available was €3,225 million. As of September 30, 2013, the amount available (i.e., undrawn) was €65 million (corresponding to a revolving credit facility) of which €2,324.1 million was drawn. Drawdowns on the Ypso France SFA are made in euros (although certain, currently uncommitted, facilities may be drawn in other currencies) and bear interest at rates per annum which are either fixed or equal to EURIBOR plus a margin. Fixed rate drawdowns correspond to loans related to €585.2 million of Senior Secured Notes (defined below) issued at a fixed rate. The margin on variable rate drawdowns is a rate adjusted by reference to a Net Leverage Ratio equal to the ratio of Consolidated Total Net Borrowings of the Ypso France Group to its annualized EBITDA (see the Net Leverage Ratio description under ''Financial Covenants'' below for more detail on the Ypso France SFA's Net Leverage Ratio calculation) or, if the Ypso France Group contracts subordinated debt (which is not currently the case), by reference to the ratio of the Ypso France Group's consolidated total net senior borrowings to its annualized EBITDA (the levels being the same for both ratios). The July 31, 2013 amendment modified the margins that will apply after admission to trading of Numericable's shares on Euronext Paris by reducing them by 25 basis points. The following table sets out the margins applicable by tranche, taking into account the reduction of applicable margins after admission to trading (assuming no event of

default). Given the number of tranches and lenders, certain tranches with the same maturities have been combined to simplify the presentation.

| Net Leverage Ratio (L) | 5.5x < L < 5.0x | 5.0x<L<4.75x | 4.75x < L < 4.5x | 4.5x < L < 4.25x | 4.25x<L<4.00x | 4.00x<L<3.25x | L<3.25:1 |
|---|---|---|---|---|---|---|---|
| Facility AII | 3.875% | 3.625% | 3.375% | 3.250% | 2.750% | 2.500% | 2.000% |
| Facility BI | 3.250% | 3.250% | 3.250% | 3.250% | 2.750% | 2.750% | 2.750% |
| Facility BII | 4.500% | 4.500% | 4.250% | 4.250% | 3.750% | 3.500% | 3.000% |
| Facility BIII | 4.750% | 4.750% | 4.500% | 4.500% | 4.000% | 3.750% | 3.250% |
| Facility CI | 4.000% | 3.750% | 3.750% | 3.750% | 3.250% | 3.250% | 3.250% |
| Facility CII | 5.250% | 5.000% | 4.750% | 4.750% | 4.250% | 4.000% | 3.500% |
| Facility CIII | 4.750% | 4.750% | 4.500% | 4.500% | 4.000% | 3.750% | 3.250% |
| Facility CIV | 5.250% | 5.000% | 4.750% | 4.750% | 4.250% | 4.000% | 3.500% |

The ''Capital-Investment'' facility has the same margins as Facility AII. The margin rates of the additional CI, C2A and C2B facilities are the same as those of the Senior Secured Notes described below.

The Ypso France SFA includes (since 2012) a euro-denominated revolving credit facility in a maximum aggregate amount of €65 million, which bears interest at a rate equal to EURIBOR plus 4.5% per annum (regardless of the Net Leverage Ratio), which may be drawn in one or several tranches. A commitment fee of 2.25% per annum is payable quarterly in respect of undrawn amounts under the revolving credit facility. This revolving credit facility was fully undrawn as of September 30, 2013.

The Ypso France SFA is secured by first and lower ranking pledges over Ypso France Obligors' (other than Ypso Holding S.a.r.l's) shares (and pledges over certain Ypso France Obligors' subsidiaries' shares), bank accounts, receivables and rights to intangible business property and intellectual property.

The July 31, 2013 amendments extended the average duration of the Ypso France SFA by modifying the breakdown by tranche. The following table provides a breakdown of the Ypso France SFA by maturity. Given the number of tranches and lenders, certain tranches with the same maturities have been combined in this section to simplify the presentation thereof.

| (in thousands of euros) | Debt at September 30, 2013 | Final Maturity | Repayment |
|---|---|---|---|
| Facility AII | 33,692 | June 2015 | Amortizing |
| Facility BI | 11,206 | June 2014 | Bullet |
| Facility BII | 106,547 | June 2016 | Bullet |
| Facility BIII | 672,158 | December 2017 | Bullet |
| Facility CI | 35,940 | December 2015 | Bullet |
| Facility CII | 42,298 | December 2017 | Bullet |
| Facility CIII | 110,861 | December 2017 | Bullet |
| Facility CIV | 426,801 | December 2018 | Bullet |
| Capital-Investment II Facility | 24,356 | June 2015 | Amortizing |
| Facility CI | 360,200 | February 2019 | Bullet |
| Facility C2A | 225,000 | February 2019 | Bullet |
| Facility C2B | 275,000 | October 2018 | Bullet |
| **Total** | **2,324,058** | | |

The July 31, 2013 amendments also amended certain other clauses, including those related to certain restrictions, undertakings, change of control, and mandatory prepayment, as summarized by category below.

*Covenants under the Senior Facility Agreement*

The Senior Facility Agreement includes customary covenants for this kind of financing, and specifically the following clauses, which reflect the most recent amendments:

***Financial covenants***

*Net Leverage Ratio*—The Net Leverage Ratio is defined as Consolidated Total Net Borrowings (as defined below) divided by annualized EBITDA (as defined below). This ratio must remain under the thresholds set forth in the Senior Facility Agreements of the Ypso France Group (5.5 to 3.5). Compliance with the financial covenants is determined in accordance with French GAAP and not IFRS. As a result, the definition of ''Consolidated Total Net Borrowings'' and ''annualized EBITDA'' set forth in the Senior Facility Agreement is different from those in the Numericable Group's combined financial statements

elsewhere in this Prospectus. The definitions of Consolidated Total Net Borrowings and annualized EBITDA are detailed below:

- *Ypso France SFA:*
    - Consolidated Total Net Borrowings means total financial indebtedness from external sources of the Ypso France Group (excluding shareholder and Bought-Back Debt (as defined below)) less the Ypso France Group's cash and cash equivalents.
    - Annualized EBITDA is the sum of consolidated EBITDA for the two preceding quarters ending on a quarterly end date, multiplied by two. Consolidated EBITDA as defined in the Ypso France SFA is based on the net earnings of the Ypso France Group,
        - plus,
            - exceptional or non-recurring negative items incurred or received and certain costs relating to the amendment of certain specified finance documents and the admission to trading of Numericable's shares;
            - all depreciation and all amortization;
            - corporation tax or any other tax on incomes or gains, but without any adjustment for any *taxe professionnelle*;
            - interest (as defined in the Ypso France SFA) accrued as an obligation of or owed to any member of the Ypso France Group;
            - monitoring fees and the variable element of management fees;
            - any loss on book value arising on the sale, lease or other disposal of any asset by any member of the Ypso France Group (other than on the sale of trading stock) during such period and any loss arising on the revaluation of any asset during such period, in each case, to the extent that it would otherwise have been taken into account;
            - losses attributable to any exchange rate or translation differences;
            - proceeds of claims under any insurance to the extent that this relates to
            - compensation for loss of profits and/or business interruption for such period;
            - the amount of any deduction from profit (to the extent actually deducted) for such period attributable to pension costs recorded as interest under French accounting rules which is non-cash pay;
            - bank agency fees under, or referred to in, certain finance documents;
            - (to the extent otherwise included) the amount of losses of any member of the Ypso France Group which is attributable to the interests of any shareholder of or, as the case may be, partner in such member of the Ypso France Group who is not a member of the Ypso France Group;
        - minus,
            - exceptional or non-recurring positive items incurred or received;
            - any gain on book value arising on the sale, lease or other disposal of any asset by any member of the Ypso France Group (other than on the sale of trading stock) during such period and any gain arising on the revaluation of any asset during such period, in each case, to the extent that it would otherwise be taken into account;
            - gains attributable to any exchange rate or translation differences;
            - the fixed element of management fees whether paid in cash, deferred, or converted into capital during such period (excluding control fees paid to the Equity Sponsors (as defined below));

- (to the extent otherwise included) the amount of profit of any member of the Ypso France Group which is attributable to the interests of any shareholder of or, as the case may be, partner in such member of the Ypso France Group who is not a member of the Ypso France Group;
- the amount of profit of any entity (which is not a member of the Ypso France Group) in which any member of the Ypso France Group has an ownership interest to the extent that the amount of such profit included in the accounts of the Ypso France Group exceeds the amount (net of any applicable withholding tax) received in cash by members of the Ypso France Group through distributions by that entity;
- any profit from the buy-back of outstanding debt of Ypso Holding S.à r.l.

*Debt Service Cover Ratio*—The Ypso France Group's consolidated cash flow (as defined in the Senior Facility Agreement and corresponding to the Numericable Group's consolidated cash flow minus debt service adjusted for certain minor, non-recurring or non-cash items shall not be less than 1.0 times its consolidated total debt service for the same period. This ratio is tested each quarter based on the sum of consolidated cash flows over the four preceding quarters and the sum of consolidated debt service for the four preceding quarters. Under the Ypso France SFA, the testing requirement is suspended for so long as the Net Leverage Ratio is equal to or less than 3.0:1 and, after the July 31, 2013 amendments to the Ypso France SFA, the testing requirement shall be suspended altogether following a listing of Numericable's shares on Euronext Paris as from the first testing date after listing where the Net Leverage Ratio of the Ypso France Group is equal to or less than 3.5:1.

*Net Interest Coverage Ratio*—The ratio of Ypso France Group's annualized EBITDA to its consolidated total net cash interest payable must remain above the thresholds set in the Senior Facility Agreement. It is calculated as follows:

- Annualized EBITDA shall not be less than between 2.15 to 2.85 (depending on the calculation date) times the consolidated total net cash interest payable for the previous six months multiplied by two.

The following table summarizes the thresholds required with respect to these ratios as well as the levels at September 30, 2013:

| | Required Threshold at September 30, 2013 | Ratio at September 30, 2013 |
|---|---|---|
| Ypso France Group | | |
| *Net Leverage Ratio* | 5.45x | 4.99x |
| *Debt Service Cover Ratio** | 1.00x | 1.51x |
| *Net Interest Coverage Ratio* | 2.20x | 3.03x |

* Under the Ypso France SFA, the testing requirement is suspended for so long as the net leverage ratio is less than 3.0:1 and shall be suspended permanently following a listing of the Numericable's shares on Euronext Paris as from the first testing date after listing where the Net Leverage Ratio of the Ypso France Group is equal to or less than 3.5:1.

*Capital Expenditure*

*Ypso France SFA*: The Ypso France Group provides that for each year ending December 31, the Ypso France Group may not incur fixed capital expenditure (capital expenditure less customer premises and equipment expenditure) in excess of the sum of (i) €131.7 million, (ii) retained excess cash flow for the previous twelve months (to the extent that it has not been spent), (iii) 75% of the amount by which €131.7 million exceeded the twelve month period's fixed capital expenditure and (iv) any non-refundable non-interest bearing subsidies for fixed capital expenditure paid in cash. Such limitation is suspended for so long as the Ypso France Group's Net Leverage Ratio is less than 3.0:1 and, after the most recent amendments, shall be suspended altogether following a listing of Numericable's shares on Euronext Paris.

*General restrictive covenants*

The Senior Facility Agreement contains negative undertakings, subject to certain agreed exceptions, including but not limited to restrictions on:

- acquisitions or investments;
- loans or otherwise extending credit to others;

- incurring indebtedness or issuing guarantees;
- creating security;
- selling, transferring or disposing of assets;
- merging or consolidating with other companies;
- paying dividends, redeeming share capital or redeeming or reducing subordinated indebtedness;
- entering into joint venture transactions;
- effecting certain transactions in derivatives;
- making a substantial change to the general nature of its business;
- changing its centre of main interests; and
- modifying certain acquisition documents and other agreements.

The July 31, 2013 amendments to the Ypso France SFA will lighten certain restrictions as from the first testing date after listing of Numericable's shares as of which the Net Leverage Ratio is equal to or lesser than 3.5:1.

After the July 31, 2013 amendments, as from the first testing date after listing of Numericable's shares where the Net Leverage Ratio is equal to or lesser than 4.0:1, the Ypso France Group will be permitted to subscribe to new loans with the sole purpose of refinancing the Ypso France SFA and the payment of commissions and fees related to such refinancing.

On August 27, 2013, the Ypso France Group also proposed a new amendment to its lenders which would allow it to acquire Altice B2B France and its subsidiaries; on September 6, 2013 this amendment was accepted by 82% of lenders (in terms of amount lent). The signature of this amendment took place on October 21, 2013.

*Undertakings*

The Senior Facility Agreement also contains positive undertakings, subject to certain agreed exceptions, including but not limited to covenants relating to:

- the maintenance of relevant authorisations;
- the maintenance of insurance;
- granting security over shares in any material subsidiary directly held by an Obligor;
- compliance with laws, including environmental laws and regulations;
- communication of certain information; and
- ensuring that its obligations under the Senior Facility Agreement rank at least pari passu with the claims of other creditors.

As of the date of this Prospectus, the Numericable Group is in compliance with the undertakings of the Senior Facility Agreement.

The July 31, 2013 amendments modified the obligation to communicate certain information following the listing of Numericable's shares, including the obligation to provide an annual budget, individual annual accounts for each Obligor and, for the Ypso France Group, monthly reporting of certain financial and operating information. After the listing of Numericable's shares, the Ypso France Group will still be required to deliver to lenders consolidated financial statements prepared in accordance with French GAAP and a certificate on the calculation of the ratios each quarter and, annually, audited consolidated financial statements allowing for the verification of compliance with the financial ratios.

*Mandatory prepayment*

Mandatory prepayments are required to be made out of, among other things, the following funds received by the Ypso France Group:

- net cash proceeds in relation to certain disposals, insurance claims and recovery claims in respect of the original acquisition, to the extent that such net cash proceeds exceed certain agreed

thresholds and subject to various exclusions (with respect to the Ypso France SFA, after the July 31, 2013 amendments, this requirement shall be suspended following a listing if the Net Leverage Ratio does not exceed 3.5:1);

- for each financial year, a percentage of excess cash flow (as defined in the Senior Facility Agreement) corresponding to the Ypso France Group's consolidated cash flow minus debt service obligations adjusted for certain minor, non-recurring or non-cash elements, which percentage decreases as the Net Leverage Ratio decreases; and
- net proceeds from a primary offering in connection with a listing on a stock market where no change of control has occurred, subject to the Net Leverage Ratio, and any balance not so prepaid shall be deemed to constitute retained excess cash flow:

*Ypso France SFA*—50% of proceeds are required to be repaid if the Net Leverage Ratio is greater than 5.50:1 and 25% if it is equal to or less than to 5.50:1 but greater than 4.50:1. If the Net Leverage Ratio is equal to or less than 4.50:1 no net proceeds from a primary offering in connection with a listing of shares are required to be prepaid.

The senior facilities will be immediately cancelled, and all obligations under the senior facilities will be immediately payable in full, if, among other events, there is a change of control (as defined and on the terms and conditions described below) or sale of all or substantially all of the assets or business of each of the Ypso France Group (for the Ypso France SFA), as described below.

*Mandatory prepayment in case of a change of control*—The Senior Facility Agreement requires the early repayment of all the amounts due to all the lenders and the cancellation of all available commitments in the following cases (each, a ''Change of Control''):

- *Prior to a listing of Ypso France (for the Ypso France SFA) or a holding company*—(a) Cinven, Carlyle and Altice Participations LP, a shareholder of Altice 6 (the ''**Equity Sponsors**'') individually or together cease to own legally or beneficially, directly or indirectly, equity share capital having a right to cast 50.1% of the votes capable of being cast in general meetings of Ypso Holding S.à r.l. or Ypso France S.A.S.; or (b) the Equity Sponsors individually or together cease to hold, directly or indirectly, the right or ability to determine the composition of the board of directors of Ypso Holding S.à r.l. or Ypso France, or cease to be represented by such majority.
- *Upon or following a listing*—(a) a person or group of persons acting in concert (other than the Equity Sponsors) becomes legally or beneficially, directly or indirectly, the owner of a greater proportion of the share capital or voting rights of Ypso Holding S.à r.l. or Ypso France than the Equity Sponsors, on a fully diluted or non-diluted basis; or (b) the Equity Sponsors cease to own together legally or beneficially, directly or indirectly, equity share capital having the right to cast at least 33% of votes capable of being cast in the general meetings of Ypso Holding S.a.r.l or Ypso France, on a fully diluted basis.
- *Before or after a listing*

  *Ypso France SFA*—(a) Ypso France ceases to hold (directly or indirectly) (i) more than 99% of the equity share capital having the right to cast votes at general meetings of Numericable SAS, NC Numericable SAS and Est Videocommunication SAS or (ii) the right or ability to determine the composition of a majority of the board of directors of any of such companies or ceases to be represented by such majority; or (b) Ypso Holding S.à r.l. ceases to hold (directly or indirectly) (i) more than 99% of the equity share capital having the right to cast votes at general meetings of Ypso France or (ii) the right or ability to determine the composition of a majority of the board of directors of Ypso France or ceases to be represented by such majority.

*Exception to Mandatory Prepayment in the Case of a Change of Control*. In respect of the Senior Facility Agreement and provided that a listing of Numericable's shares has occurred, following the July 31, 2013 amendment, the lenders having approved the respective amendment (i.e., more than 95% of lenders (in terms of amount)) waived the right to receive prepayment of outstandings or to have their commitment to make advances cancelled as a consequence of a Change of Control if such Change of Control occurs more than six months after the first listing of Numericable's shares; however, the right to demand prepayment and terminate their undertaking is maintained at all times following the six months after the first listing of Numericable's shares for such lenders in the case of a Change of Control where a person or group of persons acting in concert (other than one or more of the Equity Sponsors or a subsidiary

wholly-owned by the holding company Ypso France or Ypso Holding Lux S.à r.l. whose share capital is listed) acquires, legally or beneficially, directly or indirectly more than 30% of the voting rights capable of being cast in general meetings of Ypso France or Ypso Holding Lux S.à r.l. (such Change of Control, a ''**New Controlling Interest Change of Control**'').

To summarize, in the first six months following the listing of Numericable's shares and at all times for the lenders who did not consent to the respective amendments to the Senior Facility Agreement (i.e., less than 5% of lenders (in terms of amount)), the mandatory prepayment obligation as described in the paragraph ''Mandatory Prepayment in case of a Change of Control'' applies. At all times following the six months after the first listing of Numericable's shares, the lenders having consented to the respective amendments will have the right to demand prepayment and terminate their undertaking under the Senior Facility Agreement only if a New Controlling Interest Change of Control has occurred.

*Events of default*

Under the terms of the Senior Facility Agreement, lenders have the right to declare that all or part of the amounts outstanding under the Senior Facility Agreement shall become immediately due and payable following the occurrence of such event of default, and specifically in the event of non-payment or non-compliance with one of the covenants listed above. Such events of default, subject to grace periods and customary exceptions, include, without limitation:

- the non-payment of amounts due;
- breach of financial covenants and other obligations;
- inaccuracy of a representation or statement when made, deemed to be made or repeated;
- the invalidity or unlawfulness of the finance documents under each Senior Facility Agreement;
- cross-defaults;
- insolvency;
- with respect to the Ypso France SFA, any event of default outstanding under any senior subordinated notes that may be issued in the future;
- the failure to comply with certain final judgments;
- audit qualification; and
- material adverse effect.

***Senior Secured Notes***

*Summary of the Issuance Structure*

The Notes Issuer Numericable Finance & Co. S.C.A. is an independent stand-alone special purpose financing company formed for the purpose of issuing the February 2012 Notes, the October 2012 Notes and any other Additional Issuer Debt permitted to be issued under an Indenture (each as defined below). All of the Notes Issuer's issued ordinary shares are held by Stichting Ypso 2, a foundation formed under the laws of the Netherlands, and the Notes Issuer's management share is held by Numericable Finance S.à r.l., a private limited liability company incorporated under the laws of Luxembourg. The Notes Issuer has no material business operations, and it is wholly dependent on payments by the Ypso France Obligors pursuant to the Ypso France SFA (i.e., all payments due under the Senior Secured Notes come from the payment in the first instance by the Ypso France Obligors under the Ypso France SFA, and the terms and conditions of the Senior Secured Notes and the corresponding Additional C1 Facility Loan and the Additional C2 Facility Loan reflect this arrangement (the maturity dates and the interest payments under the Additional C1 Facility Loan or Additional C2 Facility Loan correspond to the respective maturity and interest payment dates under the Senior Secured Notes). The issuance of the Senior Secured Notes allowed a refinancing of the amounts due, or payable, by Ypso France under the Ypso France SFA.

*February 2012 Notes*

On February 14, 2012, the Notes Issuer issued €360.2 million principal amount of fixed rate 12⅜% senior secured Notes Due February 2019 (the ''**February 2012 Notes**''). The Notes Issuer used the proceeds to

acquire a direct participation in, and subsequently to acquire, an Additional C1 Facility Loan made by J.P. Morgan Ltd. as lending bank to Ypso France (the ''**February 2012 Refinancin**g''). Ypso France used the proceeds of the Additional C1 Facility Loan to repay €350 million of debt outstanding under Facility A, Facility B and Facility C and certain capital investment facilities under the Ypso France SFA. The Notes Issuer is dependent upon payments from Ypso France under the Additional C1 Facility Loan to make payments under the February 2012 Notes. The February 2012 Notes have been issued pursuant to an indenture dated February 14, 2012 (the ''**February 2012 Indenture**''), between, among others, the Notes Issuer, Citibank, N.A., London Branch, as trustee, Citibank, N.A., London Branch, as security agent, principal paying agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar (as amended from time to time).

Pursuant to the Additional C Facility, the call provisions, maturity and applicable interest rate for the Additional C1 Facility Loan are the same as those of the February 2012 Notes. Its voting rights under the Ypso France SFA are, however, severely limited, pursuant to a voting undertaking in respect of the Additional C1 Facility. The majority of matters under the Ypso France SFA do not require the consent of the Notes Issuer. In general, the Notes Issuer's voting rights are limited to matters concerning the Additional C1 Facility Loans which indirectly affect holders of the February 2012 Notes. Pursuant to such voting undertaking, if the voting rights of the Notes Issuer are less than 25% or greater than 66⅔% of the aggregate of all lender voting entitlements, its lender voting rights under the Additional C Facility will be split and voted in the same proportions (''one euro/one vote'') as the acceptances, rejections and abstentions, respectively, in relation to such voting request of the holders of the February 2012 Notes. If the voting rights of the Notes Issuer are greater than 25%, but less than 66⅔% of the aggregate of all lender voting entitlements, 25% of its voting entitlement will be split and voted in the same proportions as the acceptances, rejections and abstentions, respectively, in relation to such voting request of the holders of the February 2012 Notes.

The February 2012 Notes mature on February 15, 2019 and bear interest at a fixed rate equal to 12⅜% is payable in cash on February 15 and August 15 of each year.

***February 2012 Notes Collateral***

The February 2012 Notes are guaranteed by security interests over (i) all of the ordinary shares of the Notes Issuer held by Stichting Ypso 2, (ii) the share of the Numericable Finance S.à r.l., (iii) all bank accounts of the Notes Issuer ((i), (ii) and (iii) together, the ''**Shared Notes Collateral**'') and (iv) the Notes Issuer's receivables under the Additional C1 Facility Loan (including the indirect benefit of the security interests and guarantees under the Ypso France SFA securing the same).

The February 2012 Notes do not benefit from a direct guarantee from Ypso France or any of its subsidiaries. However, the February 2012 Notes indirectly benefit from the Additional C2 Facility Loan (as defined below), the Ypso France SFA guarantees and the Ypso France SFA collateral.

***Redemption***

On or after February 15, 2016, the Notes Issuer may redeem (upon instruction from Ypso France) all or a part of the February 2012 Notes at the redemption price of 106.188%, 103.094% and 100.000%, in each case, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if redeemed during the twelve month period beginning on February 15 of 2016, 2017 and 2018 and thereafter, respectively.

At any time prior to February 15, 2015, the Notes Issuer may (upon instruction from Ypso France) redeem up to 35% of the aggregate principal amount of the February 2012 Notes with the net cash proceeds of certain equity offerings or capital contributions at a redemption price equal to 112.375% of the principal amount of the February 2012 Notes redeemed, in each case, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if at least 65% of the aggregate principal amount of the February 2012 Notes remains outstanding.

The Notes Issuer may also redeem the February 2012 Notes, in whole or in part, at any time prior to February 15, 2016, at a redemption price equal to 100% of the principal amount thereof, plus the applicable ''make-whole'' premium and accrued and unpaid interest, if any, to the redemption date.

***Redemption for Changes in Taxes***

The Notes Issuer may redeem the February 2012 Notes in whole, but not in part, at any time upon giving proper notice if changes in tax laws impose certain withholding taxes or other deductions on amounts payable on the February 2012 Notes or the guarantees thereof, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the redemption date.

The Notes Issuer is not required to make mandatory redemption or sinking fund payments with respect to the February 2012 Notes.

***Change of Control/Asset Sales***

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes provide that if the Ypso France Group or the Notes Issuer experiences a change of control (as defined in the February 2012 Indenture), the Notes Issuer must offer to repurchase the February Notes at a price equal to 101% of the aggregate principal amount of the February 2012 Notes, plus accrued and unpaid interest. In addition, if the Ypso France Group or any of its restricted subsidiaries sells certain assets, the Notes Issuer must offer to repurchase the February 2012 Notes at a price equal to 100% of the aggregate principal amount of the repurchased February 2012 Notes, plus accrued and unpaid interest in the event such asset sales result in proceeds in excess of specified minimums that have not been applied to other specified uses, in an amount equal to such excess. In the case of any such repurchase, Ypso France will pay the repurchase price to the Notes Issuer, who will pass through the payment to the holders of the February 2012 Notes.

A change of control is defined as (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Ypso France S.A.S. and its subsidiaries taken as a whole to any person (other than specified permitted holders (i.e., the Company, Cinven and Carlyle and their affiliates or any trust, fund, company or partnership owned, managed or advised by the Company, Cinven or Carlyle)); (2) the adoption of a plan relating to the liquidation or dissolution of Ypso France S.A.S.; (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person other than one or more permitted holders becomes the beneficial owner, directly or indirectly, of more than 50% of the issued and outstanding voting stock of Ypso France S.A.S. measured by voting power rather than number of shares; (4) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the shareholder representatives on the board of directors of Ypso France S.A.S. (together with any new directors whose election by the majority of the shareholder representatives on such board of directors of Ypso France S.A.S. as applicable, or whose nomination for election by shareholders of Ypso France S.A.S., as applicable, was approved by a vote of the majority of the shareholder representatives on the board of directors of Ypso France S.A.S., as applicable, then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the shareholder representatives on the board of directors of Ypso France S.A.S., as applicable, then in office; or (5) Stichting Ypso 1 and Stichting Ypso 2 fail to own, directly or indirectly, 100% of the capital stock of the Notes Issuer.

***Events of Default***

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes contain customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

***Covenants***

The February 2012 Indenture and the Covenant Agreement relating to the February 2012 Notes contain covenants for the indirect benefit of the Notes Issuer and holders of the February 2012 Notes that, among other things, limit the ability of Ypso France or any of its restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions;

- make other restricted payments and investments;
- create liens;
- layer debt;
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments to it;
- sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- grant additional security.

These limitations are, however, subject to a number of important qualifications and exceptions.

*October 2012 Notes*

On October 18, 2012, the Notes Issuer issued €225.0 million principal amount of fixed rate 8¾% senior secured notes due February 2019 (the ''**Fixed Rate Note**s'') and €275.0 million principal amount of senior secured floating rate notes due October 2018 (the ''**Floating Rate Notes**'' and together with the Fixed Rate Notes, the ''**October 2012 Notes**'' and together with the February 2012 Notes, the ''**Senior Secured Notes**''). Interest on the Floating Rate Notes accrues at a rate equal to three-month EURIBOR plus 7.875%. The proceeds of the October 2012 Notes were used to acquire a direct participation in, and subsequently acquire, the Additional C2A Facility Loan and the Additional C2B Facility Loan made by J.P. Morgan Ltd., as lending bank, to Ypso France.

The proceeds of the Additional C2A Facility Loan and the Additional C2B Facility Loan were used to refinance €490 million of debt outstanding under the Ypso France SFA, including (i) €26.9 million under Facility A, (ii) €390.0 million under Facility B, (iii) €58.7 million under Facility C and (iv) €14.4 million under capital investment facilities, with approximately €10 million spent on fees in connection with the October 2012 Notes issuance and the related refinancing.

Interest on the Fixed Rate Notes accrues at the rate of 8¾% per annum. Interest on the Fixed Rate Notes is payable semi-annually in arrears on February 15 and August 15 commencing on February 15, 2013. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Floating Rate Notes accrues at a rate per annum reset quarterly, equal to EURIBOR plus 7.875%, as determined by a calculation agent. Interest is payable quarterly, on January 15, April 15, July 15 and October 15.

The agreement related to the voting rights of the Additional C2A Facility Loan and the Additional C2B Facility Loan is set forth on terms similar to those related to the Additional C1 Facility Loan.

***October 2012 Notes Collateral***

Through the covenants in the indenture governing the October 2012 Notes (the ''**October 2012 Indenture**'' and each of the October 2012 Indenture and the February 2012 Indenture, an ''**Indenture**'') and the security interests over (i) the Shared Notes Collateral and (ii) the Notes Issuer's receivables under the Additional C2 Facility Loan (including the indirect benefit of the security interests and guarantees under the Ypso France SFA securing the same), the holders of the October 2012 Notes are provided indirectly with the benefits, rights, protections and covenants, granted to the Notes Issuer as a lender under the Ypso France SFA.

The October 2012 Notes do not benefit from a direct guarantee from Ypso France or any of its subsidiaries. The October 2012 Notes also will not benefit from any security over the Additional C1 Facility Loan. However, the October 2012 Notes indirectly benefit from the Additional C2 Facility Loan, the Ypso France SFA guarantees and the Ypso France SFA collateral.

***Redemption of Fixed Rate Notes***

At any time prior to February 15, 2015, the Notes Issuer may (upon instruction from Ypso France) redeem up to 35% of the aggregate principal amount of the Fixed Notes with the net proceeds of an equity offering at a redemption price equal to 108.75% of the principal amount of the Fixed Rate Notes redeemed, in each case, plus accrued and unpaid interest and additional amounts, if any, to the

redemption date, if at least 65% of the aggregate principal amount of the Fixed Rate Notes remains outstanding and the redemption occurs within 90 days of the closing date of such equity offering.

At any time prior to February 15, 2016, the Notes Issuer may redeem the Fixed Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus the applicable ''make-whole'' premium and accrued and unpaid interest, if any, to the redemption date.

Except pursuant to the preceding two paragraphs and the section ''Redemption for Changes in Taxes'' below, the Fixed Rate Notes are not redeemable at the Notes Issuer's or Ypso France's option prior to February 15, 2016.

On or after February 15, 2016, the Notes Issuer may redeem (upon instruction from Ypso France) all or a part of the Fixed Rate Notes at the redemption price of 104.3750%, 102.1875% and 100.0000% if redeemed during the twelve month period beginning on February 15 of 2016, 2017 and 2018 and thereafter, respectively.

***Redemption of Floating Rate Notes***

At any time prior to October 15, 2013, the Notes Issuer may redeem the Floating Rate Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus the applicable ''make-whole'' premium and accrued and unpaid interest, if any, to the redemption date.

Except pursuant to the preceding paragraph and the section ''Redemption for Changes in Taxes'' below, the Floating Rate Notes shall not be redeemable at the Notes Issuer's or Ypso France's option prior to October 15, 2013.

On or after October 15, 2013, the Notes Issuer may redeem (upon instruction from Ypso France) all or a part of the Floating Rate Notes at the redemption price of 102.0%, 101.0% and 100.0% if redeemed during the twelve month period beginning on October 15 of 2013, 2014 and 2015 and thereafter, respectively.

***Redemption for Changes in Taxes***

The Notes Issuer may redeem the October 2012 Notes in whole, but not in part, at any time upon giving proper notice if changes in tax laws impose certain withholding taxes or other deductions on amounts payable on the October 2012 Notes or the guarantees thereof, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the redemption date.

***Change of Control/Asset Sales***

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes provide that if Ypso France or the Notes Issuer experiences a change of control (using the same definition as for the February 2012 Notes), the Notes Issuer must offer to repurchase the October 2012 Notes at a price equal to 101% of the aggregate principal amount of the October 2012 Notes, plus accrued and unpaid interest. In addition, if Ypso France or any of its restricted subsidiaries sells certain assets, the Notes Issuer must offer to repurchase the October 2012 Notes at a price equal to 100% of the aggregate principal amount of the repurchased October 2012 Notes, plus accrued and unpaid interest in the event such asset sales result in proceeds in excess of specified minimums that have not been applied to other specified uses, in an amount equal to such excess. In the case of any such repurchase, Ypso France will pay the repurchase price to the Notes Issuer, who will pass through the payment to the holders of the October 2012 Notes.

***Events of Default***

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes contain customary events of default, including, without limitation, payment defaults, covenant defaults, certain cross-defaults to mortgages, indentures or other instruments, certain events of bankruptcy and insolvency, and judgment defaults.

***Covenants***

The October 2012 Indenture and the Covenant Agreement relating to the October 2012 Notes contain covenants for the benefit of the holders of the October 2012 Notes that, among other things, limit the ability of Ypso France and any of its restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make other restricted payments and investments;
- create liens;
- layer debt;
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments to it;
- sell assets;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- grant additional security.

These limitations are, however, subject to a number of important qualifications and exceptions.

*Perpetual Subordinated Notes*

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued €23.65 million principal amount of perpetual subordinated notes (*Titres Subordonnés à Durée Indéterminée*) (''**TSDI**'') to Vilorex, a subsidiary of GDF Suez (excluding capitalized interest). 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 1'Electricité et les Réseaux de Communication*). The TSDI bear interest at 7% per annum. Interest is capitalized, and accrued interest on the loan amounted to €11.6 million as of December 31, 2012. 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. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice.

*Finance Leases*

In May and June 2013, Numericable S.A.S. entered into two sale-and-leaseback transactions, with 36-month terms, 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, 2012, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €24.7 million. The average effective interest rate on finance leases was approximately 3.24% for the year ended December 31, 2012, compared to 3.53% for

the year ended December 31, 2011. See Note 29.2 to the Numericable Group's combined financial statements included elsewhere in this Prospectus.

*Security Deposits Received from Customers*

Security deposits received from customers amounted to €44.5 million, €42.9 million and €50.7 million as at December 31, 2012, 2011 and 2010 respectively, and €50.0 million as at September 30, 2013. These deposits are made when customers receive equipment from the Numericable Group, and the increase in the amount of deposits from December 31, 2011 to December 31, 2012 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.

***Other Financial Liabilities***

*Shareholder Financing*

Subsidiaries of the Numericable Group are party to a number of shareholder loans and other instruments that have been eliminated in the preparation of the Numericable Group's combined financial statements.

Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l. have also issued a number of subordinated instruments that are convertible into shares of the respective companies. These instruments are held by Cinven, Carlyle and the Company in proportion to their shareholding in the Numericable Group and were contributed to Numericable Group in connection with the reorganisation of Numericable prior to the Numericable IPO and will then be capitalised. In addition, following a series of transactions, the debt acquired by Coditel will be capitalized by the Numericable Group's applicable Obligors.

***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 (fibre, 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 fibre 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 2010, 2011, 2012 and during the nine months ended September 30, 2013 amounted to €246.6 million, €251.4 million, €299.9 million and €205.9 million, respectively.

*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 €169.2 million, €154.8 million, €152.1 million and €135.2 million, respectively, in 2010, 2011, 2012 and the nine months ended September 30, 2013. It also made debt repayments of €154.7 million, €335.1 million and €975.2 million and €69.5 million, respectively, in 2010, 2011, 2012 and the nine months ended September 30, 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.

*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 2010 and 2011, the Numericable Group released €14.0 million and €5.4 million, respectively, of working capital. In 2012, the Numericable Group consumed €31.9 million of working capital. In the nine months ended September 30, 2013, the Numericable Group released €0.9 million of working capital.

*Contractual Obligations*

The table below sets out the Numericable Group's contractual commitments and obligations as of September 30, 2013, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments, which are detailed in Note 24 to the Numericable Group's combined annual financial statements included elsewhere in this Prospectus, excluding future interest (see ''*—Financial Liabilities*'').

| | Maturity | | |
|---|---|---|---|
| **(in thousands of euros)** | **< 1 year** | **1 - 5 years** | **> 5 years** |
| Loans and financial liabilities | 163,672 | 1,833,773 | 1,026,936 |
| Operating lease arrangements | 5,495 | 18,993 | 4,158 |
| **Total** | **169,166** | **1,852,765** | **1,031,094** |

A table showing debt owing under the Senior Facility Agreement as of September 30, 2013 adjusted for the July 31, 2013 and the August 2, 2013 amendments is included in ''*—Qualitative and Quantitative Analysis of Market Risk—Liquidity Risk.''*

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 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 Senior Facility Agreement. See ''*—Financial Liabilities*.''

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 fibre cables and reach 827,900 apartments and offices in the Hauts-de-Seine department. See Part XVII of this Prospectus (*Information about the Company and the Group—Wholesale Services in France—Infrastructure Wholesale Services*).

To operate telecommunications networks, the Numericable Group needs licenses, authorisations 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 Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—MVNO Agreements*).

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 combined financial statements included elsewhere in this Prospectus.

***Combined Cash Flows***

The table below summarizes the Numericable Group's combined cash flows for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

| (in € thousands) | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| Net cash provided (used) by operating activities | 544,722 | 577,127 | 530,960 | 372,424 | 414,421 |
| Net cash provided (used) by investing activities | (291,859) | (237,652) | (285,217) | (195,542) | (204,023) |
| Net cash provided (used) by financing activities | (269,249) | (489,705) | (278,327) | (209,185) | (197,494) |
| Net cash from discontinued operations* | 15,196 | 156,258 | — | — | — |

* 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 combined net cash provided by operating activities for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

| (in € thousands) | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| Cash flow from operations before changes in working capital and income tax[(1)] | 530,763 | 570,651 | 563,727 | 417,027 | 417,361 |
| Changes in working capital | 13,961 | 5,392 | (31,911) | (41,776) | 881 |
| Income tax paid | (2) | 1,083 | (856) | (2,777) | (3,821) |
| **Net cash provided by operating activities** | **544,722** | **577,127** | **530,960** | **372,424** | **414,421** |

(1) Represents the sum of (i) net cash provided by operating activities before changes in working capital, finance costs and income tax, and (ii) finance costs, net.

***Cash flow from operations before changes in working capital and income tax***

Cash flow from operations before changes in working capital and income tax increased by €39.9 million, or 7.5%, from a cash inflow of €530.8 million in the year ended December 31, 2010 to a cash inflow of €570.7 million in the year ended December 31, 2011. This increase results from a €42.3 million increase in net income from continuing operations due to a €49.4 million increase in EBITDA, partially offset by an increase of €5.7 million in other financial expenses relating to the amendments to, and extension of the maturity of, the Ypso France SFA in September 2011.

Cash flow from operations before changes in working capital and income tax decreased by €6.9 million, or 1.2%, from a cash inflow of €570.7 million in the year ended December 31, 2011 to a cash inflow of €563.7 million in the year ended December 31, 2012. This decrease was driven by a €22.8 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 Senior Secured Notes, the establishment of new credit facilities and amendments to, and extension of the maturity of, the Ypso France SFA), partially

offset by a €15.9 million increase in net income from continuing operations resulting from a €27.5 million increase in EBITDA.

Cash flow from operations before changes in working capital and income tax increased by €0.3 million, from a cash inflow of €417.0 million in the nine months ended September 30, 2012, to a cash inflow of €417.4 million in the nine months ended September 30, 2013. This slight increase is primarily due to a decrease in EBITDA in the period, which decreased by €5.0 million, offset by a €7.1 decrease in other financial costs. The first six months of 2012 saw a strong increase in fees following the issuance of Senior Secured Notes and the establishment of the new revolving credit facilities under the amendments extending the payment schedule of the different Ypso France SFA facilities. The only significant financing operations of the Numericable Group in 2013 took place in July and August 2013, generating lower costs than the refinancing operations of 2012, which demonstrates the Numericable Group's ability to finance itself at more favourable conditions.

***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 inflow of €5.4 million in the year ended December 31, 2011, compared to a cash inflow of €14.0 million in the year ended December 31, 2010. Excluding the outflow related to the termination of the free share plan, the Numericable Group would have recorded a cash inflow of €38.2 million in 2011.

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 €41.8 million in the nine months ended September 30, 2012, compared to a cash inflow of €0.9 in the nine months ended September 30, 2013. This variation results from a cash outflow of €16.4 million related to the termination of the free share plan in January 2012. In addition, working capital requirements in the six months ended June 30, 2012 were affected by exceptional events (advance payment of €5 million for the Nice network in the second quarter of 2013 and the late receipt of subsidies (€5 million) in connection with DSP 92).

The change in working capital requirements represented a cash outflow of €18.7 million in the third quarter of 2012, compared to a cash outflow of €13.0 million in the third quarter of 2013. The change in working capital requirements results in an outflow in the third quarter of the year because of the need to constitute stocks before the strong marketing period of the last four months of the year in the B2C segment. The outflow was particularly high in the third quarter of 2012 due to the marketing launch of LaBox.

***Income tax paid***

Income tax paid represented a cash inflow of €1.1 million in 2011, compared to a zero cash outflow in 2010, thanks to the receipt of a research and development tax credit in 2011.

Income tax paid represented a cash outflow of €0.9 million in 2012, compared to a cash inflow of €1.1 million in 2011, primarily as a result of the increased tax burden on French corporations in 2012 as well as a new limitation on usage of tax loss carryforwards, 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.

Income tax paid represented a cash outflow of €3.8 million in the nine months ended September 30, 2013, compared to a cash outflow of €2.8 million in the million in the nine months ended September 30, 2012, principally due to higher 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 combined net cash provided (used) by investing activities for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

| (in € thousands) | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| Net capital expenditures | (230,971) | (237,694) | (281,771) | (195,741) | (200,773) |
| Net financial investments | (60,888) | 41 | (3,446) | 199 | (3,250) |
| **Net cash (used) by investing activities** | **(291,859)** | **(237,652)** | **(285,217)** | **(195,542)** | **(204,023)** |

***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 by €6.7 million, or 2.9%, from a cash outflow of €231.0 million in 2010 to a cash outflow of €237.7 million in 2011, due to higher capital expenditures (up €4.9 million), lower disposal proceeds (down €3.1 million), partially offset by higher subsidies (up €1.2 million).

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 fibre 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 €5.0 million, or 2.6%, from a cash outflow of €195.7 million in the nine months ended September 30, 2012, to a cash outflow of €200.8 million in the nine months ended September 30, 2013, due to the Numericable Group's continuous investment in its network (see ''*—Investments*'').

***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 generated by net financial investments increased by €60.9 million from a cash outflow of €60.9 million in 2010 to a zero cash inflow in 2011. The Numericable Group acquired Altitude Télécom SA in 2010, while it made no acquisitions in 2011. In addition, in 2010, the Numericable Group gave certain performance guarantees (*guaranties de bonne fin*) in connection with work to be performed for which it received subsidies.

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 Part XVII of this Prospectus (*Information about the Company and the Group—Wholesale Services in France—Infrastructure Wholesale Services*)). The Numericable Group also bought out the minority shareholders of Sequalum in 2012.

Cash used by net financial investments increased by €3.4 million from a cash inflow of €0.2 million in the nine months ended September 30, 2012 to a cash outflow of €3.3 million in the nine months ended September 30, 2013, primarily due to the acquisition of Auchan Telecom and Valvision's subscribers in March and June 2013, respectively.

*Net cash used by financing activities*

The table below summarizes the Numericable Group's combined net cash provided by financing activities for the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013.

| (in € thousands) | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2012 | 2013 |
| | | | | (Unaudited) | |
| Issuance of debt | 54,648 | 172 | 830,975 | 334,541 | 7,276 |
| Repayment of debt | (154,705) | (335,085) | (957,189) | (430,084) | (69,532) |
| *Interest rate swap agreements* | *(65,192)* | *(20,962)* | *0* | *0* | *0* |
| *Interest on SFA debt excluding the Senior Secured Notes* | *(104,634)* | *(124,189)* | *(106,513)* | *(82,081)* | *(68,750)* |
| *Interest on Senior Secured Notes* | *0* | *0* | *(47,412)* | *(28,107)* | *(64,797)* |
| *Other interest* | *634* | *(9,640)* | *1,813* | *(3,455)* | *(1,691)* |
| Total interest paid | (169,192) | (154,791) | (152,113) | (113,643) | (135,237) |
| **Net cash (used) by financing activities** | **(269,249)** | **(489,705)** | **(278,327)** | **(209,185)** | **(197,494)** |

***Issuance of debt***

Issuance of debt totalled €54.6 million, €0.2 million and €831.0 million in 2010, 2011 and 2012, respectively.

In 2010, the €54.6 million of debt issuance comprised (i) a €45 million drawdown of Facility C to finance the acquisition of Altitude Télécom, (ii) a €4.7 million drawdown of various Altice B2B France facilities to squeeze-out remaining minority shareholders of Completel Europe NV, and (iii) a €4.0 million drawdown of the Altice B2B France Capital/Liquidity Facilities for general corporate purposes.

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 three issuances of Senior Secured Notes, which occurred in February and October 2012. The net proceeds of these Senior Secured Notes were used to refinance existing senior debt of Ypso France.

In the nine months ended September 30, 2013, the Numericable Group slightly increased its debt under a senior facility agreement entered into by Altice B2B France on August 2, 2013 through an amend-and-extend in order to pay a portion of the fees in connection with its initial public offering. This senior facility agreement has since been refinanced in full. The remaining issuances result from new sale-leaseback agreements which explains the minor amount of debt issuances in the nine months ended September 30, 2013.

***Repayment of debt***

The Numericable Group repaid €154.7 million, €335.1 million and €975.2 million of debt in 2010, 2011 and 2012, respectively.

In 2010, the Numericable Group made repayments of €154.7 million under the Senior Facility Agreement.

In 2011, the Numericable Group repaid €335.1 million due under the Senior Facility Agreement, 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 SFA with cash from operations and €840 million with the proceeds of the Senior Secured Notes.

In nine months ended September 30, 2013, in accordance with the Numericable Group's obligations under its financing agreements, it repaid €26.4 million under the Ypso France SFA (of which €0 in the third quarter of 2013) and €28.7 million under senior facility agreement entered into by Altice B2B France SFA (of which €8.2 million in the third quarter of 2013). The remaining €14.4 million corresponds to

repayments under sale-leaseback agreements which reached maturity (of which €5.3 million in the third quarter of 2013).

***Interest paid***

The Numericable Group paid €169.2 million in interest in 2010 and €154.8 million in interest in 2011. This decrease was primarily driven by the termination, in June 2011, of a variable-to-fixed interest swap at the level of the Ypso Group, which had required significant cash payments in 2010 and 2011 through termination, and the net repayment of €100 million under the Senior Facility Agreement in 2010, partially offset by a slight increase in EURIBOR between 2010 and 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 Senior Facility Agreement following repayments in 2011, partially offset by the increase in EURIBOR between 2011 and 2012, the issuance of the Senior Secured 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 SFA following the extension of certain tranches pursuant to the February 2012 refinancing.

The Numericable Group paid €135.2 million in interest in the nine months ended September 30, 2013, an increase as compared to €113.6 million in the nine months ended September 30, 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 Senior Secured Notes and an increase in the margin of the Ypso France SFA following the effectiveness in February 2012 of a September 2011 amendment thereto. The July and August amendments only slightly affected the cost of debt.

***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.

**Investments**

***Historical Investments***

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 (fibre, 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 fibre 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 €285.7 million, compared to €242.7 million and €239.1 million (net of subsidies received) during the years ended December 31, 2011 and 2010, respectively. For the nine months ended September 30, 2013, the Numericable Group incurred capital expenditures of €205.9 million. The

following table illustrates the percentage of capital expenditures by category for the 2010-2012 period, as well as for the nine month period ending September 30, 2012 and 2013.

| | Network | Customer | Service Platforms | Other |
|---|---|---|---|---|
| **Nine months ended September 30, 2013** | 22% | 51% | 5% | 22% |
| **Nine months ended September 30, 2012** | 23% | 51% | 5% | 20% |
| **2012** | 25% | 51% | 5% | 20% |
| **2011** | 22% | 57% | 6% | 15% |
| **2010** | 15% | 47% | 3% | 35% |

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 2010-2012 period, and the nine month period ending September 30, 2012 and 2013.

| | Maintenance Capital Expenditures | New Customer Capital Expenditure | Network Upgrade Capital Expenditure |
|---|---|---|---|
| **Nine months ended September 30, 2013** | 77.0 | 105.6 | 23.4 |
| **Nine months ended September 30, 2012** | 73.1 | 101.4 | 22.5 |
| **2012** | 107.4 | 145.7 | 32.5 |
| **2011** | 90.5 | 138.2 | 14.0 |
| **2010** | 117.9 | 112.8 | 8.4 |

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 fibre, 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 Part XVII of this Prospectus (*Information about the Company and the Group—Wholesale Services in France—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 fibre 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 received a total of €21 million in subsidies in the context of this project between 2009 and 2012.

The Numericable Group has also made acquisitions.

***Ongoing Investments***

The Numericable Group expected to invest capital expenditures in a total amount of €320 to €330 million in 2013. This amount includes network upgrade capital expenditures, including capital expenditures related to increasing the number of homes passed by EuroDocsis 3.0/200 Mbits and above technology by 300,000 to 400,000 homes during 2013, as well as those related to the DSP 92 project, in a total amount of approximately €40 to €50 million, net of subsidies received.

***Future Investments***

The Numericable Group expects to continue to deploy fibre selectively going forward, where a densification of its fibre 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 all of the remaining non-upgraded 3.5 million

triple-play compatible plugs to EuroDocsis 3.0 by the end of 2016. 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 amount of network upgrade capital expenditures (consisting of the conversion to EuroDocsis 3.0/200 Mbits and above and the DSP 92 project) should amount to between €220 and €230 million over the 2014-2016 period. 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.

*Acquisition of LTI Télécom*

On November 1, 2013, the Numericable Group, through Altice B2B France SAS, acquired LTI Télécom SA (''LTI Télécom'') and its parent and holding company Invescom SAS. The acquisition included 100% of LTI Télécom's shares.

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 9,000 clients, 30,000 active fixed lines, 2,000 active high speed links, and 5,000 active mobile lines. The table below sets out LTI Télécom's key operating data:

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| ARPU | 204.00 | 229.00 | 241.00 |
| Number of customers | 7,635 | 8,213 | 8,943 |

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.

On November 12, 2013, Numericable completed an initial public offering of 30,207,358 shares (including a sale of 16,216,690 of secondary shares by certain existing shareholder, 10,080,645 of new shares, 53,085 of primary shares to employees and an over-allotment of 3,910,023 of secondary shares) raising an amount of approximately €749.1 million (including €250 million relating to the new shares) (the ''Numericable IPO''). The Company currently owns approximately 30% of the shares of Numericable and following the Numericable Acquisition, the Company will own 40% of the shares of Numericable.

**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***

Substantially all of the Numericable Group's revenues, expenses and obligations are denominated in euro. As a result, the Numericable Group is not subject to material market risks relating to exchange rate fluctuations.

***Interest Rate Risk***

The Numericable Group is exposed to the risk of fluctuations in interest rates under certain or its debt instruments which are indexed to the Euro Interbank Offered Rate (''**EURIBOR**''), 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. As of December 31, 2012, the Numericable Group's outstanding senior floating rate indebtedness amounted to €2,217.0 million and the Numericable Group's outstanding senior fixed rate indebtedness amounted to €585.2 million. As of September 30, 2013, the Numericable Group's outstanding floating rate indebtedness amounted to €275.0 million and the Numericable Group's outstanding fixed rate indebtedness amounted to €2,996.7 million.

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. 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.

***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.

The following table details the maturity schedule of the Numericable Group's financial liabilities as of September 30, 2013. The tables below reflect the best estimates by the management on the Numericable Group's contractual maturity. The contractual maturity set out below may be significantly different from the actual maturity for these liabilities. See note 17.1 to the Numericable Group's unaudited interim condensed combined financial statements as of and for the nine months ended September 30, 2012 and 2013 included elsewhere in this Prospectus.

| | September 30, 2013 | | | |
|---|---|---|---|---|
| **(in € thousands)** | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| Financial liabilities under the Senior Facility Agreement | 34,343 | 1,415,805 | 1,285,245 | 2,735,393 |
| Perpetual subordinated notes | — | — | 37,052 | 37,052 |
| Financial liabilities under finance leases | 17,992 | 18,863 | 702 | 37,557 |
| Other financial liabilities | 1,227 | 1,969 | 133,838 | 137,033 |
| **Total bonds and loans** | **53,562** | **1,436,636** | **1,456,837** | **2,947,035** |
| Interest-rate derivatives | — | — | — | — |
| Deposits received from customers | — | 49,950 | — | 49,950 |
| **Bank overdrafts** | — | — | — | — |
| **Total financial liabilities** | **53,562** | **1,486,586** | **1,456,837** | **2,996,985** |

The following table details the maturity of the Senior Facility Agreement as of September 30, 2013.

| **(in € thousands)** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **After 2019** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Senior Facility Agreement Financial Liabilities | 41,728 | 26,346 | 63,132 | 102,171 | 1,246,651 | 698,399 | 584,349 | 2,762,777 |

The Numericable Group also has revolving credit facilities available for drawdown for a total amount of €89 million. The availability of these revolving credit facilities is subject to customary covenants and other undertakings (see ''*—Liquidity and Capital Resources of the Numericable Group—Financial Liabilities*'').

The following table shows the Ypso France Group's and Altice B2B France Group's credit ratings:

| | Moody's | S&P |
|---|---|---|
| Ypso France Group | B2[1] | B (positive outlook)[2] |
| Altice B2B France Group | — | BB– (negative outlook)[3] |

(1) Rating (B2) established on March 13, 2012, confirmed on March 13, 2013.

(2) Rating (B) established February 16, 2012, shifted to B(positive outlook) on September 5, 2013.

(3) Rating (BB– (negative outlook)) established on September 5, 2013.

For more information on the Numericable Group's sources of liquidity, see ''*—Liquidity and Capital Resources of the Numericable Group*.''

***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 recognised in the combined financial statements, 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 combined financial statements included elsewhere in this Prospectus.

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 the first half of 2013, the Numericable Group received another payment of €4.5 million in relation to this claim. A contingent gain of €3.9 million remains for the Numericable Group, but has not been recognised as at September 30, 2013.

***Risks Relating to Shares and Other Financial Instruments***

As of the date of this Prospectus, the Numericable Group does not hold any securities apart from securities of associates and holdings in non-consolidated companies (see Note 16 ''Investments in Associates'' and Note 30 ''Non-current Assets Held for Sale and Discontinued Operations'' of the Numericable Group's combined financial statements included elsewhere in this Prospectus). As a result, the Numericable Group believes it is not subject to material market risks relating to shares and other financial instruments.

***Insurance and Risk Management***

*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 Part XVII of this Prospectus (*Information about the Company and the Group—Insurance*).

*Risk Management*

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. The scope of the internal control department covers Ypso France and Altice B2B France and all the companies which affiliated with them. The department is made up of five people with complementary skills, addressing the entirety of the Numericable Group's operations. These employees were selected either for their contributions to the implementation of measures implementing the requirements for companies listed on the NYSE (requirements related to the implementation of Sarbanes-Oxley (which will not apply to Numericable but which was taken into account in assessing such employees' competencies)) or for their information technology knowledge and skills. These employees all possess good working knowledge of the Numericable Group's operations and organisation and extensive experience with the Numericable Group's information technology.

The Numericable Group defines internal control as a series of resources, procedures and actions adapted to the Numericable Group's individual characteristics that contribute to the management of its business, the efficiency of its operations and the efficient use of its resources. These procedures should allow the Numericable Group to appropriately take into account the significant risks applicable to it, whether they be of an operational, financial or compliance nature. In order to guarantee its independence, the department of internal control reports directly the Chairman and Chief Executive Officer of the Numericable Group.

Since 2012, driven by the Chairman and Chief Executive Officer of the Numericable Group, the internal control department has made use of new tools for:

i. Methodological purposes, relying on recent developments observed by the main international actors, including COSO II, ISO 31000, as well on the reference framework for risk management and internal controls set forth by the AMF.

ii. Analytical purposes, putting in place reporting systems allowing for the analysis of key data and the triggering of alerts.

iii. For base effect purposes, by adapting the Numericable Group's ''Business Intelligence'' system to allow the implementation of automatic status reports elevating potential anomalies in, among other things, subscription channels.

The tools put in place 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.

Since 2013 the internal control department has been working on a complete recast of its key documents (process mapping, description of key processes, description of controls in place, risk mapping). Its objective is not only to be able to respond to conceptual modifications described in point (i) but also to provide a further guarantee of the good management of processes that would manage these risks.

The methodology put in place is divided into four phases. The first phase consists of the implementation of an internal control reference manual describing the overall Numericable Group policy and associated points of control. The internal control reference manual is made up of a processes map divided into three levels, a documentary process reference guide, and a matrix of existing control areas.

The first level of the map shows the key processes of the Numericable Group. It covers all of the Numericable Group's operations (B2B Sales, B2C Sales, wholesale sales, white label sales, purchases, cash management, payroll, stocks, assets, reporting, networks, B2B IT and B2C IT).

Each document in the documentary process reference guide shows the processes in the form of a flow chart, gives a description of each stage, and lists the associated controls.

Finally, the matrix of control points summarizes all of the existing controls identified in point (i). Control is defined as ''the mechanism embedded in the business that allows risk coverage and the reduction of risk to the level desired by the Company.'' For each point of control listed in the document, information relating to implementing the control is provided (objective, actor, type, impact, description, and frequency).

The second phase relates to the creation of risk management procedures. Based on the internal control reference guide, this phase seeks to ensure the functioning of the Numericable Group's business by identifying and evaluating the different risks.

The third phase provides for regular system surveillance through audits. An audit is defined as ''an objective activity which gives the Numericable Group a level of guarantee regarding the degree of control over its operations, provides suggestions for improvement and aids in the creation of added value.'' The scope of the audit is defined via the risk matrix for activities whose criticality is emphasized. An audit plan is established by presenting the chosen audit themes, their cycle, and their frequency. The audit findings reinforce the risk management process by allowing a risk re-evaluation.

The last phase ensures the definition of and follow-up for the action plans linked to risks found by the audits (remediation plan). The remediation plan is defined as: ''all corrective action plans put in place to remedy the observed failure in order to strengthen risk coverage covered by the control.'' It allows the Numericable Group to trace and evaluate corrective actions.

Following the definition of action plans, the internal control department oversees the implementation of these action plans and supervises the corrective actions, evaluating the efficiency of these action plans and surveying the triggers of the undesired events as well as their consequences.

Monitoring of the implementation of the remediation plan contributes to the internal control reference guides by updating processes and control actions, supports risk management processes by allowing for a re-evaluation of risks and controls in place, and supports the audit plan by targeting activities whose action plan's efficiency can be assured in the medium term.

In parallel and complementary to the key internal control processes of the Numericable Group, the Numericable Group created supporting committees at the end of 2008 in order to strengthen the mandate of the internal control department. These committees provide for coordination across the Numericable Group's key internal systems. They are designed to limit and/or manage the Numericable Group's risks.

These committees include the following:

i. the IT security committee, which addresses the various security issues related to the IT system, the telecommunications systems and the network;

ii. the commitment committee, which is charged with the management of all expenses made by the various services of the Numericable Group, from the very first euro committed. The role of this committee is to require the entities in question to justify their needs and the well-foundedness of the expense in terms of the budget;

iii. the internal controls committee, which, as specified in article L.823-19 of the Code de commerce, is charged with ensuring:

    a. proper monitoring of the financial reporting process;

    b. proper functioning of the internal control and risk management systems;

    c. proper management of the financial statements by the statutory auditors; and

    d. proper monitoring of the independence of the statutory auditors.

These systems together assist the Numericable Group in helping to ensure proper risk management at the Numericable Group level. Proper risk management includes monitoring evolving market trends

(prices, competitors' offers, technology, FTTH network developments, macroeconomic conditions) in order to adapt the Numericable Group's offers and investments to these trends. The Numericable Group has implemented trial and control procedures in order to prevent any quality or functionality-related problems of its products and services. The Numericable Group also closely monitors the management of its contractual relationships to prevent and resolve in advance any problem related to content or service provision (either by modifying the contract terms, or by finding other suppliers). In order to prevent risks related to labour litigation, both in the number of cases and in the risk associated therewith, the Numericable Group hired an in-house labour lawyer in the summer of 2010 who was generally involved in a preventative action advising Human Resources managers on actions, especially disciplinary actions, which could lead to litigation.

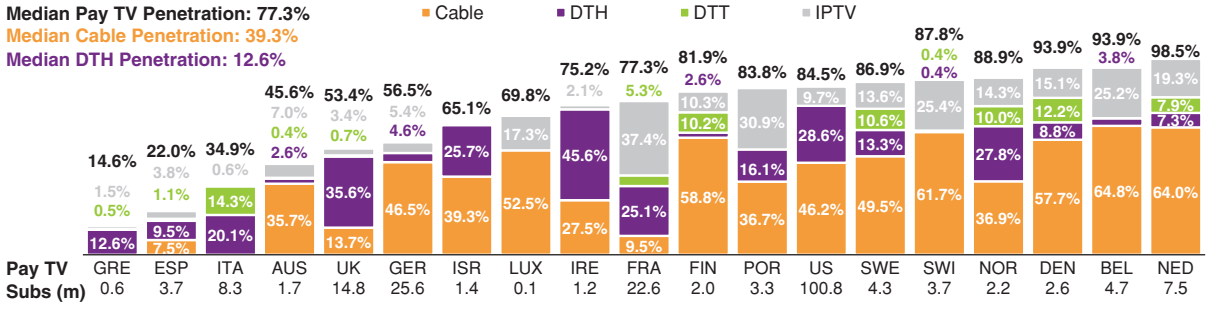
## Introduction

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 programmes 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. 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 fibre networks (in particular, for HDTV, viewing of TV and VoD on multiple screens, TV and VoD simultaneous viewing

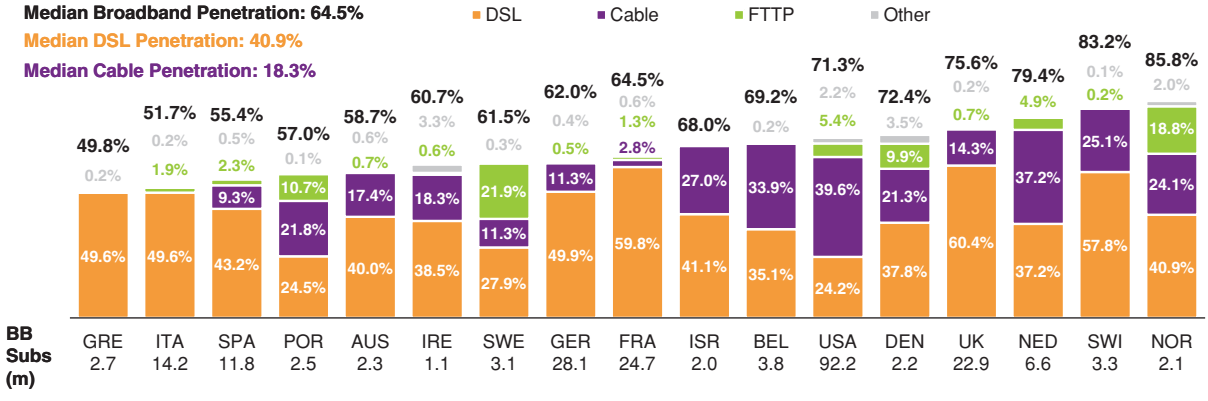
and recording) without making significant investments in extending fibre closer to the subscriber's home.

Services provided via cable networks are characterised 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 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 fibre 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.

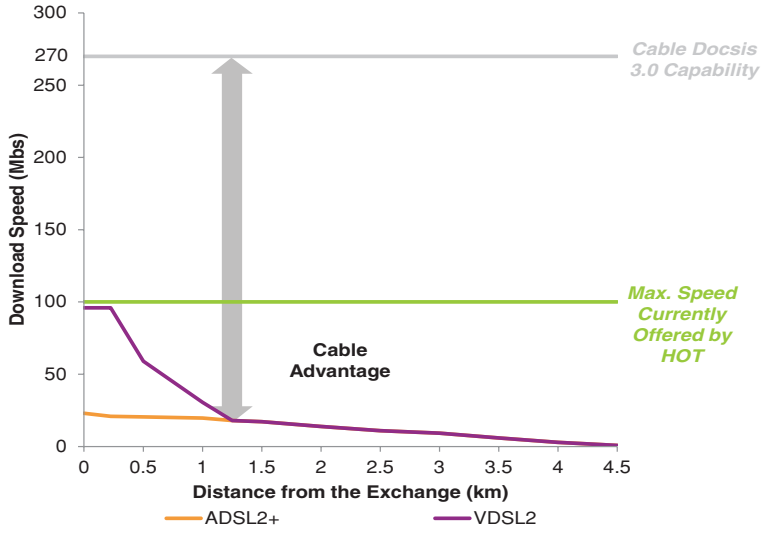
FTTH technology upgraded from DSL, which requires a direct fibre connection to the home of the user, currently offers consumers maximum speeds of 1 Gbps, with an estimated achievement of 84.4% of advertised download speeds according to the ''Quality of Broadband Services in the EU'' report by the European 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 fibre-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 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 offering. Flat-rate pricing for fixed-line telephony has become the market standard.

### *Mobile Telephony and Mobile Broadband*

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 of 66% rate 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 dynamics, depending on a variety of certain 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**

According to IDC and ScreenDigest, the French telecommunications market is the third largest in Europe, with total revenues of approximately €49 billion in 2012. 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 television and next generation B2B services (i.e., advanced data services, IP VPN, hosting, cloud services). France is one of the largest fixed broadband Internet access markets in Europe, with approximately 24.4 million fixed broadband subscriptions as of June 30, 2013 according to ARCEP. Higher bandwidth is becoming more important to B2C subscribers. 7% of broadband lines in France were very high speed as of June 30, 2013 according to ARCEP, compared 1.4% as December 31, 2010. Very-high-speed broadband offers significant potential for growth in France with very-high-speed penetration rates lower than other Western European markets, such as Belgium, the Netherlands, Germany and the United Kingdom, where very-high-speed broadband lines represented 54%, 48%, 11% and 9% of all broadband lines, respectively, as of July 2012. According to IDC, the penetration rate for very-high-speed broadband (including fibre and cable connections) in France is expected to increase at a combined annual growth rate of 37% between June 2013 and 2017 with 28% of broadband lines in France expected to be very high speed by 2017 compared to 9% in 2013. Conversely, the number of DSL-based broadband lines in France is expected to decline at a combined annual rate of approximately 3% between June 2013 and 2017. We believe we are well-positioned to continue to capture the growth of very-high-speed broadband in France with our market share in the very-high-speed market totalling approximately 76% as of June 30, 2013, compared to, for example, Bouygues Telecom's 18% market share and Orange's 14% market share as of the same date, in each cash according to ARCEP. In the B2B 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. According to IDC, B2B data consumption is expected to continue to grow.

***B2C Market***

We operate in metropolitan France, which as of December 31, 2012 had a population of approximately 65 million inhabitants and over 28 million households according to IDC. As of June 30, 2013, our network passed approximately 9.9 million homes, or 35% of French homes.

In 2012, France was the fifth largest national economy in the world as measured by GDP according to the World Bank. France's GDP per capita in 2012 stood at approximately $39,772, which was the 20$^{th}$ highest worldwide according to the World Bank. France includes several of the densest areas in Europe, including the Paris and Ile-de-France region, where we have extensive network coverage. High population density reduces the overall cost associated with the deployment, operation and maintenance of network infrastructure and allows for more efficient marketing. Cable operators that operate in urban areas with high population density benefit from easier access to upgrades and maintenance.

The French B2C market is a mature market, with 87% of homes having access to broadband as of June 30, 2013 according to ARCEP. In terms of access to very high speed broadband, defined by ARCEP as broadband allowing for speeds above 30 Mbps, however, the French market is underpenetrated, with only approximately 6% of households having access to very high speed broadband in 2012 according to February 2013 data from the European Commission. This level of penetration is low compared to France's neighbours; as of July 2012 the rate was 54% in Belgium, 48% in the Netherlands and 11% in

Germany, respectively, according to February 2013 data from the European Commission. We believe that such underpenetration 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 fibre lines in France is estimated to grow at a rate of 34% *per year* between 2013 and 2017, while the use of DSL lines is expected to contract by 4% *per year*, according to IDC.

The French telecommunications market is one of the most competitive in Europe, with a high degree of unbundling and strong historic competitors. Orange's fixed-line network includes a local loop covering the entire French population living in mainland France, and unbundling provides competitors such as SFR, Bouygues Télécom and Free with access to it at a price regulated by ARCEP. 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.

*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 and fixed-line telephony services bundled into multiple-play packages. The size of the French B2C broadband Internet market in 2012 was approximately €4.0 billion according to 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.

''Quadruple-play'' offerings have been available in the French market since Bouygues Télécom's introduction of such services in 2009. SFR and Orange introduced quadruple-play offerings in 2010 and we followed in 2011. Mobile telephony penetration in France has increased steadily over the 2010-2012 period, from a penetration rate for the total population of approximately 93% in 2010, to 96% in 2011 and 101% in 2013 according to IDC. Data consumption on mobile devices has also increased significantly, with consumer mobile data revenues increasing in France from approximately €7.1 billion in 2010, to €8.8 billion in 2011, and to €9.5 billion in 2012 according to IDC. In addition, Free's entry into the market in January 2012 has had a significant impact on the mobile market, resulting in increased competition and price reductions.

In the French market, triple-play services are provided through two major technological distribution platforms: our fibre/cable network and the DSL networks of Orange, Free and SFR. Bi-directional fibre/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, our hybrid fibre coaxial network based on the FTTB technology enables us to deliver high speeds irrespective of the distance to the customer. Conversely, the actual speed of DSL networks varies based on the distance to the local exchange, with speeds decreasing as the customer's distance from the exchange increases (maximum announced speeds are for customers located less than one kilometre from the nearest local exchange). To increase and harmonise network speed, Orange has begun investing in the build-out of an FTTH network. Free and SFR have also begun deploying FTTH networks. As of June 30, 2013, approximately 415,000 subscribers were connected to FTTH networks according to ARCEP. We believe that our FTTB technology represents an advantage over the FTTH technology prioritized by many of our competitors. FTTB allows for fibre 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 an alternative, non-optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach our customers' apartments FTTB allows us to vertically integrate more customers at a low cost and more quickly than operators that deploy FTTH. To date, FTTH deployment has been slow and costly in comparison to that of FTTB. On average, we incur capital expenditure of €50 per plug to deploy FTTB.

## Broadband Internet

### *Introduction*

Broadband Internet access is high data rate Internet access. The International Telecommunication Union Standardisation 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 24.4 million broadband subscriptions as of June 30, 2013 according to ARCEP. In terms of access to very high speed broadband, however, the French market is underpenetrated. We believe that such underpenetration is an attractive growth opportunity for us as a provider of very high speed reliable broadband Internet: as smartphones and tablets have proliferated and are increasingly used 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). In France in 2012, 19.4 million persons had a smartphone, 2.6 million homes had tablets and 3.1 million homes had a connected television: the average number of screens per household increased from approximately 4 screens in 2009 to 6.3 screens in 2013, reflecting a bandwidth speed need estimated at 80 Mbps per household with multiple screens according to February 2012 data from Médiamétrie/GFK.

The main broadband access technologies are DSL and fibre/cable. Analog dial-up modems and 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 per number of household in France 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, which would have increased significantly over the last five years, to approximately 75% as of December 31, 2012, compared to approximately 50% as of December 31, 2007 according to IDC. As of December 31, 2012, by comparison, broadband penetration rates, calculated based on number of homes, were approximately 76% in the Netherlands and 60% in Germany according to IDC. The penetration rates as of December 31, 2007 were 66% in the Netherlands and 42% in Germany according to IDC.

### *Primary Distribution Platforms—DSL, Fibre and Cable*

DSL is the leading broadband Internet access platform in France, with 22.2 million subscriptions as of June 30, 2013 and representing approximately 91% of the total French high speed and very high speed Internet market according to ARCEP. This is due to 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 a 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 fibre 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 according to the European Commission. In practice, DSL speeds depend on the distances between the local exchange and the home.

FTTH technology, which requires a direct fibre 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 according to the European Commission. The main difference between FTTH networks and our fibre/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 fibre cables. FTTB speeds are, however, limited by the number of users using the connection in a building, with higher numbers of users requiring fibre 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 according to *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 June 30, 2013, FTTH broadband Internet subscribers stood at approximately 415,000, accounting for approximately 23.5% of the French very-high-speed broadband Internet market, and approximately 2.4 million homes were FTTH-connectable according to ARCEP. Both SFR and Free have signed agreements with Orange regarding deployment of fibre in France's less dense areas. In line with the conditions set forth by 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. Orange announced in June 2013 that it expects fibre to reach nearly 60% of all French households by 2020 as a result of its own investment. Each of Orange and SFR has announced that it is prepared to cooperate with local authorities to identify solutions for reaching the remaining 40% of French households, in an approach favouring complementary deployment plans and overall efficiency. However, FTTH deployment involves heavy investment by operators (estimated by 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 our competitors as a result of the price war in the mobile market could delay fibre deployment in France.

VDSL2 is a conceivable intermediate, albeit partial, solution. DSL 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 according to ARCEP. Orange has announced that it will run a beta test of VDSL for certain B2C subscribers on its network beginning in September 2013. SFR and Free have also announced that they would make their 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 speeds depend on the distance to the local exchange. It is estimated that for distances above one kilometre, VDSL2 bandwidth speeds will be similar to that of traditional DSL networks according to 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 fibre/cable network less than 8% of lines will benefit from speeds higher than what is currently provided by ADSL2+.

Fibre 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 June 30, 2013, very high speed subscribers represented an approximate 7.2% market share of total broadband Internet subscriptions, but we were the dominant player within this market according to 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 2010 to the second quarter of 2013 according to ARCEP:

| (in thousands) | As of December 31, 2010 | 2011 | 2012 | As of June 30, 2013 |
|---|---|---|---|---|
| **Total number of high speed and very high speed subscribers on fixed lines** | **21,327** | **22,737** | **23,959** | **24,365** |
| **Number of high speed subscribers** | **20,864** | **21,389** | **22,353** | **22,600** |
| of which xDSL | 19,858 | 20,984 | 21,962 | 22,225 |
| Of which other high speed access | 1,006 | 405 | 391 | 375 |
| **Number of very high speed subscribers** | **464** | **1,348** | **1,606** | **1,765** |
| Of which very high speeds ≥ 30 and < 100 Mbps | 346[1] | 685 | 670 | 660 |
| Of which very high speeds ≥ 100 mbps | — | 466 | 621 | 690 |
| Of which FTTH | 118[2] | 197[3] | 314[3] | 415[3] |
| **Variation in the total number of high and very high speed subscribers** | | | | |
| Net increase in one year *(thousands)* | 1,490 | 1,390 | 1,222 | 1,050 |
| Net increase in one year (%) | 7.5% | 6.5% | 5.4% | 5% |

(1) Includes all forms of high speed.

(2) Includes FTTB (fibre to the building)(which is a minor component).

(3) Includes FTTO (fibre to the office).

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, 2012 we had 1.23 million individual digital subscribers (classified by ARCEP as very high speed broadband subscribers), out of a total of 1.61 million very high speed broadband subscribers in the market.

We also compete with service providers that use other alternative technologies for broadband Internet access, such as 3G mobile Internet. As of March 31, 2013, there were 33.4 million active 3G mobile subscribers in the French market and, as of June 30, 2013, 74.8 million total mobile telephony subscribers according to ARCEP. Mobile operators' network capability can be further enhanced by the roll-out of a 4G/LTE network, enabling the provision of higher-speed mobile broadband. In October 2011, Orange, SFR, Bouygues Télécom and Free were awarded licenses in the 2.6 GHz spectrum range suitable for the deployment of 4G/LTE networks. Mobile broadband operators, however, currently only offer speeds and capacities significantly lower than cable and DSL operators. While Free's entry into the mobile market caused price disruption with average mobile ARPU in France declining from €32.9 in 2011 to €26.3 as of June 30, 2013, the fixed broadband Internet market remained stable over the same period with our broadband ARPU increasing from €40.3 in 2011 to €41.4 as of June 30, 2013.

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 Television***

*(a) Introduction*

The French television market has grown significantly in the last few years and is one of the largest in Europe, with approximately 26.6 million television households and a combined pay television current penetration rate of approximately 77% compared to approximately 47% as of December 31, 2010 according to ScreenDigest. The market is expected to increase to 81% in 2017 according to ScreenDigest. Like in other European markets, television B2C behaviour 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 approximately 25 television channels for free (i.e., without requiring a subscription) via DTT. To receive more channels, viewers must subscribe to pay television services. The French pay-television market is divided between basic pay television, which primarily consists of basic content packages (i.e., DTT channels as well as low value-added channels), and premium pay television, which consists of package offerings of premium sports, movies and other themed channels. Spending for pay television services in France is growing with total subscription fees reaching approximately €6 billion in 2011 according to the Digiworld Yearbook 2012. While the established pay television operators face competition from free television (including DTT) and other pay television alternatives (over-the-top television and catch-up television), the competitive advantage of pay television (high content quality and premium services) and the loyalty of the installed customer base lead to strong pay television resilience (low price sensitivity and low churn rates). As of December 31, 2012, there were approximately 18.9 million subscribers to pay television services in France, broken down as follows: 47.7% IPTV, 32.3% satellite, 13.2% cable and 6.8% DTT according to ScreenDigest.

We believe we are the second largest operator in terms of pay television packages after Canal+ Group, with approximately 1.148 million subscriptions as of June 30, 2013. While we distribute our packages exclusively across our 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 our cable network)), HD and multiscreen distribution. As of December 31, 2012, there were 11.4 million subscriptions to Canal+ packages in France and French-speaking countries in Africa according to Vivendi's 2012 Annual Report. We have negotiated agreements with content providers that enable us to bundle CanalSat packages within our own offerings; our 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+).

*(c) 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 our customers allows us to serve them better, as we can identify and fulfil 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.

*(d) 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 television 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.

*(e) DSL*

Our triple- and quadruple-play offerings compete mainly with the DSL-based offerings of Orange, Free, SFR and Bouygues which currently provide television services to customers connected to our network utilizing DSL broadband Internet connections, and with CanalSat, which delivers premium television packages through the networks of Orange, Free, SFR and Bouygues Télécom. Although Orange, Free, SFR and Bouygues Télécom currently hold higher market shares in the high speed broadband market in France and have a broader potential customer base (covering, in the case of Orange, its local loop and, in the case of Free and SFR, the portion of Orange's local loop that has been unbundled), we believe that the superiority of our technology in terms of quality, reliability and variety of content will allow us to challenge their positions in coming years in the areas where we have deployed our fibre/cable network. Our current DSL territory is small and covers approximately 10,000 individual subscribers. 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. We believe that under currently available technology DSL-based triple-play providers such as Orange, Free and SFR will have difficulty providing the same level of services that can be provided over fibre/cable networks (in particular, viewing of multiple TV/VoD on multiple screens; TV/VoD simultaneous viewing and recording) without making significant investments in extending fibre closer to the subscriber's home. In addition, Orange, Free, SFR and Bouygues Télécom customers must subscribe separately to premium channels, such as CanalSat, while these are included in certain of our bundled packages.

*(f) Pay DTT*

Our cable television services also compete with DTT providers such as Canal+ Group. Approximately 20% of all digital television B2C subscribers in France obtain their service through DTT networks (both free and pay DTT) as of December 31, 2012 according to 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.

*(g) 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 our very high speed broadband Internet access.

***Telephony***

*(a) 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 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 such as Skype. We expect increasing competition, including price competition, in the future.

We believe we are the third largest residential fixed-line telephony operator in France and the second largest within our footprint.

*(b) Mobile Telephony*

In 2012, the size of the French mobile telephony market was €21.6 billion according to IDC. As of June 30, 2013, there were 74.8 million total mobile subscriptions in France, versus 70.5 million a year earlier according to ARCEP. As of December 31, 2012 the mobile telephony penetration rate in France was 101% according to IDC). Subscribers constituted 77.8% of the market while prepaid customers constituted 22.3% according to ARCEP. The growth in mobile subscriptions is mostly driven by the subscription contract segment, which grew approximately 11.6% from June 30, 2012 to June 30, 2013. The prepaid contract segment shrank by 9.5% over the same period, partly as a result of operators transferring subscribers to potentially higher monthly bills with Internet access and the launch of very low-cost subscription offers (free add-ons to triple-play packages and €2 stand-alone offers) by French operators following the entry of Free in the mobile market in January 2012, as discussed below.

For many years there were only three mobile network operators in France: Orange, SFR and Bouygues Télécom. Free was awarded the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 with a €19.99 per month SIM-only mobile offer, reduced to €15.99 for its DSL subscribers, including unlimited voice, text and multimedia messages as well as 3 GB of mobile data, without a subsidized telephone, as well as a €2 per month mobile offer with no handset, reduced to €0 for DSL subscribers, which includes 60 minutes of calls and 60 text messages. These services have transformed the market, particularly by introducing low price options without subsidized phones. Average mobile ARPU per month in the French mobile market declined by approximately 17%, from €32.9 as of December 31, 2011 to €26.3 as of June 30, 2013 according to the World Cellular Information Service.

In recent years, MVNOs such as Virgin Mobile, NRJ Mobile and our Group 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 10.9% of the mobile market in mainland France as of June 30, 2013, compared to 11.3% as of June 30, 2012 according to ARCEP.

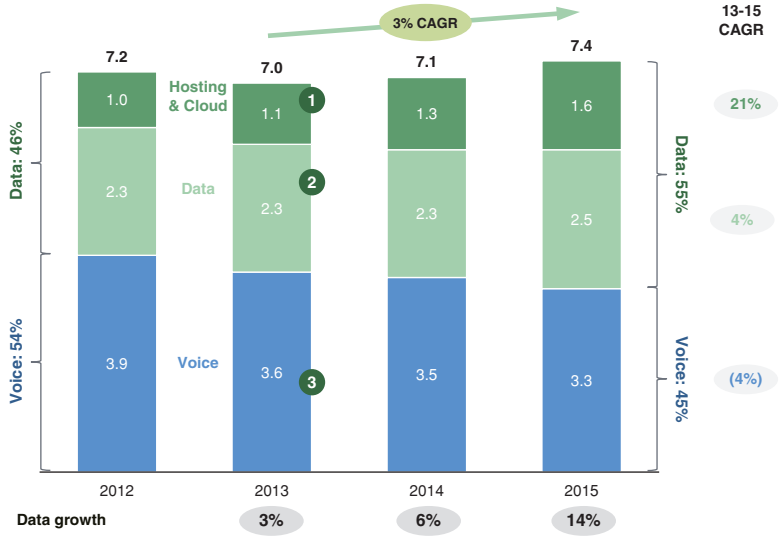
While the French market for mobile services is still growing in terms of subscribers, price levels are decreasing, due, among other things, to increasing competition and the trend towards unlimited, SIM-only, post-paid contracts with no minimum contractual period, and a stark decline in prepaid customers. Our exposure to the increasing pressure in the mobile market is limited, as our B2C mobile customer base is small and our core focus remains on high-speed internet access and pay television.

***B2B Market***

Following the liberalisation 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 three key market participants: 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 reestablished 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:




CAGR: compound annual growth rate.

### *Fixed 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. We also do not have an MVNO agreement in the B2B segment that would enable us to provide mobile telephony services to B2B customers, which may be a competitive disadvantage.

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 centralisation 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 virtualisation, data centres and increased security services;

- increasing digitalisation 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 optimisation and rationalisation of their needs through the use of data centres. 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 our Group 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 sizes 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 were €3.1 billion, €3.4 billion and €0.7 billion, respectively. We believe 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.

*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 fibre 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 fibre links and backhauling.

In France, the wholesale telecommunications market is dominated by Orange and SFR with their market shares varying by segment. SFR is strongest in the voice wholesale segment, with a 60% market share as of December 31, 2012 according to our estimates. In the data wholesale segment, Orange is the dominant player with local operators also playing a significant role. In the fibre wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2012 according to our estimates. We estimate that we have a market share of approximately 10-20% across the three sectors.

*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 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.

*Fibre Infrastructure.* The wholesale market for dark fibre 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 fibre networks and are therefore wholesale infrastructure providers (i.e., they rent out the fibre 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.

Operators and consortiums of operators and construction companies have also started deploying FTTH vertical fibre networks in apartment buildings in order to lease the use of such networks to other telecommunications operators under as ''building operators'' (*opérateurs d'immeubles*), including through public/private partnerships with local authorities. We operate in this area based on our bulk business relationships, as it is a way to retain and build customer relationships.

*Possible Industry Consolidation*

Our strategy for the Numericable Group includes external growth. We therefore regularly study possible acquisitions that might lead to discussions (e.g., discussions with SFR as reported in the press). Except for the planned acquisition of LTI Télécom, the Numericable Group is not party to any contractual commitment or agreement in this regard as of the date of this Prospectus.

***Main Competitors***

*Orange*

Orange is the historical telecommunications operator in France and one of the largest telecommunications operators in the world. In France, it offers a full-range of services on the B2C, B2B and wholesale segments and has significant market shares on all of these segments. It provides services nationally using its own copper local loop, backbone and infrastructure and extensive 2G and 3G mobile network. It is currently investing in FTTH and 4G. As of December 31, 2012, the principal shareholder of Orange was the French state, which held approximately 27% of its share capital.

*SFR*

SFR was founded by La Compagnie Générale des Eaux (now Vivendi) as an alternative mobile network operator to France Telecom (now Orange) in 1987. In 2008, SFR became the majority shareholder of Neuf Cegetel (which had been formed in 2005 and then split from SFR and made public). SFR is a major player in the B2B and B2C segments, and is the second leading mobile operator in France. It has the largest alternative fixed-line network in France (connecting 100% of Orange subscriber switches), a dense DSL network and has already heavily invested in 4G. It is currently investing in FTTH and 4G and has signed an agreement with Orange regarding FTTH deployment in less densely populated areas, to cover 9.8 million homes in 2020. As of December 31, 2012, its FTTH was available to more than 1 million homes, but it has not stated the number of its FTTH customers; SFR has also stated that it is closely monitoring the introduction of VDSL2 in France and will be ready to launch a compatible box when the technology is approved in France, according to Vivendi's 2012 Annual Report.

SFR is also a major competitor in the B2B segment, benefiting from well-known products, covering the full range of needs for large corporates and an extensive range for SMEs. It is commercially aggressive on the large B2B segment and benefits from its commercial proximity and good mobile offer with respect to SMEs. Its customer service is considered to be of good quality, and it has a strong direct sales force. SFR's main strength is its business mobile offering, and the combination of the know-how of SFR with

that of Neuf Cegetel enable it to provide a rich offering, in particular in terms of convergent fixed and mobile voice offers. SFR is focused on a wide range of business; from small businesses to large, multinational corporations. Based on Vivendi's publicly available reports, we believe SFR has approximately 150,000 B2B clients, and a market share of approximately 35% of B2B mobile phones, 20% of B2B IP data networks and 16% overall (fixed and mobile).

SFR also operates in the wholesale market (in particular in the voice and DSL white label segments).

*Iliad (Free)*

Iliad (operating under the brand name ''Free'') is a telecommunications operator that has been active in France since the late 1990s. It is known for its aggressive commercial offers that have resulted in significant disruptions to and high levels of competition in the French market. For example, in 2002, it introduced a €29.99 per month DSL offering, to which fixed telephony and television services were added in 2003. Competitors eventually followed, with the result being a market standard for triple-play offerings of €30 until 2011.

Free was granted the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 with a €19.99 per month SIM-only mobile offer, reduced to €15.99 for its DSL subscribers, including unlimited voice, text and multimedia messages as well as 3 GB of mobile data, without a subsidized telephone or tie-in period. This offer transformed the market. Free had 6.8 million mobile subscribers as of June 30, 2013 and had a market share of approximately 10.3% of the mobile market (Source: Iliad September 2013 press release). Free's entry has had a profound and ongoing effect as competition has intensified and prices have reduced: average mobile ARPU per month in the French mobile market decreased by approximately 17%, from €32.2 as of December 31, 2011 to €26.7 as of March 31, 2013 according to the World Cellular Information Service.

Free operates exclusively in the B2C segment. Its DSL offering is based mainly on unbundling, and provides speeds of up to 28 Mbps. In 2006, Free announced long-term plans to invest in FTTH, focused initially on densely populated areas covering 4 million homes, without providing any specific schedule. It has also announced plans to invest outside of dense zones through an agreement signed with Orange in August 2012. Customers within the area where Free has deployed FTTH (i.e., Paris) may receive Free's FTTH offer, which provides download speeds of up to 100 Mbps and upload speeds of up to 50 Mbps.

In the mobile telephony market, Free has undertaken to deploy a 3G network that covers at least 75% of the French population by 2015 and 90% by 2018 and a 4G network that covers at least 25% of the French population by 2015, 60% by 2018 and 75% by 2023.

*Bouygues Télécom*

Bouygues Télécom is owned by the conglomerate Bouygues SA. It has been active in mobile telephony services since 1996 and fixed-line telephony services since 2008.

Its DSL offering is based on both unbundling and white label agreements with the Group. Bouygues has stated that its partnership with us gives it very-high-speed coverage of 7 million homes, and 289,000 very-high-speed customers as of December 31, 2012. It has also signed agreements with Orange and SFR, which would enable it to extend its high speed coverage and reach a total of 13 million homes according to Bouygues' 2012 Annual Report.

Bouygues Télécom is also active in the B2B segment. It has particularly competitive mobile offers for professional customers, and also works in partnerships with corporations to develop innovative telecommunications solutions offers tailored solutions to B2B customers, including a cloud partnership with Microsoft. In the B2B market, Bouygues Télécom remains a small actor, and appears to mostly be targeting smaller companies with convergent fixed and mobile offers and a range of services.

**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 as of December 31, 2012. 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 Organisation 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 favourably as against the average real GDP growth rate in other European countries such as 1.3% for Germany (1.3%), 1.5% for France (1.5%) and 2.3% for UK (2.3%) 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 has, 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 favourably 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<br>✓ Mobile offered separately | × No triple play packages allowed<br>✓ Mobile offered separately | × No multiple play |

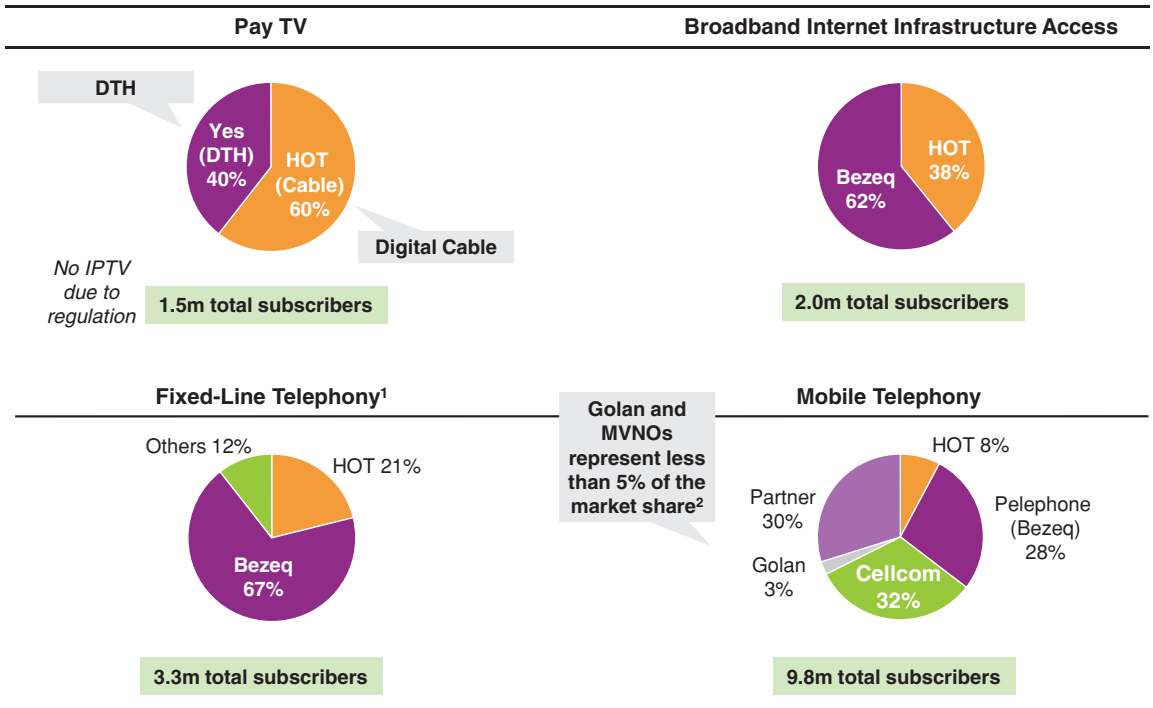
The only operator currently offering triple-play packages including pay television, broadband Internet infrastructure access and fixed-line telephony in Israel is HOT, with approximately 39% of its Cable Customer Relationships subscribing to its triple-play offerings, as of September 30, 2013. While 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. For example, Bezeq is forced by current regulation to maintain a structural separation between its various subsidiaries. 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**




Source: Company information, IHS Screen Digest

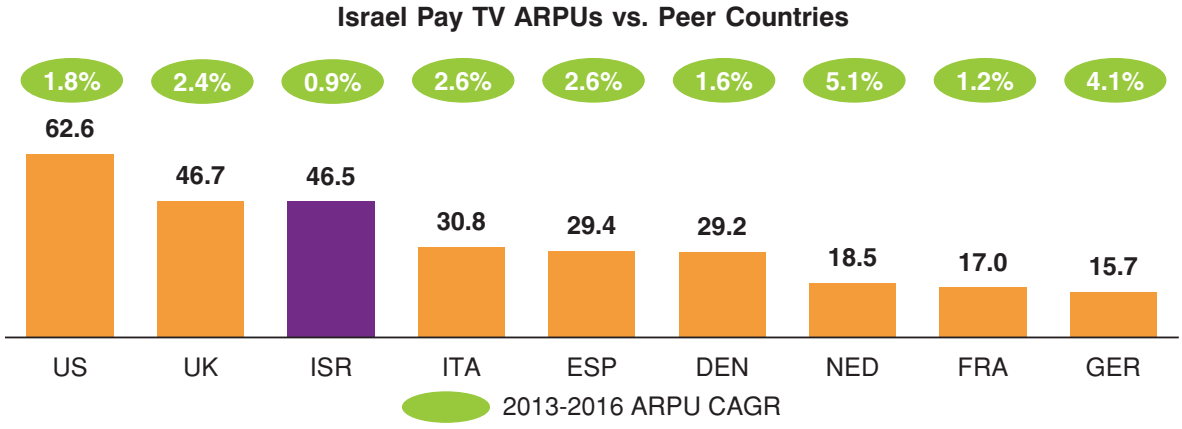
(1) Others include Netvision, Partner/Smile and others, all with relatively small market shares.

(2) According to management estimates.

## 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. While the Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.5 million subscribers, according to IHS Screen Digest, the market revenues have expanded from €771 million in 2010 to an annualised figure of €803 million for the nine months ended September 30, 2013 as market pay television ARPUs have grown from €43.7 in 2010 to €45.4 for the nine months ended September 30, 2013. Similar to Western European markets, television consumer behaviour in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and ''start over''.




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. While 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. According to IHS Screen Digest, there would be an estimated 2.3 million television households in Israel of which approximately 1.5 million would subscribe to pay television as their primary means of watching television, split into approximately 60% through cable and 40% through satellite based on the split as of September 30, 2013.

The penetration of pay television could increase in the coming years as cheaper packages with less 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<br>✓ Standalone VoD<br>✓ A la carte / "TV Everywhere" second screen<br>✓ Startover function<br>✓ Latest generation set-top-box being introduced in 2014 ("LaBox") | ✓ 45 Basic TV channels / 19 HDTV channels / 50 Premium TV<br>✓ Pay Per View<br>× No standalone VoD (without internet)<br>× No startover function | ✓ 6 Basic channels<br>× No VoD<br>× No foreign language channels<br>× No premium content |
| Internet | ✓ Up to 100Mbs download speed advertised<br>✓ Up to 2Mbs upload speeds<br>✓ Effective speed advertised is typically achieved | ✓ Up to 60-100Mbs download speed advertised<br>✓ Up to 1Mbs upload speeds<br>× Effective speed advertised based on an 'Up to Basis' | × No internet |
| Telephony | ✓ Digital telephony | ✓ Digital telephony | × No telephony |
| Bundling | ✓ Triple play<br>✓ Mobile offered separately | × No triple play packages allowed<br>✓ 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.

The ARPU generated by cable television customers in Israel has increased from €43.7 per month in 2010 to €45.4 per month for the nine months ended September 30, 2013.

***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, notably on the back of digitalisation 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 is expecting that in 2014 the DTT platform will be offering 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 customers' requirements such as interactivity and ability to choose individualised content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscriptions 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 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 subscriptions (residential and business) as of September 30, 2013. The current broadband penetration rate in Israel (being the number of broadband subscriptions per 100 households in Israel) is above the Western European average of 63%. The broadband penetration rate in Israel, which has increased by 2.6% since 2009, is estimated by IHS Screen Digest to be approximately 68% compared to approximately 65% as of December 31, 2009. On the other hand broadband penetration rates are estimated by IHS Screen Digest to be approximately 52% in Italy, 57% in Portugal, and 62% in Germany. However, download speeds continue to lag behind other Western European countries due to lower speeds offered over DSL.

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 | × No internet |
| ✓ Up to 2Mb/s upload speeds | ✓ Up to 1Mb/s upload speeds | |
| ✓ Effective speed advertised is typically achieved | × 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 fibre 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 to 2.0 million from 2010 to the second quarter of 2013 and (ii) a significant growth in broadband Internet ARPUs, which have grown from €13.3 in 2010 to €16.3 for the nine months ended September 30, 2013. Primarily as a result of growth in broadband Internet ARPU, the broadband Internet market has expanded from €290 million in 2010 to an annualised figure of €389 million for the nine month ended September 30, 2013.

Bezeq, through DSL, is the leading broadband Internet infrastructure access provider in Israel, with 1.2 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 61% of the total broadband Internet infrastructure access market by total number of subscribers which has remained relatively stable over the last three years.

Based on Bezeq's public filings, Bezeq is currently rolling out a Fibre-to-the-Cabinet (FTTC) infrastructure. Bezeq has reported that, as of September 30, 2013, approximately 98% of its 1.2 million broadband customers have been migrated to its next generation network.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibres so that they will arrive as close as possible to the customers through Fibre-to-the-Home (FTTH) or Fibre-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 400,000 homes and businesses with fibre 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 at approximately 39% and we believe it has also been stable at approximately 50% when business customers are excluded.

***ISPs***

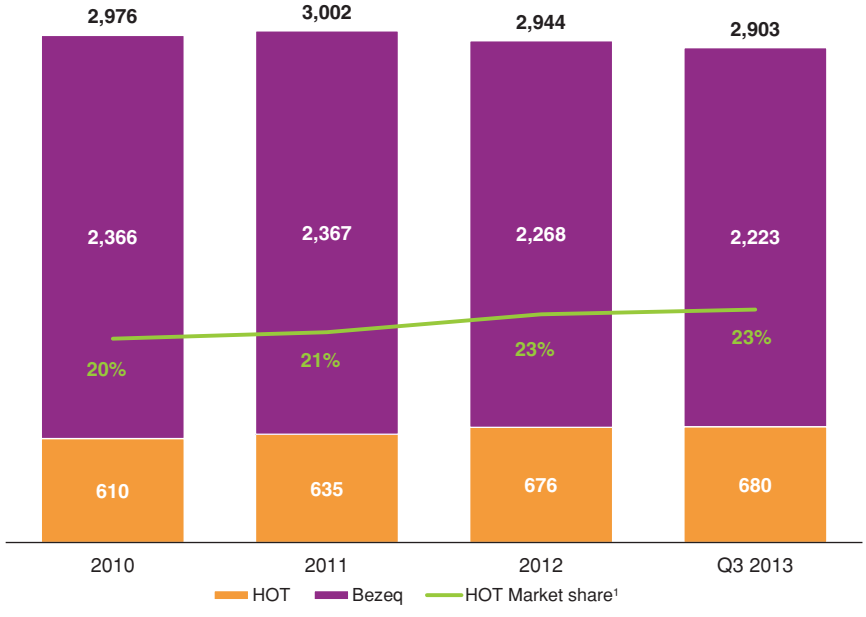
There are numerous ISP providers in Israel, although Netvision (a subsidiary of Cellcom), 012 Smile (a subsidiary of Partner Communications) and Bezeq accounted for approximately 98% of the total subscriptions. As of June 30, 2013, Netvision was the largest provider with a market share of 31.0%, Bezeq 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 infrastructure companies increase access fees.

### 1.3. Fixed-Line Telephony

As of September 30, 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 September 30, 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 September 2013, HOT had approximately 21% 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.

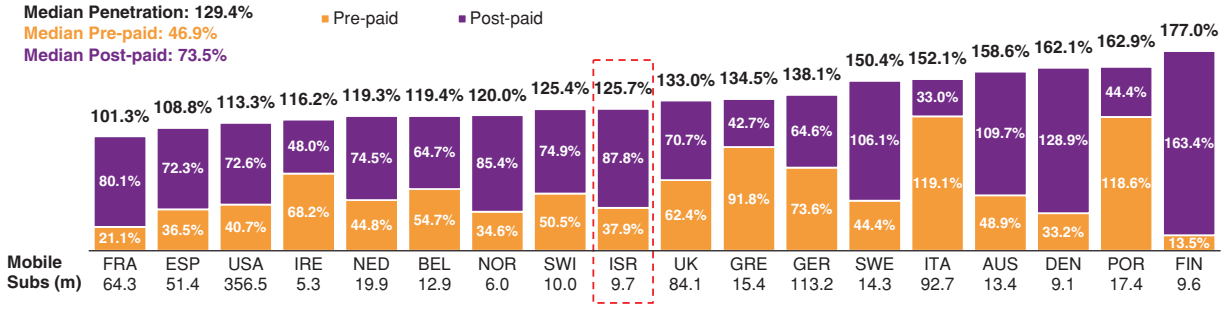
The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been 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 June 30, 2013, there were approximately 9.8 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*

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 projected to contract in 2013 by 2.3% 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 favourable interest rates. If this trend continues, financing conditions could also improve for the private sector.

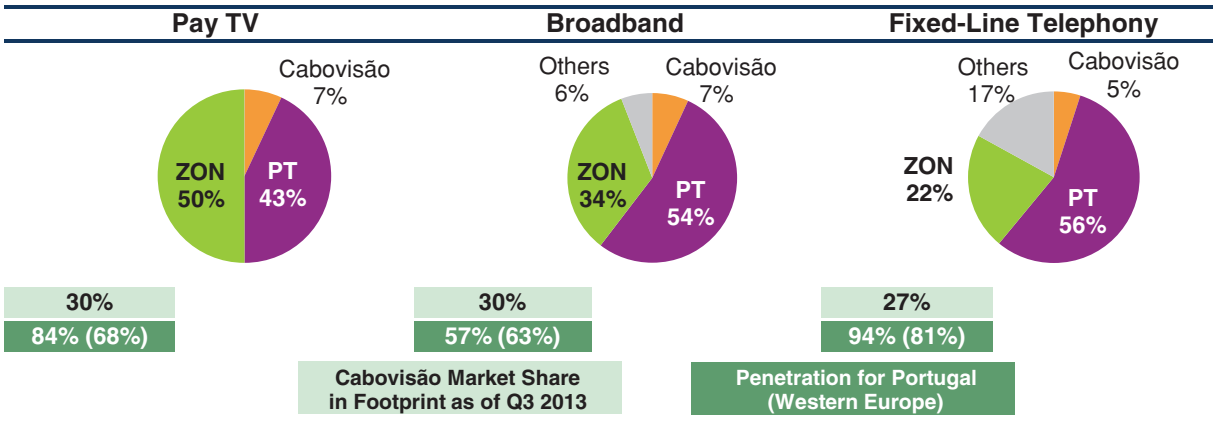
The outlook for GDP is positive as it is expected to grow at an average rate of 1.7% from 2014 to 2018 according to the IMF, as global conditions improve and demand recovers.

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*

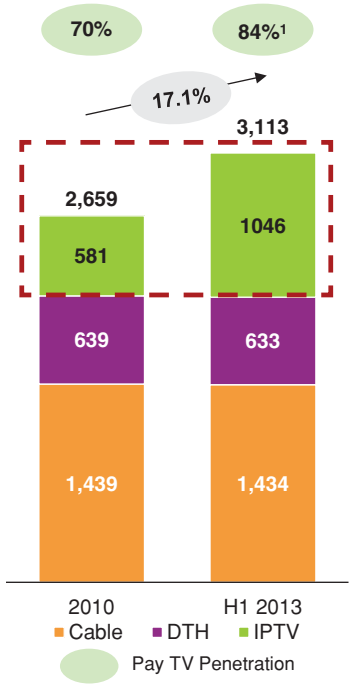
**Cable-based Services Market Shares by Subscribers in Portugal**




Source: Company information; PT, ZON, Vodafone and Sonaecom filings; IHS Screen Digest; Teleography

According to IHS Screen Digest, Portugal has an estimated 83.8% penetration rate in pay television, comparable with the US (84.5%) 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 fibre is present. Most of the pay television market is divided between three operators: ZON Multimedia (''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 Sonaecom, as of September 30, 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 30%. Portugal Telecom primarily offers low priced IPTV, predominately in fibre 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.

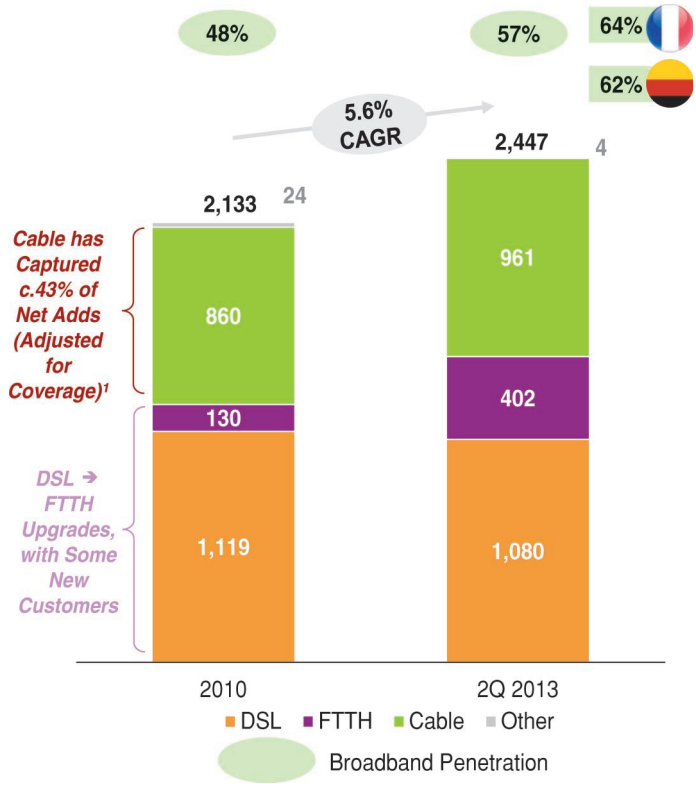
**Pay TV penetration in Portugal since 2010**




(1) As of December 31, 2013E.

In broadband Internet access, penetration is slightly lower than the European average (63%) growing fast currently reaching an estimated rate of 57%, according to IHS Screen Digest. There are a number of operators providing broadband 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 54% as of September 30, 2013. ZON and Cabovisao have grown their broadband 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 34% and 7% (and 30% within its footprint) respectively as of September 30, 2013. Mobile operators Optimus 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 and Cabovisao have market shares of 22% and 5% (and 27% within its footprint), respectively, as of September 30, 2013.

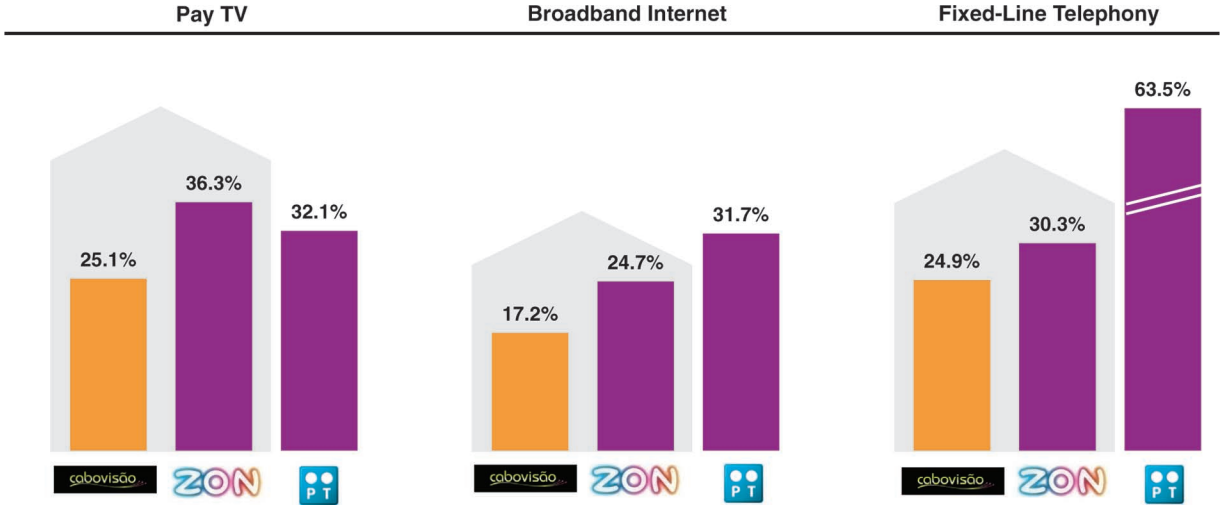
**Broadband penetration in Portugal since 2010**




(1) Penetration rates as of December 31, 2013E, unless for 2010.

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[(1)]**




Source: Company information (Cabovisão), PT and ZON filings

(1) Penetration of homes passed; ZON penetration excludes DTH customers; PT 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 1.3 million RGUs nine months after launching, and its M3O offer

each introduced to address the decline in its fixed-line telephony customer base. As at September 30, 2013, the penetration of triple-play customers in PT's unique customers was approximately 44%, compared with approximately 40% 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 fibre deployment, primarily overbuilding ZON's network, notably benefiting from government subsidies. As at June 30, 2013, Portugal Telecom estimated that it had passed 1.6 million homes with 890,000 km of fibre, supporting 100Gbps download speed. In the meantime, Docsis 3.0 networks, as owned and operated by ZON and Cabovisão, allow of 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 fibre deployed by Portugal Telecom, including fibre 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 906 thousand homes passed as of September 30, 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 (fibre) on only approximately 55% and 36% of its network, respectively, according to management estimates. Within its footprint, Cabovisão has high market shares of 30% in pay television, 30% in broadband Internet access and 27% in fixed-line telephony, in each case as of September 30, 2013.

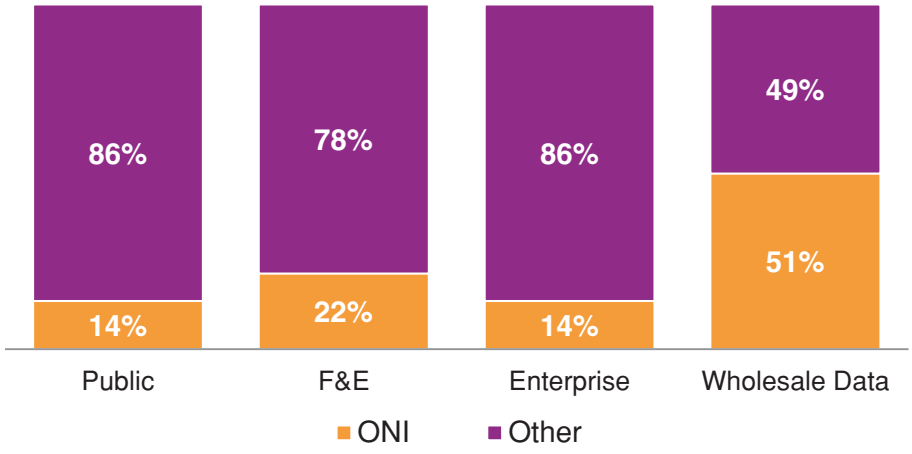
### 2.2. B2B Telecom

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 organisations), 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 fibre 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 realise 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.

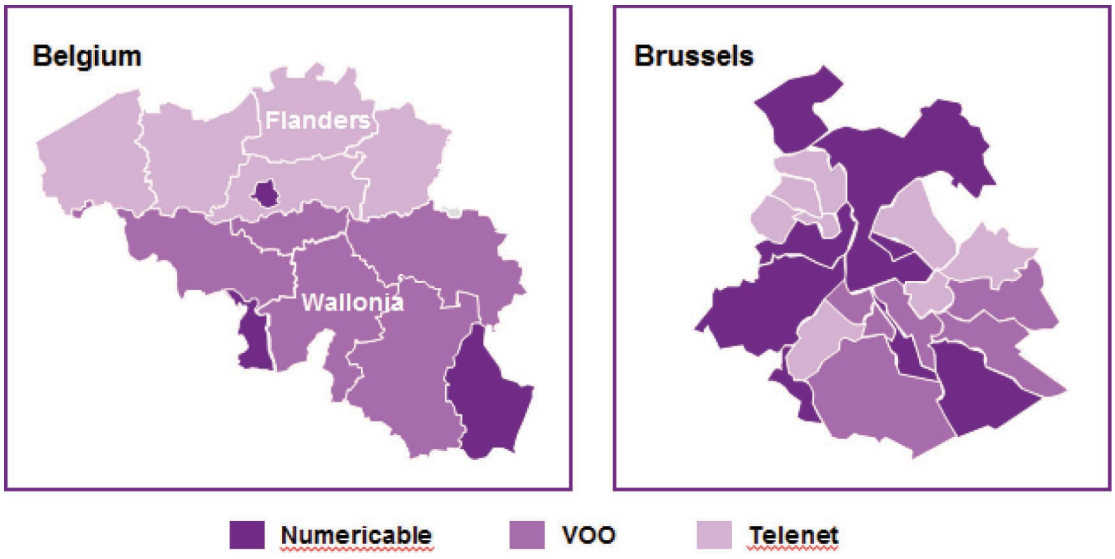
### 3. Belgium

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 kilometre 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 will have 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 thousand 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 44%, 24% and 22% respectively according to IHS Screen Digest, while Numericable has a 2% market share nationally, however, a 62% 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 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 63% 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. Fibre-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 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 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.

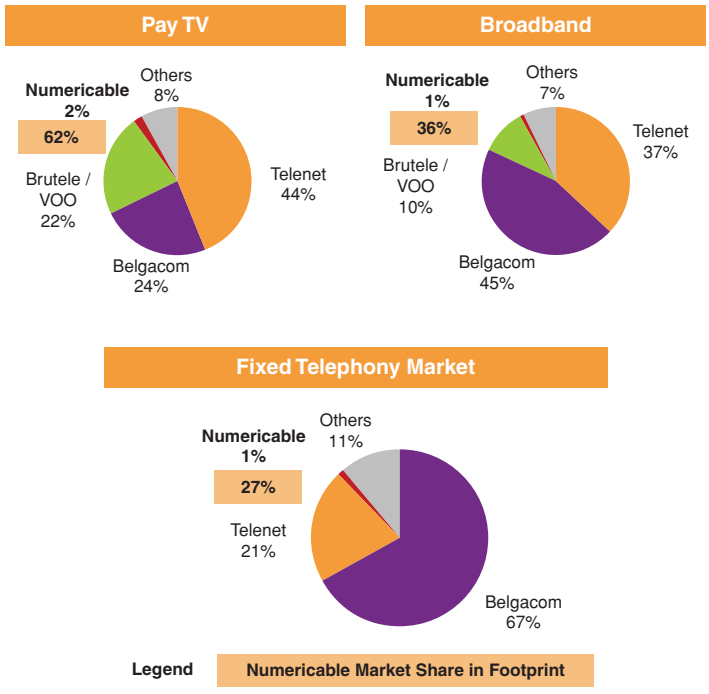
Fixed Telephony penetration was 87% as at December 2012 according to Informa Telecom & Media, in what can be considered a mature market that has seen declines year on year, in line with other Western European markets. The incumbent, Belgacom (67% market share, according to IHS Screen Digest) has been 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 27% 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 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.

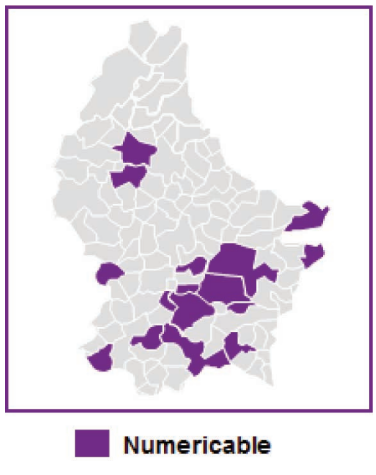
**2012 Market Shares by Subscribers**




## 4. Luxembourg

As at September 30, 2013, Luxembourg had 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 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 access is well established with an estimated penetration of 86% as at December 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 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 fibre 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% over 2013-2016, according to Euromonitor International), as well as positive demographics (population CAGR of 1.2% over 2013-2016, 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 characterised 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 organisation 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 categorised 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.

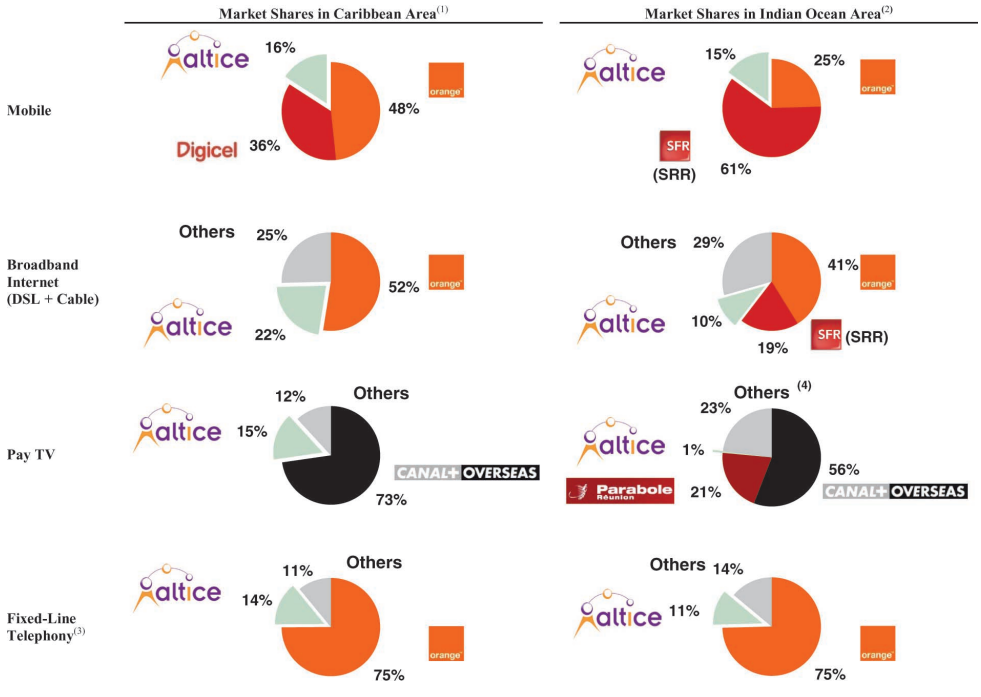
Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 124% compared to an estimated penetration rate of approximately 111% in 2009 according to management estimates. This compares favourably 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.

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, as of June 30, 2013**




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.

## PART XVII—INFORMATION ABOUT THE COMPANY AND THE GROUP

### 1. Introduction

*This general description of our business and the offering highlights selected information contained in this Prospectus regarding the Company, the Group and the Offer Shares. It does not contain all the information you should consider prior to investing in the Offer Shares. You should read the entire Prospectus carefully including the ''Risk Factors'' and the financial statements and notes thereto included in this Prospectus. Please see Part XXIV (Glossary) of this Prospectus for technical terms used in this Prospectus. In this section, unless the context otherwise requires, the terms ''Group'', ''we'', ''us'' and ''our'' refers to the Company and its subsidiaries (but excluding Tricom and ODO).*

### 2. The Company

The Company is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg. The Company was incorporated under the laws of Luxembourg on January 3, 2014 under the name of ''Altice S.A.''. The registered office (*siège social*) of the Company is at 3, boulevard Royal, L-2449, Luxembourg. The Company's telephone number is +352 27 858 901. The Company is registered with the Luxembourg Register of Commerce and Companies under number RCS B 183391.

### 3. Pre-IPO Group Reorganisation

Prior to the Admission, which is expected to take place on or about January 31, 2014, the Group is expecting to carry out a restructuring (the ''Pre-IPO Reorganisation'') that will result in (i) the Company holding 100% of the share capital of Altice VII, (ii) the Company holding 100% of the share capital of Altice Six, which in turn holds 30% of the share capital (including certain call options) of Numericable Group S.A. (which will increase to 40% after the Numericable Acquisition) and (iii) the Selling Shareholder directly holding Ordinary Shares in the capital of the Company in the proportions as set out in the table below. For details regarding the Numericable Acquisition please refer to Part XVII (*Information About the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*). Further, it is envisaged that the OMT Managers will roll-over their shares in Altice Blue Two into the Company (except for ratchet shares which will be rolled over into Altice Caribbean), and the Mobius Managers will reinvest part of their proceeds from the Mobius acquisition directly in the Company (except for ratchet shares which would be subscribed at the level of Altice Caribbean). The Pre-IPO Reorganisation will consist of a series of contributions, transfers, roll-over and various other steps summarised below. After the Pre-IPO Reorganisation the Company will own 100% of the share capital of Altice Six and Altice VII.

The Pre-IPO Reorganisation will comprise the following key steps:

- 100% of the shares and preferred equity certificates issued by Altice Six shall be contributed and sold by Next L.P. to the Company in consideration for new Ordinary Shares to be issued by the Company and the issue of a vendor loan. This vendor loan will be settled with the proceeds of the Offer.
- All the preferred equity certificates issued by Altice Six will then be contributed by the Company to Altice Six in consideration for the issue of shares in Altice Six.
- 100% of the shares and preferred equity certificates issued by Altice VII shall be contributed and sold by Next L.P. to the Company in consideration for new Ordinary Shares to be issued by the Company and the issue of a vendor loan. This vendor loan will be settled with the proceeds of the Offer.
- All the preferred equity certificates issued by Altice VII will then be contributed by the Company to Altice VII in consideration for the issue of shares in Altice VII.
- Valemi will contribute to the Company a vendor loan payable by Altice VII against the issue of Ordinary Shares.

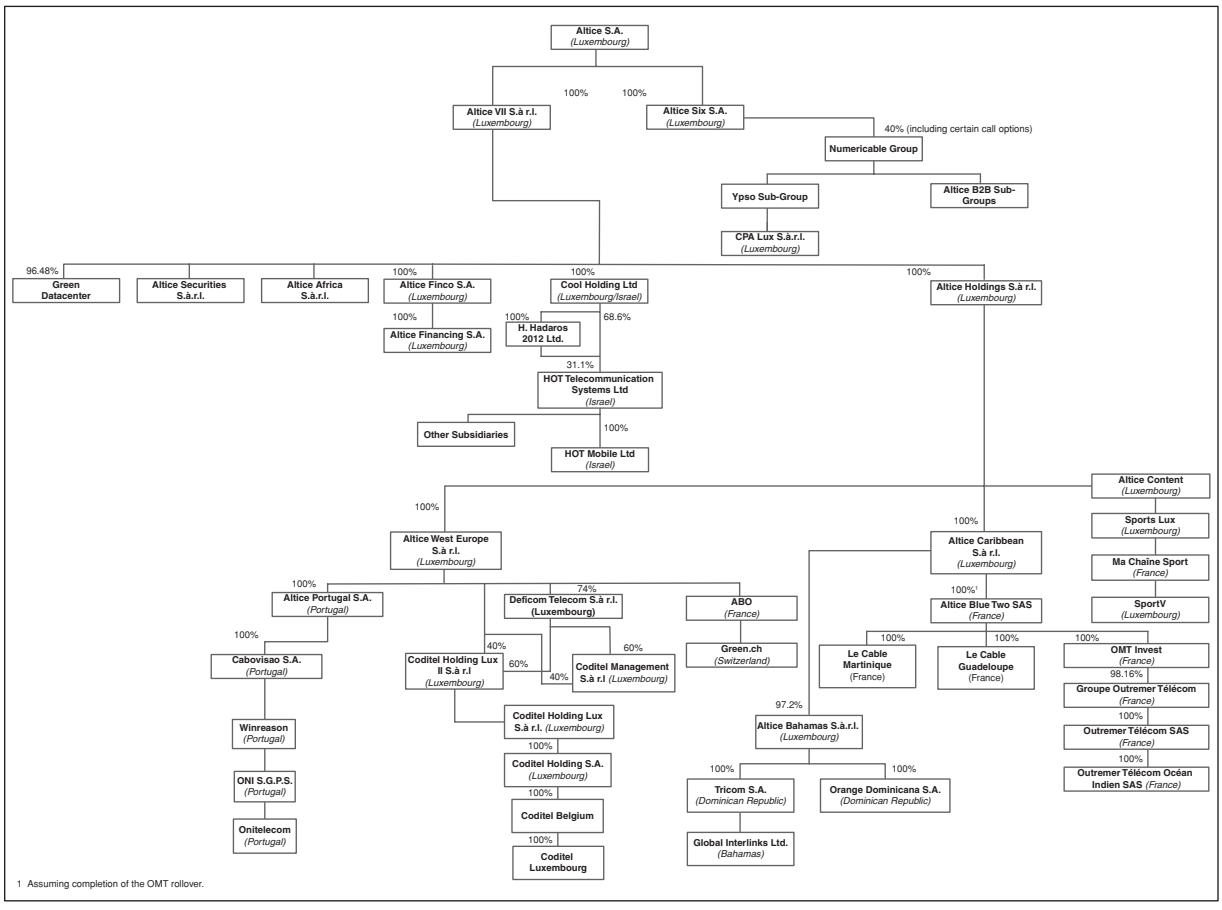
  Furthermore, it is currently envisaged that the following two steps will be implemented prior to Admission. However, there is a possibility that these steps will only be implemented after Admission:

- Altice Caribbean and the OMT Managers are in advanced discussions to provide that the OMT Managers will contribute the shares (other than ratchet shares) they hold directly or indirectly in Altice Blue Two to the Company against the issue of Ordinary Shares. Altice Blue Two Shares will

then be transferred down the chain so that the ownership chain is restored under Altice Caribbean. It is further envisaged that the OMT Managers will contribute the ratchet shares they own directly or indirectly in Altice Blue Two to Altice Caribbean against ratchet shares in Altice Caribbean. The ratchet shares would allow the OMT Managers to capture a fraction of the value added to Altice Caribbean.

- In respect of the acquisition by Altice Blue Two of interests in Mobius, certain of the current managers / owners of Mobius (the ''Mobius Managers'') will re-invest part of the purchase proceeds. Existing agreements currently provide that this reinvestment will be made at the level of Altice Blue Two. However, Altice Caribbean and the Mobius Managers are in advanced discussions to provide that this reinvestment will be made directly at the level of the Company, through the subscription of Ordinary Shares. It is envisaged that such Ordinary Shares would be subject to a lock-up agreement. See Part VIII of this Prospectus (*Plan of Distribution—Lock-up Arrangements*).
- Based on the current status of discussion between Altice Caribbean, the OMT Managers and the Mobius Managers, and assuming that (i) the OMT Managers and the Mobius Managers contribute their shares in Altice Blue Two (other than ratchet shares) to the Company and that (ii) the Mobius Managers will reinvest a fraction of their proceeds from the Mobius Acquisition in Ordinary Shares in the Company, the Company would issue approximately 2,360,945 new Ordinary Shares to be subscribed by OMT Managers and Mobius Managers (based on an Offer Price at the mid-point of the Offer Price Range) which would lead to dilution of Company shareholders by approximately 1.1% (based on an Offer Price at the mid-point of the Offer Price Range). In addition, the existing arrangement also contemplates a 2014 financial performance based earnout payable to the OMT Managers and the Mobius Managers which will be settled by the Company by way of an issue of Ordinary Shares up to the value of €10 million in early 2015.

The following chart summarizes our Group corporate structure as at the date of this Prospectus (assuming the completion of the Pre-IPO Reorganisation, the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition) and is for illustration purposes only and should be read in conjunction with the information contained elsewhere in this Prospectus.




1 Assuming completion of the OMT rollover.

## 4. Our Business

### Business Overview

We are a multinational cable and telecommunications company with presence in three regions—Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), Israel and the French Overseas Territories (currently comprising the French Caribbean and the Indian Ocean regions). We provide cable based services (high quality pay television, fast broadband Internet and fixed line telephony) and, in certain countries, mobile telephony services to residential and corporate customers.

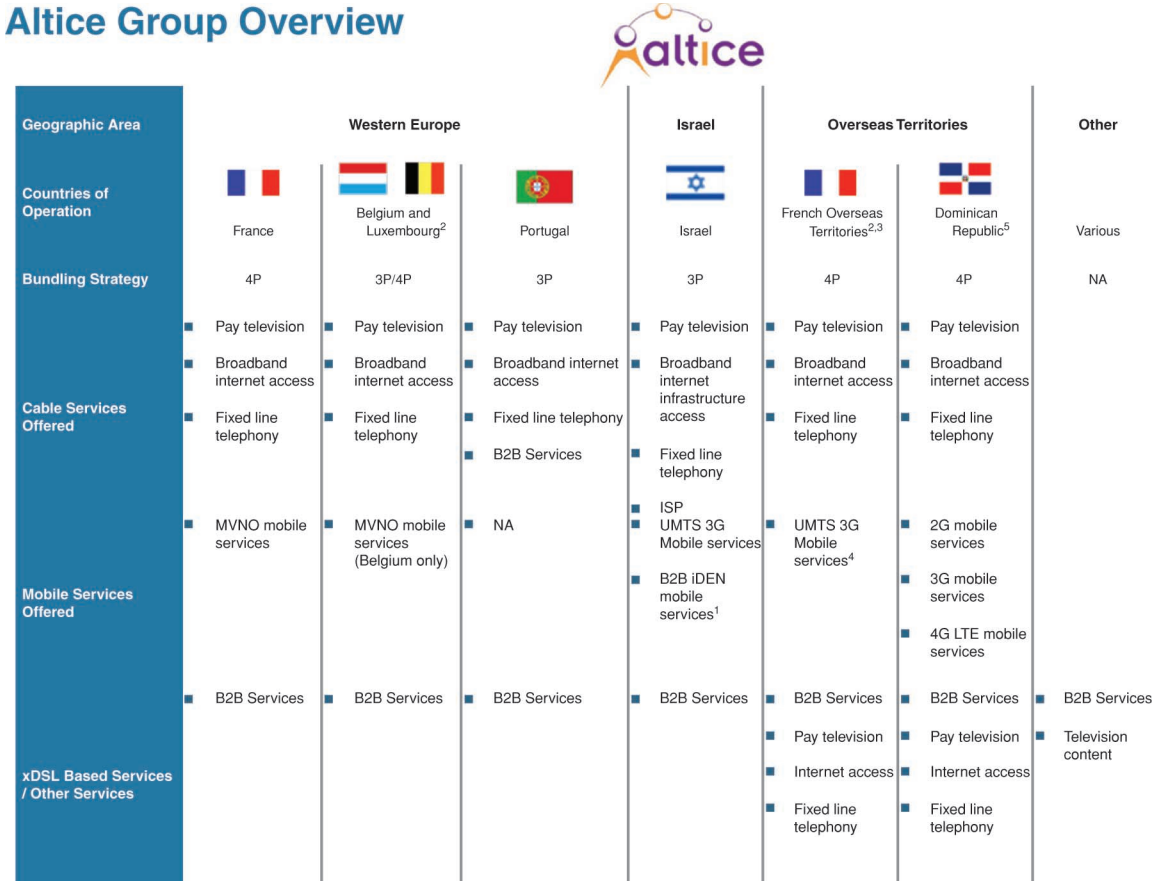
International expansion through price-disciplined acquisitions is the cornerstone of our growth strategy. In addition to having consummated 9 such transactions over the past five years, we have entered into an agreement to purchase additional shares in Numericable that will enable us to acquire control over the Numericable Group through which we conduct our operations in France. We have also recently entered into agreements to acquire Tricom and Orange Dominicana (''ODO'') in the Dominican Republic. Each of these transactions is subject to regulatory approval and is expected to be completed in the first quarter of 2014.

Outside France and the Dominican Republic where network upgrades are currently underway, our cable networks enable us to offer download speeds of at least 100 Mbps to a vast majority of homes passed in our footprint. In the short to medium term, we expect that the substantial majority of our networks outside France and the Dominican Republic 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. In France, in the portion of our network that has been upgraded to Docsis 3.0 (approximately 5.0 million homes as of September 30, 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 capital expenditure.

Prior to the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, we passed 3.6 million homes with 1.5 million Cable Customer Relationships, 3.2 million cable based RGUs, an average of 2.1 RGUs per Cable Customer Relationship, 1.1 million mobile telephony RGUs and had 0.1 million xDSL / non cable RGUs, as at September 30, 2013. Pro forma for the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, as at September 30, 2013, we passed approximately 13.9 million homes with 3.0 million Cable Customer Relationships, 6.6 million cable based RGUs, an average of 2.0 RGUs per Cable Customer Relationship (excluding France) and 4.6 million mobile telephony RGUs. Our Post-Transaction Pro Forma Adjusted EBITDA for the nine months ended September 30, 2013 was €1,109.8 million (which includes expected synergies from the acquisitions of Outremer, ONI, Tricom and ODO, the estimated EBITDA of Tricom and cost savings expected to be realized as a result of our Network Sharing Agreement).

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. We aim to substantially improve the operational performance of the businesses we acquire, thereby providing the cash flow generation to help fund future growth. We are the largest cable television operator and, other than in France, the second largest broadband Internet access services provider and a leading provider of multiple-play services in our service areas. 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.




(1) We continue to provide our iDEN mobile services under the ''MIRS'' brand.

(2) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the Numericable brand licensed from Numericable.

(3) We provide pay television, fixed line telephony and Internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories. In Guadeloupe and Martinique we have begun to market these services under the Numericable brand which we have historically used for services provided via our cable network but we continue to use the ONLY brand in French Guiana, Mayotte and La Réunion.

(4) In La Réunion, Mayotte and French Guiana, we continue to market our mobile services under the ''ONLY'' brand.

(5) On October 31, 2013 we entered into agreements to acquire Tricom, a cable and fixed line as well as mobile services provider in the Dominican Republic. On November 26, 2013, we entered into an agreement to acquire ODO, a mobile and wireless broadband services provider in the Dominican Republic. We have also entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable. Upon completion of the Numericable Acquisition, Altice will hold 40% of the shares in Numericable (including certain call options granted to Altice) and will have the majority of votes in the board of directors.

We believe that we benefit from a significant fixed network advantage. Our cable-based services are delivered over hybrid fibre coaxial (''HFC'') cable networks that are among the most technically advanced in the markets in which we operate. The fibre-rich characteristic of our network gives it capacity, speed and quality advantages as compared to copper based DSL networks. 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 substantial majority 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 realised 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 5.0 million homes as of September 30, 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 (approximately 3.5 million homes in France as of September 30, 2013) provides customers with a download speed of up to 30 Mbps, which is faster than the highest speed of our competitors' DSL networks. Furthermore we intend to upgrade all of the remaining 3.5 million triple play-compatible homes in our existing network in France to Docsis 3.0 by the end of 2016, prioritising those areas where our competitors have deployed FTTH. We believe that our networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard. We expect to be able to increase broadband Internet download and upload speeds beyond those offered by the FTTH technologies without incurring significant investments, providing us with a further competitive advantage to capture new bandwidth-intensive usages such as multimedia and multi-screen.

## Combined Key Operating Measures[(a)]

| | As of and for the nine months ended September 30, 2013 in thousands except percentages and as otherwise indicated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Israel | Belgium and Luxembourg | Portugal | French Overseas Territories | Pre-Transaction Total | France | Tricom | ODO | Post-Transaction Total[(8)] |
| **CABLE-BASED SERVICES** | | | | | | | | | |
| **Market and Network** | | | | | | | | | |
| Homes Passed | 2,272[(7)] | 233 | 906 | 154 | 3,565 | 9,932 | 440[(10)] | — | 13,937 |
| Docsis 3.0 Upgraded (%) | 100% | 100% | 99% | 49% | 98% | 51% | 78% | — | 64% |
| **Unique Customers** | | | | | | | | | |
| Cable Customer Relationships[(1)] | 1,145 | 115 | 240 | 38 | 1,548 | 1,341 | 138 | — | 3,017 |
| Triple-Play Cable Customer Relationships | 448 | 51 | 136 | 15 | 650 | — | — | — | N/A |
| **RGUs & Penetration[(2)(3)]** | | | | | | | | | |
| Total RGUs | 2,316 | 239 | 609 | 69 | 3,233 | 3,176 | 186 | — | 6,595 |
| Pay Television RGUs | 881 | 130 | 227 | 38 | 1,276 | 1,144 | 138[(2)] | — | 2,558 |
| Pay Television Penetration (%) | 39% | 56% | 25% | 25% | 36% | 12% | 31% | — | 39% |
| Broadband Internet RGUs | 755 | 56 | 156 | 15 | 982 | 1,032 | 27 | — | 2,041 |
| Broadband Internet Penetration (%) | 33% | 24% | 17% | 10% | 28% | 10% | 6% | — | 31% |
| Fixed-Line Telephony RGUs | 680 | 53 | 226 | 15 | 974 | 1,000 | 21 | — | 1,995 |
| Fixed-Line Telephony Penetration (%) | 30% | 23% | 25% | 10% | 27% | 10% | 5% | — | 30% |
| RGUs Per Cable Customer Relationship[(4)] | 2.0x | 2.1x | 2.5x | 1.8x | 2.1x | — | 1.3x | — | — |
| **ARPU[(5)]** | | | | | | | | | |
| Cable ARPU including Mobile (€) | — | — | — | — | — | 41.9 | — | — | — |
| Cable ARPU excluding Mobile (€) | 47.6 | 41.1 | 35.1 | 50.8 | — | — | 20.0 | — | — |
| **MOBILE-BASED SERVICES** | | | | | | | | | |
| **Market and Network** | | | | | | | | | |
| UMTS Mobile Coverage of Territory (%) | 50% | — | — | 89%[(9)] | — | — | — | — | — |
| **Subscribers** | | | | | | | | | |
| Total Mobile Subscribers[(6)] | 773 | 3 | — | 367 | 1,143 | 167 | 302[(6)] | 2,989[(11)] | 4,601 |
| Postpaid | 762 | 3 | — | 188 | 953 | — | 17[(6)] | 403[(11)(12)] | 953 |
| Prepaid | 11 | — | — | 179 | 190 | — | 285[(6)] | 2,587[(11)(13)] | 3,062 |
| **ARPU[(5)]** | | | | | | | | | |
| Mobile ARPU (€) | 16.9 | 40.9 | — | 26.8 | — | — | 3.3 | 9.8 | — |
| **xDSL/NON-CABLE BASED SERVICES** | | | | | | | | | |
| **RGUs** | | | | | | | | | |
| Total RGUs | — | — | — | 135 | 135 | — | 348 | — | — |
| Broadband Internet RGUs | — | — | — | 55 | 55 | — | 96 | — | — |
| Fixed-Line Telephony RGUs | — | — | — | 80 | 80 | — | 251 | — | — |

(a) Calculated by aggregating the measures of the Altice VII Group, the Numericable Group, ODO and Tricom on a combined basis. Please refer to the meanings of these terms as defined in Part XI of this Prospectus (*Selected Historical and Pre-Transaction Pro Forma Financial Information*) together with the notes below.

(1) For the Altice VII 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 France (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''). See Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group—Key Operating Measures*). For the Dominican Republic (Tricom), Cable Customer Relationships includes non-residential customers and includes only pay television cable customer relationships.

(2) For the Altice VII 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 France (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 nine months ended September 30, 2013, for the year ended December 31, 2012 and for the year ended December 31, 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 are not included in the ''Total individual RGUs'' definition). See Part XIV of this Prospectus (*Selected Financial Information of the Numericable Group—Key Operating Measures*).

(5) For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the nine months ended September 30, 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 France (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 France (Numericable Group), only Numericable Group 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, | | As of September 30, | |
|---|---|---|---|---|
| | 2011 | 2012 | 2012 | 2013 |
| | | | in thousands | |
| **Mobile Subscribers** | | | | |
| iDEN | 444 | 325 | 371 | 234 |
| UMTS | — | 441 | 316 | 539 |
| **Total** | **444** | **766** | **687** | **773** |

(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) Total represents the aggregate of the respective key operating measures across all the regions in which the Group currently operates (or, in the case of the Dominican Republic, expects to operate following the consummation of the Tricom Acquisition and the ODO Acquisition) even though it may not have owned or controlled such business for the entire duration of the period presented. France represents the operating measures of the Numericable Group (in which we will acquire a controlling interest following the Numericable Acquisition); 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).

(9) Excludes French Guiana.

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

(11) Includes subscribers through resellers as ODO enters into direct contractual arrangements with customers of resellers. Ass postpaid subscribers are considered as active. Includes exclusively mobile subscribers (does not include mobile broadband/Internet subscribers).

(12) Includes both postpaid residential subscribers and postpaid business subscribers.

(13) Pre-paid residential subscribers only.

## Key Performance Measures

| | Illustrative Aggregated Selected Financial Information[1] | | Post-Transaction Pro Forma Financial Information[2] | | |
|---|---|---|---|---|---|
| | For the year ended December 31, | | For the year ended December 31, | For the nine months ended September 30, | |
| | 2011 | 2012 | 2012 | 2012 | 2013 |
| | | | € in millions | | |
| **Revenue** | | | | | |
| France[1] | — | — | 1,299.8 | 957.2 | 966.5 |
| Belgium and Luxembourg | 67.3 | 71.3 | 71.3 | 52.8 | 53.2 |
| Portugal | 238.8 | 235.4 | 235.4 | 174.6 | 159.8 |
| Israel | 845.5 | 850.4 | 850.4 | 634.9 | 669.4 |
| French Overseas Territories | 217.9 | 219.6 | 219.6 | 163.3 | 166.3 |
| Dominican Republic[1][2] | — | — | 457.7 | 343.3 | 333.6 |
| Others[3] | 56.7 | 65.2 | 65.2 | 50.5 | 53.4 |
| **Total Revenue** | **1,426.2** | **1,441.8** | **3,199.3** | **2,376.6** | **2,402.2** |
| **EBITDA[4]** | | | | | |
| France[1] | — | — | 621.9 | 460.1 | 454.9 |
| Belgium and Luxembourg | 41.0 | 45.6 | 45.6 | 35.3 | 35.4 |
| Portugal | 39.0 | 48.0 | 48.0 | 31.9 | 45.0 |
| Israel | 327.2 | 305.2 | 305.2 | 229.2 | 269.9 |
| French Overseas Territories | 72.4 | 75.1 | 75.1 | 56.9 | 62.1 |
| Dominican Republic[1][2] | — | — | 166.7 | 127.4 | 132.7 |
| Others[3] | 17.7 | 20.2 | 20.1 | 18.1 | 17.2 |
| **Total EBITDA** | **497.2** | **494.1** | **1,282.6** | **958.9** | **1,017.1** |
| Equity based compensation[5] | 6.0 | 3.8 | 3.8 | 3.8 | — |
| **Adjusted EBITDA[6]** | **503.2** | **497.9** | **1,286.4** | **962.7** | **1,017.1** |
| **Pro Forma Adjusted EBITDA[7]** | | | | | **1,109.8** |
| **Capital expenditures** | **293.8** | **397.8** | **756.5** | **530.7** | **454.3** |
| **Adjusted EBITDA less capital expenditures** | **209.4** | **100.1** | **529.9** | **432.0** | **562.8** |

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Numericable Group, Tricom and ODO. For details, see the Illustrative Aggregated Selected Financial Information included elsewhere in this Prospectus.

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the Numericable Acquisition (which is included under ''France'') and the ODO Acquisition (which is included under ''Dominican Republic''). It does not give pro forma effect to the acquisition of Tricom.

(3) 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). In each of the years ended December 31, 2011 and 2012, Valvision contributed €2.5 million and €2.6 million to aggregated and pro forma revenues and €0.9 million to aggregated and pro forma EBITDA and in the nine months ended September 30, 2013, Valvision contributed €1.3 million to pro forma revenues and €0.5 million to pro forma EBITDA.

(4) EBITDA is defined as operating profit before depreciation and amortization, goodwill impairment, other expenses, net, management fees and restructuring and other non recurring costs.

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

(6) 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. EBITDA and 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).

(7) For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, see ''Selected Historical and Post-Transaction Pro Forma Financial Information''.

We enjoy strong market positions in our service area across our regions, notably on the broadband 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 650 thousand triple play customers outside France and the Dominican Republic (or 42.2% of our customer base) as of September 30, 2013 compared to 34% as of December 31, 2011, translating into growth in RGU per unique cable customer relationship and cable based services ARPU. We also experienced a significant increase in the number of multiple-play subscribers (double-play and triple-play) in France, reaching 1.0 million as of September 30, 2013 when compared to 972,000 as of December 31, 2012. In the Dominican Republic, Tricom has also experienced growth in triple-play customers.

**Cable-Based Services ARPU Growth and Triple Play Penetration**

| | 2011 | 2012 | 9M 2013 |
|---|---|---|---|
| **France**[1] | | | |
| ARPU (€) | 40.3 | 40.7 | 41.9 |
| Growth (%)[2] | 3.3% | 1.1% | 2.9% |
| Multiple Play Penetration (%) | 68% | 73% | 76% |
| **Israel**[3] | | | |
| Cable ARPU (€) | 42.4 | 44.4 | 47.6 |
| Growth (%)[2] | 3.9% | 4.7% | 7.2% |
| 3P Penetration (%) | 28% | 34% | 39% |
| **Belgium & Luxembourg**[4] | | | |
| Cable ARPU (€) | 36.7 | 39.5 | 41.1 |
| Growth (%)[2] | 6.1% | 7.6% | 4.1% |
| 3P Penetration (%) | 42% | 42% | 44% |
| **Portugal**[5] | | | |
| Cable ARPU (€) | 36.9 | 34.9 | 35.1 |
| Growth (%)[2] | (2.5)% | (5.4)% | 0.6% |
| 3P Penetration (%) | 58% | 58% | 57% |
| **French Overseas Territories**[6] | | | |
| Cable ARPU (€) | 43.1 | 48.3 | 50.8 |
| Growth (%)[2] | 5.3% | 12.1% | 5.2% |
| 3P Penetration (%) | 22% | 31% | 39% |
| **Dominican Republic**[7] | | | |
| Cable ARPU (€)[8] | 22.0 | 21.5 | 20.0 |
| Growth (%)[2] | N/A | (9.6)% | (4.9)% |
| 3P Penetration(%)[9] | 9% | 13% | 16% |

(1) France represents operating measures of the Numericable Group (over which we will acquire control following the Numericable Acquisition, subject to regulatory approval), including the cable services provided to customers under the Numericable brand and B2B services offered under the Completel brand. For France, ARPU does not reflect ARPU from white label end users or bulk subscribers but includes ARPU from mobile services.

(2) For 2011 and 2012, represents year on year growth. For the nine months ended September 30, 2013, represents growth compared to 2012.

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

(4) Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest in June 2011).

(5) Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012).

(6) French Overseas Territories represents operating measures of Le Cable and excludes Outremer which provides xDSL based services (in which we acquired a controlling interest in July 2013).

(7) Dominican Republic represents Tricom (in which we agreed to acquire a controlling interest on October 31, 2013).

(8) 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.

(9) Blended 3P penetration in the Dominican Republic is shown for cable and xDSL/non-cable based customers. The Q3 2013 3P penetration percentage for Tricom is as of August 2013.

We seek to create shareholder value by continuously optimising our cost base and capital expenditures. In addition, we aim to maximise 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 organisation. 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 after a successful launch in France, is evidence of our focus on optimisation and our ability to develop common areas to further drive the Group's efficiency. We plan to roll-out the La Box in Israel in 2014. 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 years three years. For the nine months ended September 30, 2013 and the year ended December 31, 2012, on a historical combined basis, our total Adjusted EBITDA was €376.9 million and €403.1 million, respectively, our Adjusted EBITDA margin was 40.6% and 36.9%, respectively and our Adjusted EBITDA less capital expenditures amounted to €192.8 million and €59.9 million, respectively. In addition, the growth in EBITDA, profitability and operating cash flow of businesses we have acquired reflects our unique 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 successfully expanded into the B2B segment through the acquisition of Completel, driving further expansion of the combined EBITDA margin to 47.5% in 2012 (up 3.0% from 2010). In our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010 and in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 40.5% in the nine months ended September 30, 2013 compared to 14.2% in 2011.

**Our Competitive Strengths**

We believe that we benefit from the following key strengths:

***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 believe a key driver of our success is our ability to identify attractive acquisition targets and assess the associated potential for value creation, consummate the acquisitions on terms economically attractive to us and consistently and timely implement best operational practices that drive the previously identified improvements in the profitability of acquired businesses. 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 optimising 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 47.5% in 2012 (up 3.0% from 2010). Similarly, in our Israeli business, following the acquisition of control by the Group over HOT in 2011, HOT's cable EBITDA margin increased to 45.0% in 2012 compared to 38.0% in 2010 and in our Portuguese business, following the acquisition of control by the Group over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 40.5% in the nine months ended September 30, 2013 compared to 14.2% in 2011. More recently, we have identified attractive assets in the Dominican Republic, which we believe will be synergistic and may benefit from certain cost advantages as part of the Group, including technological know-how and improved procurement terms.

***We enjoy leading positions in pay television and broadband Internet services in well diversified markets with favourable dynamics for cable operators.*** We are the largest cable television operator and, other than in France, the second largest broadband Internet services provider in our service areas.

In a significant majority of our footprint, we are the sole 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 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 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 significant 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 penetration in our footprint, and in particular in France, Israel, Belgium and Luxembourg, also compares favourably with most other West European markets. Following the ODO Acquisition and the Tricom Acquisition, we will also own the leading cable operator in the Dominican Republic and believe we are well-positioned to capture growth from increased penetration of our cable-based services.

***We believe that we benefit from a fixed network advantage in each of our markets.*** We own our HFC networks that are Docsis 3.0 enabled for the majority of homes we pass, including 100% in Israel and 51% in France, 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. 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, given the existing technological capability of our networks. In France, the FTTB/Docsis 3.0 enabled portion of our network passes approximately 5.0 million homes as of September 30, 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 and has 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 (3.5 million homes in France as of September 30, 2013) provides customers with a download speed of up to 30Mbps, which is faster than the highest speed of our competitors' DSL networks. Furthermore, we intend to upgrade all of the remaining 3.5 million triple play-compatible homes in our existing network in France to Docsis 3.0 by the end of 2016, prioritising those areas where our competitors have deployed FTTH. We believe that such an upgrade will be easier to implement and, in absolute terms, less expensive than our competitors' FTTH deployment (both expected and currently underway), as we continue to use the cable we already have installed in buildings with no need for a vertical roll-out (requiring coordination and consent of building managers). In a significant majority of our footprint, we are the sole end-to-end fixed infrastructure alternative to the incumbent operator. In addition, compared to DSL-based and satellite infrastructures of our competitors in our service area, we believe we benefit from important efficiencies in our operations. At these speeds, we believe that our broadband service will exceed the performance of the current fastest competitive technologies (VDSL, VDSL2). 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 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.

| | Altice Key Geographies | | | | | | European Peers | | |
|---|---|---|---|---|---|---|---|---|---|
| Network Key Characteristics | France | Israel | Belgium/ Luxembourg | Portugal | French Overseas Territories[1] | Dominican Republic | Ziggo | Telenet | KDG |
| Cable Network Capacity | 862MHz[2] | 600 - 862 MHz | 550 - 860 MHz | 750 MHz | 550MHz | Primarily 750 - 1,000 MHz[3] | 862 MHz | 600 MHz | Mainly 641 MHz |
| Docsis 3.0 Upgrade | 51% | 100% | 100% | 99% | 49% | 78%[4] | 100% | 100% | 95% |
| Homes Passed per node | ~200 | ~1,250 | ~645 | ~1,092 | ~140 | ~750 | 1,500 | ~650 | >1,000 |
| Advertised Speed (Mbits) | 30 - 200 | 30 - 100 | 50 - 200 | 30 - 360 | 20 - 30 | 1 - 100 | 20 - 150 | 60 - 120 | 10 - 100 |

(1) Only relates to the cable based services we provide in Guadeloupe and Martinique and excludes services provided over our xDSL platform.

(2) 85% of the homes connected to the Numericable Group's network benefit from an 862 MHz frequency.

(3) 80% of Tricom's cable network as of June 30, 2013.

(4) 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.*** 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, in some instances, mobile telephony services as bundles which we offer to our customers at attractive prices. We believe the strength of our pay television, broadband 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 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. In France, we benefit from attractive triple-play and quadruple-play offerings, including high broadband speeds, a comprehensive portfolio of TV channels and exclusive access to premium content (including the highest number of HD channels and the largest VoD catalogue). In addition, we intend where possible to convert our more than 480 thousand xDSL / non-cable based subscribers in the French Overseas Territories and the Dominican Republic into Docsis 3.0 cable-based subscribers by upgrading these networks. We believe this conversion of customers from xDSL to cable will be less challenging. 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 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. Similarly 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 capitalise on this trend as we offer download speeds of at least 100 Mbps to substantially all homes passed in our footprint (other than homes passed in France, the French Overseas Territories and the Dominican Republic that are currently not Docsis 3.0 enabled). In order to take advantage of fixed mobile convergence trends and competitive market dynamics, we are selectively implementing a mobile strategy in certain of our territories. We own and operate a 3G mobile network in Israel and in the French Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in France and in Belgium we complement our fixed-line products with mobile offerings through MVNO arrangements. Following the completion of Tricom Acquisition and the ODO Acquisition, we believe that we will benefit from cross-selling Tricom's high-speed broadband 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 benefit from strong EBITDA margin and scalable capital expenditures translating into strong organic cash flow growth.*** On a historical combined basis, our Adjusted EBITDA as a percentage of revenues increased from 28.7% in fiscal year ended December 31, 2010 to 40.6% in the nine months ended September 30, 2013, primarily as a result of operational efficiencies implemented by us across the organisation 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 are Docsis 3.0 enabled, including 100% in Israel and 51% in France, our two largest markets, making cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. For the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively, based on the Pre-Transaction Pro Forma Financial Information, we generated Adjusted EBITDA as a percentage of revenues of 34.5% and 39.0% and Adjusted EBITDA less capital expenditure, as a percentage of Adjusted EBITDA of 20.2% and 50.8%. We will continue to invest in selected areas where we believe there are attractive opportunities to generate strong shareholder return over time and further increase our cash conversion, including the upgrade of the portion of our cable network in France that is currently not Docsis 3.0 enabled and our cable network in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic.

***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 and who have significant experience managing day-to-day operations at cable and telecommunications companies. We are supported by an entrepreneurial shareholder, Patrick Drahi, founder of Altice, with 20 years of experience owning and managing cable and telecommunications companies globally as executive chairman of our Board. Among Patrick 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.

**Our Strategy**

The key components of our strategy are to:

***Generate shareholder 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 acquisition strategy also benefits from the flexible capital structure of the Altice VII Group, which features no material near term maturities and incurrence-based covenants that permit incurrence of debt up to four times our last two quarters annualised EBITDA and, subject to certain limitations, have carve-outs and exceptions allowing us to make investments and other distributions. In France we have no material near term maturities and we plan to use a portion of the proceeds raised during the Numericable IPO to carry out our network upgrade plan, which is a key pillar to our strategy. 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.

***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 optimisation 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 realise 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. For example, in France, we acquired Completel in 2007 and have substantially improved its profitability while enabling it to grow substantially. In addition, we believe our recent acquisition of Outremer Telecom, a mobile and fixed-line player in the French Overseas Territories, and ONI, a leading B2B telecom provider in Portugal, are highly complementary to our existing cable operations in these geographies. In the French Overseas Territories, we hope to realise cost savings by reducing duplicative cost structures, leveraging a combined distribution and customer care network, harmonising marketing campaigns and benefitting from international connectivity as a result of Outremer's international backbone, as well as benefit from cross selling and up-selling opportunities between our cable, DSL and mobile customer bases. In Portugal, we expect the acquisition of ONI will allow us to leverage our extensive fibre-backbone and cable network in Portugal to help optimise our penetration of the B2B market and to benefit from cost synergies by improving the operating processes and combining overlapping functions. In the Dominican Republic, we have entered into agreements to acquire Tricom, a cable and fixed line as well as mobile services provider, and ODO, a mobile and wireless broadband 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 realising 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 1.96x as of December 31, 2011 to 2.10x as of September 30, 2013. In France, the number of our multiple-play subscribers has increased from 0.9 million as of December 31, 2011 to 1.0 million as of September 30, 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 the jurisdictions in which we offer those services. We will also exploit up-selling opportunities to maximise 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. In addition, as the Group continues to roll out its cable network in the French Overseas Territories and the Dominican Republic in addition to its existing xDSL network, we believe that we will be able to more easily convert some of our 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 fibre 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 maximising 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. 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.

**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 fibre 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. On November 17, 2013, Altice Six entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable Group following which Altice Six will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes in the board of directors. The Numericable Acquisition is subject to antitrust approval. For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Numericable Shareholders' Agreement*).
- 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 datacentre in the Zurich region. We began providing datacentre 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 VII 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 October 22, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.
- In October 2013, we entered into agreements to acquire Tricom, a provider of telecommunications services operating in the Dominican Republic.
- In November 2013, we entered into an agreement to acquire ODO, a provider of telecommunications services operating in the Dominican Republic.
- 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.

**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 fibre-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 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 realised 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 5.0 million homes as of September 30, 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 (3.5 million homes in France as of September 30, 2013) provides customers with a download speed of up to 30 Mbps, which is faster than the highest speed of our competitors' DSL networks. Furthermore we intend to upgrade all of the remaining 3.5 million triple play-compatible homes in our existing network in France to Docsis 3.0 by the end of 2016, prioritising those areas where our competitors have deployed FTTH. 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 108 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 460 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 June 30, 2013, we delivered digital pay television services to approximately 1.148 million residential subscribers in France, including approximately 852,000 multiple-play subscribers and 296,000 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 June 30, 2013, we provided our analog television package, which includes 30 analog channels, to approximately 91,000 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 September 30, 2013, we provided cable television services to approximately 609,000 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 September 30, 2013, we provided cable television services to 239,000 RGUs in Belgium and Luxembourg, of which approximately 200,285 were in Brussels and approximately 38,827 were in 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 (13,000 as of September 30, 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 16 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 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 30,000 hours of content as of June 30, 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 June 30, 2013, our VoD penetration rate was 54% 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 expect to roll out La Box, one of the most advanced set-top boxes currently on the market, from early 2014.

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 2012 was NIS 667 million (€134.6 million equivalent, calculated based on the average exchange rate for the year ended December 31, 2012 of €0.2018 = 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. For further details, see Part XVIII of this Prospectus (*Regulatory Overview—Israel—Television—Minimum Investment in Local Content Productions*).

As of September 30, 2013, we had 881,000 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 September 30, 2013, we provided cable television services to approximately 69,000 RGUs in Guadeloupe and Martinique. Our pay television offering includes up to 179 channels and radio stations including 31 HDTV channels. Our basic cable-based pay television package, Prima, priced at €29 per month, provides our subscribers with 102 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 179 channels and radio stations, including 31 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 €29 per month. This package provides our subscribers with 35 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 47 international destinations.

*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 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 12,819 double-play DSL customers in France as of June 30, 2013. We also recently introduced a new DSL triple-play package open to subscribers outside our cable network area. As of June 30, 2013, we delivered broadband Internet services to approximately 1.3 million residential subscribers in France, including approximately 1.0 million multi-play subscribers and 328,000 stand-alone subscribers.

We primarily sell fixed-line telephony services as part of our triple- and quadruple-play packages because most installed cable broadband routers are equipped with, or can be easily exchanged for, a broadband 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 June 30, 2013, we had approximately 981,000 fixed-line telephony subscribers.

**Portugal.** In Portugal, we offer customers various broadband 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 September 30, 2013, we provided broadband Internet access services to approximately 156,000 RGUs in Portugal. As of September 30, 2013, we provided fixed-line telephony services to approximately 226,000 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 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 September 30, 2013, we provided broadband Internet access services to approximately 56,000 RGUs in Belgium and Luxembourg, of which approximately 47,321 were in Belgium and approximately 8,836 were in Luxembourg. As of September 30, 2013, we provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg, of which approximately 45,739 were in Belgium and approximately 7,550 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. For further details, see Part XVIII of this Prospectus (*Regulatory Overview—Israel—Internet Service Provider*).

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 41% of our Israeli 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 September 30, 2013, we had approximately 755,000 RGUs to our broadband Internet infrastructure access service in Israel, representing approximately 66% of our Cable Customer Relationships in Israel. As of June 30, 2013 we had approximately 39% 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 €5.72, calculated on the basis of the September 30, 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 not included) for NIS 56. As of September 30, 2013, we had 680,000 RGUs to our fixed-line telephony service in Israel, representing approximately 59% of our Cable Customer Relationships in Israel. As of June 30, 2013 we had 21% market share of 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 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 September 30, 2013, we provided broadband Internet services to approximately 70,000 subscribers (including 15,000 cable based subscribers and 55,000 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 September 30, 2013, we provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 15,000 cable based subscribers and 80,000 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 June 30, 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 €75.1 million in 2010, €70.0 million in 2011 and €70.1 million in 2012. The decline in revenues from 2010 to 2011 resulted from the renegotiation of tariffs upon the expiration of bulk contracts, which generally have five-year terms. 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 neighbour 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 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). In May 2012, we launched LaBox in France and have already rolled out approximately 216,000 units as of June 30, 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 85%. Since its introduction in the first half of 2013, we have already installed approximately 8,400 La Boxes in Belgium and Luxembourg. We expect to introduce it to Israel in the early part of 2014. 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 3G network of Bouygues Télécom pursuant to several MVNO agreements in place since 2010. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012. The data transmission services agreements 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. While we pay a fee to Bouygues Télécom in exchange for access to the latter's wholesale network, 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 provider; as we have not installed the necessary equipment, we do not have fullfledged MVNO status. For example, our MVNO contract does not currently allow us to access Bouygues Télécom's 4G network, nor to transfer our clients' mobile usage to the Wi-Fi network.

Our MVNO agreements in France enabled us to introduce a quadruple-play offer in 2011. 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 151,000 mobile subscribers in France as of June 30, 2013. Nearly all such subscribers were quadruple-play subscribers. Approximately 25% of our new subscribers in the first half of 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 50% of the inhabited territory of Israel and covers over 60% of the Israeli population. We rely 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 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 utilisation 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 and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice. 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 Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services* and *Information about the Company and the Group—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, predominately 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 539,000 UMTS RGUs as of September 30, 2013.

We also continue to provide mobile services using iDEN technology. As of September 30, 2013, we had approximately 234,000 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 in 2014. We are currently the sole operator to offer quadruple-play services in the French Overseas Territories. 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 includes unlimited texts, 500 Mb of Internet data, one hour of calls to mobile numbers in the French Antilles, French Guiana and mainland France and unlimited calls between 3 p.m. and 7 p.m. to one other ONLY customer nominated by the subscriber. 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 40 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 September 30, 2013, we had approximately 367,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 188,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 179,000 pre-paid subscribers. Our mobile ARPU in the

French Overseas Territories was €26.8 and €26.7 for the nine months ended September 30, 2013 and for the year ended December 31, 2012.

***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 June 30, 2013, our fibre network served more than 10,000 business and public sector sites directly (and approximately 1,000 additional sites through third party fibre 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 June 30, 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 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 data services (data centres, 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 June 30, 2013 since June 30, 2012. We estimate that our B2B market share in France in 2012 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 were 8% and 4%, respectively. One of the key drivers of our B2B business in France is our collection of powerful fibre 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 fibre 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 fibre 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, 2012, 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 synchronise 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 synchronised 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 network uses the power of fibre 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 700 corporate and public institution sites in France used Completude Max as of June 30, 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 recognise 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, data centre 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 fibre, Internet links and other fibre 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 datacentre 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 programmes relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialised 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 fibre) 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 now 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 fibre) and optical fibre 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 favours 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 fibre technologies. We believe we will be able to benefit from future growth in data traffic by leveraging our extensive fibre 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 utilisation 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 fibre optic connections to consumers as well as support in enabling us to deploy fibre on public property. Through June 30, 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 fibre 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 centre 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. Fibre 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 fibre network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts de-Seine via 2,600 kilometres of fibre 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 fibre and, since 2011, approximately 200,000 homes in vertical fibre. 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 June 30, 2013, we provided fibre white label triple-play services to approximately 320,000 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 fibre 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 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 will not be automatically migrated to Bouygues Télécom's DSL network. We expect, however, that Bouygues Télécom will recruit new subscribers on its own DSL network and that churn at Darty will lead 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 175,000 end-users in France as of December 31, 2012 and to approximately 145,000 end-users in France as of June 30, 2013. 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 fibre 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 €102.8 million spent on sales and marketing efforts by the Group in the year ended December 31, 2012, out of which our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €63.7 million, €4.4 million, €12.6 million and €19.5 million, respectively. The Numericable Group spent €73 million on sales and marketing efforts in the year ended December 31, 2012.

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 organised 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 have recently also begun to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the ''Numericable'' brand name. 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, 2012, we had 141 Numericable stores in France, 54% 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.

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 June 30, 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 200 distributors led by 30 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 35 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 17 sales and service centres, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores located at Delek gas stations, 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, 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 centres 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, 2012, 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 centres 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 centre 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 18 months. Since January 2013, we have limited the duration of our contracts to 12 months. 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 13,000 pay television RGUs in Israel as of September 30, 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 12 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 of 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 centres located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call centre in each of Tunisia and Morocco (servicing our customers in France), a call centre located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call centre located in Brussels (servicing our Dutch-speaking customers in Belgium), a call centre in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centres in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call centre in Lisbon, Portugal (servicing our business customers in Portugal) and a call centre 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 centres. 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 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 recognised 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 2012, when 65% of our installations in France 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 centres, 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, 2012, approximately 62%, 46% and 34% 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 June 30, 2013, the total length of fibre cables that make up the national long distance network is approximately 13,000 kilometres. Our network has 83 end points and 30 amplification sites and is mainly based on dark fibres owned by us, lit with DWDM optical wavelength equipment. Our network includes hybrid fibre and coaxial cable connections to residential homes, 80 fibre 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 June 30, 2013, our cable network in France passed 9.9 million, or approximately 35% of, French homes, including approximately 5.0 million homes passed by our FTTB/EuroDocsis 3.0-enabled network, approximately 3.5 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). We intend to upgrade all of the remaining 3.5 million triple play-compatible plugs in our existing network to EuroDocsis 3.0 by the end of 2016. Over 85% of the homes passed by our cable network in France is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of June 30, 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 fibre/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 fibre 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 June 30, 2013, our fibre 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 fibre, 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 fibre. 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 fibre 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 ''100Giga 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 1.2 billion minutes.

We own the hybrid fibre 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 fibre on a continual basis, where a densification of our fibre 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, and 503,000 homes in the year ended December 31, 2012. We intend to upgrade all of the remaining 3.5 million triple play-compatible plugs in our existing network to EuroDocsis 3.0 by the end of 2016.

For our B2B customers, one of the advantages of our network in France is that it is scalable with both fibre and DSL providing a key technological edge. We are able to use our fibre 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 Part II of this Prospectus (*Risk Factors—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*), Part XVII of this Prospectus (*Information about the Company and the Group—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 June 30, 2013, the total length of fibre cables that make up our national long distance network is approximately 13,000 kilometres. 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 1.5 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 fibre connection on average (with less than 100 homes per node on average), approximately 16% of homes are located within approximately 200 meters from the fibre 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 fibre 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 fibre 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 fibre 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 fibre rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper based xDSL networks. In particular, a fibre 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 fibre 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, 4 Nortel CS2000 telephony switches and an 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, 750 MGhz and 600 MGhz in 41%, 45% and 14% of 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 copper wires used for local loop connectivity with optical fibre to reach the end user's street or home. We have already deployed FTTx to approximately 170,000 of ours 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 43 million, NIS 46 million and NIS 48 million in 2010, 2011 and 2012 respectively for services provided by Bezeq under these arrangements. For further details, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts*).

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which as of June 30, 2013 comprised of 640 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 50% of the inhabited territory of Israel and covers over 60% of the Israeli population. Of the approximately 1,800 sites needed to cover the entire Israeli territory, we rolled out 1,024 sites by the end of 2013. 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 rely 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 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. 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 and subject to any required agreement or regulation. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice. 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. 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 described above.

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 2,500 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand that some of the relevant frequencies are used by the Israeli Ministry of Defense 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 906,000 homes as of September 30, 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 fibre. 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 recent 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 fibre and 427 points of presence supporting 1,600 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fibre 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 Iberian ring. Furthermore, we use SDH to support Ethernet services to provide 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-fibre, 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 130 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 10Mbps (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 fibre 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 kilometres of fibre backbone. We own the primary and secondary fibre backbone and the fibre and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometres of fibre backbone. We own the primary and secondary fibre backbone and the fibre and coaxial cable.

Our fibre 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 September 30, 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 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 June 30, 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 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) in 2014 and 2015 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 centralisation efforts is to leverage the combined scale of our operations located in different geographies and thus negotiate more favourable 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 centralisation 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 centres 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 expect to introduce the same device to our Israeli operations in the early part of 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 globalisation 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 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 fibre 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 provides us with in-country roaming services for our 3G mobile operations 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 utilisation 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 and subject to any required agreement or regulation. 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 centre 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 fibre) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibres, 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 Prospectus.

### *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 fibre networks. The terms on which Orange makes its ducts available to other operators are less favourable 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 60 agreements, 20 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 (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, fibre lease agreements and use of dark fibre 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 2020. The fibre lease and dark fibre 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 and 2012, 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 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 favour 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. For further details regarding the term of our broadcasting licenses, see Part XVIII of this Prospectus (*Regulatory Overview*—Israel—*Television*—*Overview*).

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 neighbourhoods. 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 43 million, NIS 46 million and NIS 48 million in 2010, 2011 and 2012 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. On January 31, 2013, the agreement with NSN was amended to change payment terms of certain amounts due under the agreement.

***White Label Contracts in France***

We are party to long-term contracts with the French appliance retail company Darty (white label DSL and fibre contract) and the French telecommunications operator Bouygues Télécom (white label fibre 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.

Our white label contracts (both DSL and fibre) are tailored to the needs and requirements of each customer and offer pay television and broadband Internet access services as well as certain other products and services such as fixed-line telephony services, set-top boxes, maintenance, customer care or billing, should the white label customer so elect. Under these 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. In addition, we directly invoice Darty for the delivery of set-top boxes and very high-speed broadband routers.

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 fibre 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, in connection with Bouygues Télécom's acquisition of Darty, Darty and Bouygues Télécom entered into an agreement pursuant to which Darty will market Bouygues Télécom's telecommunications services to its customers. Accordingly, the 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. Such amendments provide for the deletion of the non-compete and exclusive-supply clauses previously contained in the original white label contracts and specify certain competitive dynamics to govern customer migration between the three entities.

In connection with these renegotiations, we also entered into two new agreements with Darty in December 2012. The first of such agreements provides that Darty will (i) connect Bouygues Telecom customers subscribing to services within the new Darty-Bouygues Telecom commercial relationship to our network and (ii) provide after-sales services to such customers. The second agreement represents a change from our previous white label contracts. While we will continue to provide services to Darty under the existing white label contracts, pursuant to a new distribution agreement entered into with Darty in December 2012, we will provide television, broadband Internet and/or telephony services to Darty's customers under the Numericable brand. This contract will expire on December 31, 2013 unless either party provides a notice of non-renewal one month prior to the expiration date, in the absence of which the contract will be automatically renewed for an indefinite period and may be terminated upon three months' notice by either party.

***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, 2012, on an aggregated basis, we incurred interconnection fees of €51.4 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. Our agreement with Pelephone is scheduled to expire in December 2014, subject to notice.

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 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 and subject to any required agreement or regulation.

***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.

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.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We plan to introduce LaBox in Israel in early 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. 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 expires on December 13, 2013 and will be renewed automatically at the end of its initial term 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 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 fibre 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.

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, licenced 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 the agreement are valid until December 31, 2013 and are likely to be 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.

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 Six, 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 Six 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 ''Completion 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:

- The Company, 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 ''—the 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 November 17, 2013, Altice Six entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable Group following which Altice Six will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes in the board of directors. The Numericable Acquisition is subject to antitrust approval.
- Following the Numericable Acquisition, Altice Six will be entitled to hold the majority at meetings of Numericable's board of directors, in accordance with the provisions of the Numericable Shareholders' Agreement described under ''—Composition of Numericable's Board of Directors'' below;
- Except in special circumstances, Altice Six 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 Six's share capital; Altice Six 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 Six and Carlyle the right to propose the appointment of certain directors: Altice Six 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 Six'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 Six, 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 Six's shareholding falls below the Initial Threshold and the above-referenced ownership thresholds of 15% and 5% of Numericable's share capital, Altice Six 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 Six so that the Numericable's board will be composed of nine members.

Furthermore, if Altice Six'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 Six 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 Six. 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 Six; and (iii) the new Chairman of the board of directors will be chosen among the members designated by Altice Six;

(2) in the event that the board of directors is composed of only nine members, Cinven and Carlyle have agreed to vote in favour of the appointment of an additional director, appointed by Altice Six, so that board of directors is composed of ten members;

(3) in the event that, as of the date Altice Six crosses the 37.5% threshold, Altice Six 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 Six, so that Altice Six 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 Six 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 Six falls below the 37.5% ownership threshold, the rules governing the composition of the board of directors applicable prior to Altice Six's exceeding the 37.5% threshold shall be reestablished and Altice Six 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 Prospectus, the board of directors of Numericable is comprised of the Chairman and CEO and three additional directors appointed by Altice Six, one director appointed by Cinven, two directors appointed by Carlyle and three independent directors. On November 17, 2013, Altice Six entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable Group following which Altice Six will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes in the board of directors. The Numericable Acquisition is subject to antitrust approval.

*Other Provisions*

In accordance with the Numericable Shareholders' Agreement, Cinven, Carlyle and Altice Six intend to act in concert with respect to Numericable.

The Group in Concert will be dissolved if Cinven, Carlyle and Altice Six, collectively, hold less than 10% of Numericable's share capital and voting rights with respect to any of Cinven, Carlyle and Altice Six, if such party individually holds less than 5% of Numericable's share capital and voting rights.

Under the Numericable Shareholders' Agreement, Cinven, Altice Six 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'';
- 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;
- finalisation 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 fibre 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);
- authorisation 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 Labour 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 Six, 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 Six, 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 Six 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 Six, Cinven or Carlyle, pre-emptive and preferential rights granted to Altice Six 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 Six may transfer to the banks financing Altice Six's acquisition of Numericable's shares in the context of the Numericable IPO all of Numericable's shares held on the Completion Date by Altice Six and pledged to such banks as collateral for such financing.

*Transfer restrictions for shares held by Altice Six, Cinven and Carlyle:* For the duration of the Numericable Shareholders' Agreement, Altice Six, 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 Six 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 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 Six will have a pre-emptive right to purchase Numericable's shares offered for sale; (iii) if Altice Six 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 Six 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 Six 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 Six, 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 Six.

*Loss of Altice Six's pre-emptive and preferential rights:* Altice Six 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 Six that results in Altice Six having a lower shareholding in Numericable than 30% plus one share, (ii) a transfer by Altice Six, within one calendar year, of Numericable shares that represent more than 2.5% of Numericable's share capital (the ''Permitted Altice Six Percentage'') (it being specified that this maximum percentage does not take into account any freely permitted transfer that Altice Six could be a party to) (as long as these transfers do not result in Altice Six having a lower shareholding in Numericable than 30% plus one share), and in the event that Altice Six does not transfer all of the Permitted Altice Six Percentage within one calendar year, the non-transferred proportionate share of the Permitted Altice Six Percentage will be added to the Permitted Altice Six Percentage in the following year, as long as the number of Numericable shares that Altice Six 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 Six 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 Six, or (iv) loss by Altice Six 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 Six, as an alternative to its preferential right) will have a joint transfer right, for five years from the Completion 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 Six, including shares included in the Permitted Altice Six Percentage, excepting only freely permitted transfers.

*Maintenance of the public float:* Altice Six, 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 Six (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%[2] 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%[3] 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 and will be 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 Six in favour of the banks financing the 2013 Margin Loan, with respect to certain of Numericable's shares that Altice Six holds, could result in a change in the controlling shareholders of the Numericable Group. For further details regarding the 2013 Margin Loan, please see Part XIX of this Prospectus (*Description of Certain Indebtedness—The 2013 Margin Loan*).

***Funds Shareholders' Agreement***

At the Completion Date, 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 Six, acquired a direct stake in Numericable's share capital and voting rights from Altice Six (the ''Funds' NG Shares''), in consideration for the repayment and the buy-back of a part of these securities and financial instruments by Altice Six.

The Funds have also each granted Altice Six 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 Six and the Funds or upon Altice Six'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,

[2] This percentage is 20% with respect to the call options granted by the Pechel Funds and the Five Arrows Funds.

[3] This percentage is 20% with respect to the call options granted by the Pechel Funds and the Five Arrows Funds.

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 Completion Date. Thus, the Funds' NG Shares will be considered to be shares owned by Altice Six, 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 Six, or with Cinven and Carlyle, following Altice Six's initial public offering.

In addition, Altice Six 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 Six is granted pre-emptive and preferential rights with respect to the Pechel Funds and the Five Arrows Funds, which are equivalent to those Altice Six 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.

***Existing Outremer Shareholders' Agreement***

On July 5, 2013, the Company, 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 ''OMT Managers''). In connection with the Outremer Acquisition, Altice Caribbean entered into a shareholders' agreement with the OMT Managers (the ''Outremer Shareholders' Agreement''), which includes certain limitations on Altice Caribbean's rights as a majority shareholder of Altice Blue Two. The OMT Managers and Altice Caribbean have certain veto and consent rights. The Outremer Shareholders' Agreement contains certain restrictions to the transfer of Altice Blue Two's shares, including (i) an inalienability period of five years (subject to certain exceptions) and (ii) pre-emption rights in case of partial transfers of shares. Further, the Outremer Shareholders' Agreement grants certain liquidity rights to the OMT Managers on their shares in Altice Blue Two, including by providing for (A) a buy-back plan for a portion of the shares of Altice Blue Two issued to the OMT Managers in remuneration of their contributions in kind and (B) put option arrangements pursuant to which the OMT Managers may sell to Altice Caribbean (i) up to one third of their shares in Altice Blue Two in 2016, (ii) an additional one third of their shares in 2017 (plus all shares covered by the 2016 put option arrangement but not sold in 2016) and (iii) the remaining of their shares in 2018. The Outremer Shareholders' Agreement also provides that Altice Blue Two will annually distribute 50% of its consolidated net income to its shareholders, after deduction of the amounts necessary to satisfy the requirements of Altice Blue Two and its subsidiaries under certain intercompany proceeds loans, the payment of management fees and the share buy-back plan. In addition, the Outremer Shareholders' Agreement provides that, in case of an indirect change of control of Altice Blue Two occurring while Altice Blue Two and its subsidiaries are not in default under certain intercompany proceeds loans, including as a result of enforcement by creditors of Altice Caribbean, the OMT Managers shall have a put option and a drag along right on all of their shares in Altice Blue Two, exercisable directly vis à vis the Company.

***Envisaged shareholders' arrangements between the OMT Managers and the Mobius Managers***

Altice Caribbean is in advanced discussions with the OMT Managers and the Mobius Managers to provide that (i) the OMT Managers will contribute their shares in Altice Blue Two (other than ratchet shares) to the Company and their ratchet shares in Altice Blue Two to Altice Caribbean and that (ii) the Mobius Managers will reinvest a fraction of their proceeds from the Mobius Acquisition in Ordinary Shares in the Company as well as in ratchet shares in Altice Caribbean.

In this respect, it is envisaged that the OMT Managers and the Mobius Managers will enter into arrangements with Next L.P. which may provide, *inter alia*, for specific lock-up commitments on their shares in the Company (lapsing partially in 2016 and 2017, and totally in 2018, see Part VIII- ''*Plan of distribution—Lock-up Arrangements*'') and that Next L.P. will benefit from a pre-emption right on those shares. Such arrangements may further provide for a call option on those shares in favour of Next L.P. in or around 2018, at market value and may contain specific provisions on the voting rights of the OMT Managers and Mobius Managers in the Company.

Further, it is envisaged that the OMT Managers and the Mobius Managers will enter into a shareholders' agreement with Next L.P., the Company or a subsidiary of the Company, which may include certain limitations on Altice Holdings' rights as a majority shareholder of Altice Caribbean (the ''Envisaged Altice Caribbean Shareholders' Agreement''). The Envisaged Altice Caribbean Shareholders' Agreement may contain certain restrictions to the transfer of Altice Caribbean shares to be owned by the OMT Managers and Mobius Managers (the ''Managers' Altice Caribbean Shares''), including, *inter alia,* inalienability clauses (subject to certain exceptions) on the Managers' Altice Caribbean Shares. Further, the Envisaged Altice Caribbean Shareholders' Agreement may grant certain liquidity rights to the OMT Managers and Mobius Managers, including by providing for put option arrangements pursuant to which the OMT Managers and the Mobius Managers may sell the Manager's Altice Caribbean Shares to Altice Holdings (or an affiliate of Altice Holdings) in 2018. It may further provide that Altice Holdings will have a call option on the Managers' Altice Caribbean Shares, exercisable in or around 2018.

These new arrangements would partially or totally replace the existing Outremer Shareholders' Agreement.

Based on the current status of discussion between Altice Caribbean, the OMT Managers and the Mobius Managers, and assuming that (i) the OMT Managers and the Mobius Managers contribute their shares in

Altice Blue Two (other than ratchet shares) to the Company and that (ii) the Mobius Managers will reinvest a fraction of their proceeds from the Mobius Acquisition in Ordinary Shares in the Company, the Company would issue approximately 2,360,945 new Ordinary Shares to be subscribed by OMT Managers and Mobius Managers (based on an Offer Price at the mid-point of the Offer Price Range) which would lead to dilution of Company shareholders by approximately 1.1% (based on an Offer Price at the mid-point of the Offer Price Range). In addition, the existing arrangement also contemplates a 2014 financial performance based earnout payable to the OMT Managers and the Mobius Managers which will be settled by the Company by way of an issue of Ordinary Shares up to the value of €10 million in early 2015.

***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 automatically renewed at their expiration. 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. In 2012, we negotiated more favourable financial terms (which retroactively apply as from January 2012) for the voice and data transmission contracts entered into with Bouygues Télécom, including reduced pricing on both the flat fee and variable fee component.

Our MVNO agreements with Bouygues Télécom do not currently allow us to transfer our customers' mobile usage to WiFi nor to access Bouygues Télécom's 4G network. The fact that we are currently not currently able to transfer our customers' mobile usage to WiFi could place us in a less favourable position compared to our competitors who are able to transfer mobile usage to WiFi, thereby allowing such competitors a structurally lower cost base. Furthermore, upon the deployment of 4G services, we could find ourselves in a less competitive position in the French mobile telephony market.

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.

**Proposed Shareholders' Agreement between Next L.P., Penta and Valemi**

Next L.P., Penta and Valemi have agreed to enter into a shareholders' agreement to be executed prior to Admission pursuant to which each of Penta and Valemi shall agree to grant to Next L.P. a right of first refusal with respect to any proposed transfer of Ordinary Shares of the Company 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 September 30, 2013 | As of December 31, 2012 | As of December 31, 2011 |
|---|---|---|---|
| France | 2,040 | 1,979 | 1,625 |
| Israel | 3,099 | 5,121 | 5,814 |
| Belgium and Luxembourg | 66 | 72 | 80 |
| Portugal | 504 | 528 | 674 |
| Switzerland | 93 | 81 | 81 |
| French Overseas Territories | 829 | 869 | 953 |
| Total | 6,631 | 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 labour laws in each of the jurisdictions in which we operate. Labour 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 organised 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 optimisation; 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 should 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 Prospectus, we consider our employee relations to be good.

**Properties**

We lease and own certain properties for our corporate offices, sales offices, broadcast centres, communication rooms, customer service centres, 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 and Airport City, both 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 Prospectus in ''*Risk Factors—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 favourable 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 Prospectus, 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 favour 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 authorisation 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, while Internet and telephony services are subject to a 19.6% VAT rate. 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, because such services are newer products. As a result, the VAT the Numericable Group charged to its 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 €17.3 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. No audit has been initiated for 2011.

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.

As of September 30, 2013, a tax provision of €25.1 million was recognised (the same amount as of June 30, 2013 and December 31, 2012), including all the risks related to VAT (except the penalties of 40% which represent €7.1 million) with respect to the reassessments notified for fiscal years 2006 to 2010 (i.e., €23.5 million). The Numericable Group contested the proposed reassessments on August 21, 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 Prospectus (*Risk Factors—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. As no notification has been received at this stage, no provision has been recorded in the combined financial statements as of September 30, 2013.

***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.

***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 fibre 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 favour 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 favour 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.

In a separate dispute with Orange, Orange filed a claim against the Numericable Group before the Commercial Court of Paris on September 6, 2011. Orange claims that invoices in the amount of €3.1 million remain unpaid. These invoices relate to physical infrastructure occupied by the Numericable Group between 2005 and 2007, following the sale of Orange's cable networks to the Numericable Group. The Numericable Group argued that Orange prevented the Numericable Group from moving out of these infrastructures and therefore does not believe that the disputed invoices are due. Orange filed another claim on identical grounds against the Numericable Group before the Commercial Court of Paris on February 1, 2012, claiming that invoices in the amount of €543,000 remain unpaid. These cases are still pending before the Commercial Court of Paris. The date of the hearing has not been scheduled yet.

Furthermore, in connection with a separate matter, on August 5, 2010, Completel filed a claim against Orange before the Commercial Court of Paris, claiming damages of about €500 million resulting from anticompetitive practices from Orange which delayed Orange competitors' access to the DSL market during fiscal years 1999 to 2003. On December 13, 2011, the Commercial Court of Paris rejected Completel's claim. Completel appealed this decision. The decision of the Paris Court of Appeal is expected during the course of fiscal year 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.

The case is currently pending before the Commercial Court of Paris. 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, as it considers the decision unjustified both in principle and in respect of the amount of damages awarded.

***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 court schedule for the case has not yet been set.

***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 €900,000, including €850,000 in 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. Colt, Free and Orange have three months to file an appeal before the Court of Justice of the European Union.

***Labour disputes in France***

The Numericable Group is involved in certain labour 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 harmonisations in labour 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.

***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 Prospectus, 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. The matter is still pending.

In June 2010, a suit seeking certification as a class action was filed against us in the Tel Aviv District Court, relating to alleged breach of certain provisions of the Communications Law when sending short message service (SMS) notices, which included advertising material to some of our subscribers' without receiving such subscribers' prior consent. The applicants estimate damages in the suit of no less than NIS 754 million. 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.

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. The matter is still pending.

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. The matter is still pending.

In June 2012, a suit seeking certification as a class action was filed against HOT in the Jerusalem District Court relating to an alleged misleading of its ''HOT Mega'' package subscribers. The applicant estimates damages of NIS 240 million. The matter is still pending.

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 (€20.3 million based on the September 30, 2013 exchange rate). The proceedings are still pending.

## PART XVIII—REGULATORY OVERVIEW

### 1. General

Our business is subject to various regulatory requirements and obligations including communications and broadcasting laws, general antitrust law, environment, health and safety laws, planning and construction laws, consumer protection laws as well as technical and other regulations in each of the jurisdiction in which we operate. The ever changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in France, Israel, Portugal, Belgium, Luxembourg, the French Overseas Territories and the Dominican Republic as at the date of publication of this Prospectus are set forth below. This description is not intended to be an exhaustive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

### 2. France

The Numericable Group's business activities are subject to the laws and regulations of both France and the European Union governing the telecommunications sector and the information society.

#### *Regulation of Electronic Communications Networks and Services*

*The European Regulatory Framework for Electronic Communications*

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications (*Code des Postes et des Communications Electroniques* (the ''**CPCE**'')). The provisions of the CPCE are primarily based on the following five directives contained in the ''2002 Telecoms Package'' of the European Union, which apply to the seven relevant markets defined by European Commission's recommendation 2007/879/CE dated December 19, 2007[4]:

- Directive 2002/21/EC dated March 7, 2002, regarding a common regulatory framework for electronic communications networks and services (the ''**Framework Directive**'');
- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the ''**Access Directive**'');
- Directive 2002/22/EC dated March 7, 2002, on universal services and users' rights relating to electronic communications networks and services (the ''**Universal Service Directive**'');
- Directive 2002/20/EC dated March 7, 2002, relating to the authorisation of electronic communications networks and services (the ''**Authorisation Directive**''); and
- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the ''**Privacy and Electronic Directive**'').

In addition to the 2002 Telecoms Package, the following texts are also applicable to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, relating to competition in the markets for electronic communications networks and services (the ''**Competition Directive**'');
- Regulation (EC) 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and non-discriminatory conditions; and
- Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the Union, which provides that all wholesale and retail roaming charges levied by mobile operators are subject to price caps. For network operators, the regulation also imposes an obligation to grant reasonable requests for wholesale access to roaming services and the opportunity for retail customers to choose an alternative roaming operator, separate from their

[4] In 2012, the European Commission initiated a review process with respect to this recommendation, with the goal of adoption in 2014.

national operator starting on July 1, 2014. The table below sets out the maximum roaming charges that may be applied by mobile operators:

| | From July 1, 2012 to June 30, 2013 | From July 1, 2013 to June 30, 2014 | From July 1, 2014 to June 30, 2017 |
|---|---|---|---|
| **Retail prices** | | | |
| Outgoing calls (per minute) | €0.29 | €0.24 | €0.19 |
| Incoming calls (per minute) | €0.08 | €0.07 | €0.05 |
| SMS (per message) | €0.09 | €0.08 | €0.06 |
| Data (per Mb of data transferred) | €0.70 | €0.45 | €0.20 |
| **Wholesale prices** | | | |
| Calls (per minute) | €0.14 | €0.10 | €0.05 |
| SMS (per message) | €0.03 | €0.02 | €0.02* |
| Data (per Mb of data transferred) | €0.25 | €0.15 | €0.05 |

* Remains applicable until June, 30, 2022

In 2009, the European Parliament and Council adopted a new regulation and two directives that slightly amended the 2002 Telecoms Package, without significantly changing the overall regulatory framework (the ''**2009 Directives**''). These regulations, which round out the regulatory framework and provide additional powers to national regulatory authorities (''**NRAs**'') and the European Commission are as follows:

- Regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the ''**BEREC**'') and the Office, a community body which provides administrative and professional support services to the BEREC. Rather than operating as a European regulatory agency, the BEREC's role is to act as a forum for cooperation between the NRAs and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council. For example, on May 29, 2012, BEREC published a report on the neutrality of the Internet and the management of Internet traffic in Europe.
- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorisation Directives. This new directive (i) introduces a last-resort remedy of functional separation to overcome competition problems, (ii) gives the European Commission new powers to issue recommendations on draft measures proposed by NRAs, (iii) facilitates access to the radio spectrum by allowing spectrum users to transfer or lease their usage rights to third parties, and (iv) states that NRAs should have the power to ensure the effective use of the spectrum and to take action to prevent anticompetitive barriers by certain operators; and
- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws, in order to (i) strengthen the rights of users of electronic communications services, (ii) extend the universal service to broadband, and (iii) ensure the quality of services offered as well as market transparency and fluidity.

These two directives were transposed into the CPCE by ordinance 2011-1012 dated August 24, 2011, decree 2012-436 dated March 30, 2012 and decree 2012-488 dated April 13, 2012. The French national regulatory framework was slightly amended by two other decrees in 2012:

- decree 2012-513 dated April 18, 2012, concerning the reporting of information to the public authorities on infrastructure and networks set up in their areas. This decree sets down a procedural framework and lists the type of information that operators are required to provide to local government agencies; and
- decree 2012-1266 dated November 15, 2012, relating to safety and integrity controls for the equipment, networks and services of electronic communications operators. This decree provides that the French government may carry out audits and controls on the safety and security of operators' networks.

On December 5, 2012, the European Commission published on its website a draft recommendation on ''consistent non-discrimination obligations and costing methodologies to promote competition and

enhance the broadband investment environment'' and submitted it to the BEREC for its opinion. In its current form, the recommendation provides that access prices should be calculated using a bottom-up modelling approach based on a model that includes existing infrastructure (mainly ducts) as well as ones that will have to be constructed from scratch when building a next generation access network. The recommendation states that the European Commission expects the average monthly rental access price of the full unbundled copper local loop in the European Union which will result from the application of the recommended methodology to fall within a range of prices between €8 and €10 (consequently the €8.90 price currently applicable in France already falls into this range). The recommendation also establishes the cost accounting methodology to be used for the asymmetric regulation of fibre but does not set out the methodology for the symmetric regulation of fibre (see below for details on the symmetric model in force in France).

On June 17, 2013, the European Commission and its Vice-President held a public information meeting to relaunch the implementation of the ''single telecoms market,'' within the European Union, the key features of which would be the following: (i) creating a passport procedure within the European Union and a unique authorisation for the provision of services within the European Union, (ii) granting operators harmonised access to the inputs necessary for the provision of services, coordinating spectrum assignment for mobile and wireless services, and offering harmonised ''access products'' to operators, and (iii) enabling consumers within the European Union to freely enjoy telecom services across Europe by ensuring open and non-discriminatory access to Internet services, transparency, ability to easily switch providers and eliminating differences in roaming charges applied to national and international calls/SMS. On September 11, 2013, the European Commission issued a proposal for a new regulation entitled ''Connected Continents'' which is yet to be finalized and adopted.

*French Regulatory Framework Applicable to Electronic Communications*

Responsibility for the control and effective implementation of the European regulatory framework lies with the NRAs.

***Authority of the ARCEP***

In France, the NRA for electronic communications is the *Autorite de Regulation des Communications Electroniques et des Postes* (**''ARCEP**''), created in January 1997. The 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 authorisations granted.

The Numericable Group's operations do not require specific authorisations from the ARCEP. However, the Numericable Group must declare its activities and register with the ARCEP.

Until recently, the sanctions available to the 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. It 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 the 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 ARCEP's Chairman 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 Numericable 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 the ARCEP set forth in Article L. 36-11, paragraphs 1 through 12, of the CPCE.

The French regulatory framework is completed by ARCEP's decisions and regulations. ARCEP decisions may relate to asymmetric regulation—i.e., applying to operators that occupy a dominant market position—or symmetric regulation, i.e., applying to all operators. Certain symmetric regulation decisions have to be approved by the French Minister for Electronic Communications.

In 2012 and 2013, the main decisions issued by ARCEP concerning the Numericable Group were as follows:

- ARCEP decision 2012-007 dated January 17, 2012, amending the depreciation periods used for Orange's copper local loop assets, as previously provided for in decision 05-0834 dated

December 15, 2005. The 2012 decision led to a reduction in the unbundling fee from €9 to €8.80 in 2012. The impact of this decision will be partly offset, however, by the effect of ARCEP decision 2013-0001 dated January 29, 2013 concerning the rate of return on capital employed to be applied for accounting for costs, and controlling the fees for Orange's regulated landline activities for 2013 to 2015, which resulted in the unbundling fee being increased to €8.90 on May 1, 2013;

- ARCEP decision 2012-1546 dated December 4, 2012, establishing the provisional contributions of operators to the cost of the universal service for the year 2013 (see below for details on the universal service).

***Market Analysis—Asymmetric Regulation***

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position. Ex-ante asymmetric regulation is focused on market segments—mainly wholesale markets—in which distortion of competition and dominant market positions have been identified. Pursuant to the Framework Directive, regulation 1211/2009 establishing the BEREC and articles L. 37-1 to L. 38-1 of the CPCE, the ARCEP is required, under the supervision of the European Commission and the BEREC, and on the basis of the recommendation of the French antitrust authorities, to (i) define the relevant markets in France, (ii) analyse the relevant markets and identify companies that have significant market power in these markets, and (iii) decide whether or not to impose on these companies regulatory obligations commensurate with the competition problems identified.

The first and second phases of this market analysis were completed at the end of 2007 and 2010, respectively. The market analysis was carried out by the ARCEP in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by the ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L. 38, L.38-2 (wholesale markets) and L. 38-1 (retail markets) of the CPCE. These measures include obligations to publish detailed technical and pricing specifications relating to interconnection and access, to provide interconnection or access services under non-discriminatory conditions, to grant reasonable requests for access to network and associated facilities, not to charge excessive or predatory prices in the market in question and to charge prices which are oriented towards the corresponding costs, to separate the accounting of certain activities, to provide retail services under non-discriminatory conditions, not to unreasonably bundle these services, to comply with the price cap mechanism set by ARCEP, and to obtain ARCEP's approval of prices prior to their application. For wholesale markets, in case the foregoing measures are not sufficient to resolve competition issues, the ARCEP may in addition impose a functional separation of the wholesale activities of the electronic communications operator in question.

Neither Numericable nor Completel is considered by the ARCEP as an operator with significant market power in any relevant market except in the market of calls terminating on their network, like all other operators. This implies that Numericable and Completel must comply with the regulations applicable to call termination charges on landline networks. In fact, landline operators, including Numericable and Completel, are considered to have significant power in the market for the termination of geographic calls on their networks and, pursuant to Articles L. 38 and L. 38-1 of the CPCE, are subject to obligations relating to access, interconnection, non-discrimination and transparency, as well as an obligation not to engage in excessive pricing.

The regime governing the call termination charges on landline networks has evolved in recent years. From October 1, 2010 to October 1, 2011, the call termination charges applied by operators were set at €0.05 per minute. Pursuant to decision 2011-0926 of the ARCEP dated July 26, 2011, the maximum call termination charge was set at €0.003 from October 1, 2011 to July 1, 2012, at €0.0015 from July 1, 2012 to January 1, 2013, and at €0.0008 onwards. Therefore, the Numericable Group's termination charges invoiced by other landline operators have decreased as from October 1, 2011. In turn, the Numericable Group's revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

Pursuant to decisions adopted in the summer of 2011 and applicable until the summer of 2014 concerning the regulation of the broadband and ultra-fast broadband markets, the 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 (unbundling the copper local loop and access to infrastructure). The provisions relating to the asymmetric regulation system for ducts were extended to overhead infrastructures and the regulations on passive access to the unbundled copper local loop have been maintained and extended to cover access to the local sub-loop in order to increase the speeds available for subscribers. Furthermore, the ARCEP stated that bit-stream pricing is now required to be cost-oriented. In 2012, the ARCEP issued an interim scorecard in which it stated that there was no need to make any adjustments to the applicable regulations until the end of the current round of market reviews in mid-2014.

In 2013, the ARCEP launched a new market analysis on the following markets to determine possible adjustments to the regulatory framework for the period from 2014 through 2016, through the launch of a first public consultation open from April 3 to May 15, 2013, and for which it published a summary on its website. On July 4, 2013, the ARCEP published a press release on its website and submitted to public consultation a scorecard of current regulation and possible pathways for development from mid-2014 to mid-2017. The relevant markets are the following: ''wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location,'' and ''wholesale broadband access,'' which comprises non-physical or virtual network access including ''bit-stream'' access at a fixed location; ''capacity services.'' The public consultation ran until September 16, 2013. 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 in January 2014 and the draft must now be submitted to the European Commission. Our business in France has not been identified in ARCEP's draft as having significant market power in any of these markets. However, Numericable and Completel cannot guarantee that they 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, as a consequence, impose additional regulatory measures with respect thereto.

***Symmetric Regulation***

The ARCEP also regulates the telecommunications sector in a symmetrical way, i.e., by imposing the same obligations on all operators, through a number of decisions, including:

- Decision 06-0639 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories or providing universal information services;
- Decision 07-0213 dated April 16, 2007, on obligations imposed on operators that control access to end-users for routing communications used for value-added services;
- Decision 2008-1362 dated December 4, 2008, on publishing measures of service quality indicators for landline networks;
- Decision 2009-0637 dated July 23, 2009, on the implementation of fixed numbers portability and the routing of communications to the ported fixed and mobile numbers;
- Decision 2009-1106 dated December 22, 2009 and decision 2010-1312 dated December 14, 2010, on the methods of access to the terminal section of optical fibre networks; and
- Decision 2010-1314 dated December 14, 2010, on the eligibility of optical fibre networks for grants from the French digital development fund.

***Interconnection Access***

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers. Interconnection agreements are subject to private law but the main tariffs are set by the ARCEP. These agreements must be disclosed to the ARCEP if requested. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (*Cour d'appel*). Any such appeal lodged against an ARCEP decision does not suspend application of the ARCEP's ruling.

Numericable has interconnection agreements mainly on call termination on its network and on the networks of other operators, peering or interconnection of Internet traffic, the use of ducts or fibre, and

access to its fibre network by other operators. Completel has similar agreements, as well as other interconnection agreements, among others, in voice transit services for other operators, leased lines or data services and traffic gathering for editors of voice and data added-value services.

***Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fibre Networks***

The French Economic Modernisation Law dated August 4, 2008 included several provisions designed to establish a regulatory framework for the roll-out of very-high-speed optical fibre networks.

The law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of FTTH optical fibre networks in their buildings; (ii) rules for sharing optical fibre access in order to avoid several FTTH networks being set up within the same building (only one ''building operator'' (*opérateur d'immeuble*) may therefore set up a network in its building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision-making powers to set the terms and conditions relating to the application of this law. Accordingly, for the optical fibre networks located in France's 148 most densely populated cities, the ARCEP decision 2009-1106 dated December 22, 2009 regulates access to the terminal section of networks installed by telecommunications operators in buildings. If they wish, operators can co-invest in FTTH networks installed by other operators and can consequently get a dedicated fibre. The ARCEP decision 2010-1312 of December 14, 2010 sets forth the terms and conditions for access to very-high-speed optical fibre electronic communications lines in less densely populated areas. Under this decision, operators are required to establish shared access points that are sufficiently large to enable other operators to obtain access at reasonable prices. It also requires operators rolling out a network to store the active or passive network devices of other operators at these shared access points.

Lastly, in January 2010, the French government set up a €20 billion fund to finance the development of very-high-speed networks. On July 27, 2011, €900 million were allocated to co-finance the development of the fibre network in less densely populated areas. The Numericable Group intends to pursue an opportunistic strategy in relation to the governmental program.

*Legal Status of the Cable Networks*

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These components can be governed by different legal frameworks (see below). Because the Numericable Group's physical infrastructure is not built on its own premises (but on public land and private property), the Numericable Group has entered into concession or lease agreements, or benefits from easements, or IRU agreements with landlords. The telecommunications equipment itself can be directly owned by the telecommunications operator or owned by a third-party (which may be itself a telecommunications operator). Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment. The Numericable Group has built its network by acquiring and combining entities which themselves had built their networks under different legal frameworks, with different combinations of the legal frameworks described below.

***Network Using the Ducts of Orange***

In 1982, the French State launched the Cable Plan (*Plan Câble*) (established by the laws dated July 29, 1982 and August 1, 1984). Under the Cable Plan, the cable network was built by the French State and later transferred to Orange, the incumbent telecom operator. The network was initially operated by certain of the Numericable Group's predecessors, local entities financed by both private and public funding, which the Numericable Group later acquired. At the time of these acquisitions, Orange granted the Numericable Group several IRUs on its infrastructure (mainly ducts). These IRUs, which were entered into at various dates, were granted to the Numericable Group for terms of 20 years each and the renewal of the first of these will have to be negotiated between the parties in 2019.

For a description of the Numericable Group's IRU agreement with Orange, see Part XVII of this Prospectus (*Information about the Company and the Group—Material Contracts*). The network using the ducts of Orange represents 55% of the Numericable Group's overall network.

Pursuant to the ARCEP decision 2008-0835 dated July 24, 2008, Orange published on September 15, 2008, a commercial offer allowing telecommunications operators to roll-out their own fibre networks in the ducts of Orange. Orange then asked Numericable to modify the IRUs granted in order to align the operational procedures set forth in the IRUs with some of the operational procedures of this commercial offer. In particular, Orange asked Numericable to follow the general rules of access to the physical infrastructures of Orange, for the purpose of maintaining and upgrading its network. This issue was litigated and the ARCEP (on November 4, 2010) and the Paris Court of Appeal (on June 23, 2011) ruled in favour of Orange. Numericable appealed the decision before the French Supreme Court (*Cour de cassation*) but it upheld, for the most part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against Numericable, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, Numericable executed with Orange 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 the Orange generic commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not suspended by the execution of the amendments to the IRUs and Numericable and NC Numericable were fined €5.0 million on December 20, 2011 for non-compliance with the ARCEP's November 4, 2010 decision. However, on October 21, 2013, the Conseil d'Etat annulled the ARCEP's decision to impose the above-mentioned penalty and the €5.0 million penalty has been refunded to the Numericable Group.

Lastly, Numericable initiated proceedings against Orange before the Paris Commercial Court on October 7, 2010, claiming damages of €2.7 billion for breach of these contracts by Orange and for the modification of the IRUs. The Paris Commercial Court ruled on April 23, 2012 in favour of Orange and dismissed Numericable's claims for damages, ruling that there were no material differences between the original operational procedures and the new operational procedures imposed on Numericable by Orange under its generic commercial offer published on September 15, 2008. Numericable appealed this decision before the Paris Court of Appeal. The case is still pending; Numericable claims before the Paris Court of Appeal the same amount of damages as before the Paris Commercial Court. 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.

***Networks Set Up Following the New Deal Plan***

In 1986, the 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 the Numericable Group 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 the Numericable Group's overall network. The Numericable Group entered into approximately 500 agreements in connection with New Deal Plan networks.

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. The issue relates to the identification of agreements that can be categorized as agreements for the delegation of public services (*délégation de service public*). Under an agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out such public services (biens de retour) revert back to the local authorities upon the expiration or termination of the agreement.

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. Moreover, law 2008-776 of August 4, 2008 authorized local authorities to grant equal rights of

access on their networks to the Numericable Group's competitors even if the agreement with such local authorities says otherwise. In a report dated July 2007, the ARCEP was of the opinion that, although final determination on the categorisation of these agreements may only be made by the judge on a case by case basis depending on the wording of each agreement, agreements concluded with local authorities after 1990, following law 90-1170 dated December 29, 1990 law 90-1170 which authorized municipalities to operate telecommunications network themselves, in connection with the New Deal Plan are to be categorized as agreements for the delegation of public services and therefore contain the concept of reversion (*biens de retour*).

In order to clarify the conditions for implementing the conforming obligation of the agreements currently in place with public authorities (primarily local authorities), in May 2010, the Numericable Group made a proposal to the 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 the Numericable Group 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 nonexclusive right for the Numericable Group to use the ducts which had become the property of the local authorities on the terms of such new agreement, with the Numericable Group's own telecommunications equipment. One of the key features of these agreements is the Numericable Group's right to use the ducts on a nonexclusive basis and its competitors' ability to install their own equipment on such ducts.

The Numericable Group has signed nearly 60 agreements, 20 of which follow the approach acknowledged by the ARCEP, with various local authorities and is currently negotiating the implementation of its proposal with certain local authorities.

See Part II of this Prospectus (*Risk Factors—There are uncertainties about the legal framework under which we own and operate our network in France, Belgium and Luxembourg.*) for a description of the risks associated with the New Deal Plan.

***Other Networks***

A limited portion of the Numericable Group's current network (7%) is governed by legal agreements such as long-term leases of public property, *conventions d affermage* (i.e., a type of operating concession through which the Numericable Group leases an entire network) or public land use agreements (*conventions d'occupation du domaine public*, through which the Numericable Group installs the necessary network equipment on public property with no underlying property transfer).

These agreements are entered into with local authorities, primarily municipalities, for terms from ten to 30 years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the *Code general de la propriete 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, the Numericable Group must, in accordance with its contractual requirements, (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 the cost of either the Numericable Group or the local authorities, the equipment installed by the Numericable Group on the local authorities' premises, (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.

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 the Numericable Group's own network on public land.

*Fixed Number Portability*

Number portability is the service offered by a telecommunications operator allowing its subscribers to keep their telephone number when they switch to another operator. Number portability is an obligation for all operators connecting end-subscribers pursuant to Article L. 44 of the CPCE. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the

Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators, notably the maximum length of time that a service can be interrupted in the event of a portability request (four hours as from January 1, 2012). It also states that as from April 1, 2010 the same level of service must be provided for calls carried to ported numbers as for those carried to non-ported numbers, subject to the maximum length of service interruption in connection with a portability request.

Pursuant to Article D. 406-18 of the CPCE, a portability request between two operators must be addressed within one day. Consumer contracts must include and detail the applicable penalties in the event of failure by the operators to meet this time frame.

In order to effectively manage the exchange of information between operators concerning portability requests, in January 2009 the main operators, including Completel and Numericable, set up a dedicated entity called *1'Association de la Portabilité des Numéros Fixes*.

*Directories and Provision of Subscriber Lists*

Pursuant to Article L. 34 of the CPCE, anyone may freely publish lists of subscribers or users of networks or electronic communications services, subject to the protection of the rights of the persons. Therefore, all operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services.

The ARCEP decision 06-0639 dated November 30, 2006 sets forth further details on the conditions for supplying subscriber and user lists for the purpose of publishing universal directories or providing universal information services.

*Contribution to Universal Service Funding*

Pursuant to Articles L. 35 et seq. of the CPCE, implementing into French law the provisions of the Universal Service Directive as modified by Directive 2009/136 dated November 25, 2009, universal service obligations include (i) the universal services of electronic communications, (ii) services ancillary to the universal services and (iii) missions of general interest in the electronic communications sector in relation with defense and security, public research, and higher education. The universal services of electronic communications include the provision of the following services (a) access to a fixed network open to the public and telephone services, including facsimile and data communications at rates sufficient to allow Internet access, and free emergency calls, at an affordable price; (b) information and universal directories services; (c) access to public telephones; and (d) specific measures for disabled end-users.

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. Orange won the tender processes carried out in France and has been designated as the operator responsible for providing the components of the universal service, with the exception of directory services for subscribers which were granted to the company PagesJaunes by order dated December 6, 2012. The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunication services. The Numericable Group's contribution to universal service funding was approximately €200,000 for 2011 (ARCEP decision 2010-1230 of November 16, 2010), approximately €300,000 for 2012 (ARCEP decision 2011-1452 of December 13, 2011) and is approximately €400,000 for 2013 (ARCEP decision 2012-1546 dated December 4, 2012).

*Broadcasting of Audiovisual Services*

The transmission and broadcast of radio and television services (whatever the means of signal transmission) falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

The oversight powers of the French broadcasting regulator, the *Conseil Supérieur de l'Audiovisuel* (''**CSA**') were extended by law 2004-669 dated July 9, 2004 to cover all radio and television services, irrespective of their method of transmission and broadcast. Rules governing powers and composition of the CSA are expected to change in the near future pursuant to the draft law relating to the independence of public audiovisual services. The draft law contemplates the following main provisions: (i) granting to the CSA the power of appointing the presidents of France Télévision, Radio France and the company in charge of French audiovisual services overseas instead of the President of the French Republic,

(ii) reducing the number of members of the CSA from nine to seven and limiting the power of the President of the French Republic to the appointment of the President of the CSA only, (iii) amending the sanction proceedings before the CSA by the creation of an independent rapporteur and the instauration of a clear distinction between the inquiries and instructing body and the decision body. As a broadcaster of radio and television services, the Numericable Group must declare its activities and register with the CSA.

Pursuant to Articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by laws 2004-669 dated July 9, 2004 and 2009-258 dated March 5, 2009, respectively), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing that registration (for maximum one year). The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In its capacity as a broadcaster of audiovisual services, the Numericable Group is subject to the regulatory ''must-carry'' provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network.

The must-carry obligations are governed by Articles 34-2, 34-4 and 34.5 of law 86-1067 dated September 30, 1986 (as amended by laws 2011-901 dated July 28, 2011 or 2009-258 dated March 5, 2009, as applicable):

- Article 34-2 states that for all types of network the following channels must be provided to subscribers free of charge: public service channels broadcast over microwave, Arte, the *Chaîne Parlementaire*, TV5, and RFO services specifically aimed at the general public in mainland France (i.e., the RFO-Sat program). Excluding satellite, the same rules apply to local cable channels.
- Article 34-4 introduces must-carry rights on all means of transmission (cable, satellite and ADSL) for free-to-air, analog or digital channels broadcast via microwave, under fair, reasonable and non-discriminatory conditions. Only the channels themselves can demand that their programs be carried by the distribution networks and not vice versa.
- Article 34-5 requires electronic communications networks in digital mode to carry all of France 3's regional programs.

Moreover, the CSA controls the content of the broadcast channels. In particular, under Article 15 of law 86-1067 dated September 30, 1986 (as amended by law 2010-769 dated July 9, 2010), the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of specifically designed logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, the Numericable Group ensures that it strictly complies with these rules.

***Regulation of the Content of Electronic Communications***

*Content of Online Services and Liabilities of Internet Market Players*

The liability provisions applicable to intermediary Internet service providers are set forth in law 2004-575 dated June 21, 2004, the CPCE, decree 2011-219 of February 25, 2011 and decree 2012-436 of March 30, 2012. They include the following:

- providers of online communications services must identify themselves, directly or indirectly. Access and hosting providers are required to keep data that could identify persons having participated in the creation of the content of the services that they provide, in order to be able to pass on such data to the legal authorities, if required;
- hosting providers can only be held civilly or criminally liable on the grounds of the activities or information stored at the request of a recipient of these services if they were aware of their unlawful nature or of any facts or circumstances in which this unlawful nature is made obvious, or if, as soon as they became aware of such unlawful nature, they did not act promptly to withdraw the data or to prevent access to it;
- access providers cannot be held either civilly or criminally liable for the content to which they provide access, except in circumstances in which they have originated the request for the transmission of the content concerned, or they have selected the recipient of the transmission, or they have selected and/or modified the transmitted content; and

- electronic communications operators are obligated to keep the technical connection data necessary for criminal investigations or for the mission of the HADOPI (as defined below). They may also keep the technical data required for their invoice payments. Apart from these two specific cases, the operators concerned must delete or render anonymous all data concerning a communication once it is completed.

Statutory provisions were also introduced by law 2010-476 of May 12, 2010 relating to the opening up to competition and the regulation of the betting and gaming sectors and law 2011-267 of March 14, 2011 on the policy and programming of the performance of internal security processes requiring access providers to block access to certain websites and online content (such as illegal gaming sites or pedo-pornographic content), when ordered by the *Autorité de regulation desjeux en ligne* (ARJEL) (i.e., the French online gaming regulator) or the Ministry of the Interior.

*Copyright and the Internet*

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific ''graduated response'' system was introduced, aimed at limiting illegal downloads. The first level of the system is a warning e-mail sent to illegal downloaders. An independent administrative body—the *Haute Autorité pour la Diffusion des Oeuvres et la Protection des Droits sur Internet* (the ''**HADOPI**'')—was created to manage and send these e-mails. On October 28, 2009, law 2009-1311 was adopted to round out the graduated response system by providing that, in the event of repeated offenses, a judge can levy a fine or even suspend the illegal downloader's Internet access. The latter sanction, however, was repealed by decree 2013-596 dated July 8, 2013.

These statutory provisions have also been supplemented by a number of regulatory provisions related to (i) types of data and interconnection of information systems (decree 2010-236 of March 5, 2010) and (ii) the obligation for access providers to act as a vector for the recommendations issued by the HADOPI (decree 20101202 of October 12, 2010).

In May 2012, the new government announced the creation of an ad-hoc commission dedicated to the reform of the HADOPI. This commission, which issued its report on May 14, 2013, made recommendations in the following areas: (i) public access to work and online cultural offer, (ii) remuneration of creators and financing of creation, and (iii) protection and adaptation of intellectual property rights. The legal framework on copyright and the Internet is therefore expected to be modified in a near future, as was the case recently pursuant to decree 2013-596 dated July 8, 2013 mentioned above.

*Processing of Personal Data and Protection of Individuals*

Law 2004-801 dated August 6, 2004 on the protection of individuals with respect to the processing of personal data amending law 78-17 dated January 6, 1978 relating to IT, computer files and civil liberties (''**law 78-17**'') and decree 2005-1309 of October 20, 2005 implementing law 78-17, enacted directive 95/46/EC dated October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and certain provisions of the Privacy and Electronic Directive into French law. Law 2004-575 dated June 21, 2004 on confidence in the digital economy and law 2004-669 dated July 9, 2004 on electronic communications and audiovisual communications services also implemented certain provisions of the Privacy and Electronic Directive into French law. Finally, French data privacy regulations have been adjusted by ordinance 2011-1012 dated August 24, 2011, which implemented into French law the 2009 Directives (more specifically, the requirement that consent be obtained before cookies are placed on individual computers). On January 25, 2012, the European Commission published proposals for updating and modernizing the principles of directive 95/46/EC mentioned above to reinforce individual's rights, give people more control over their personal data and more generally guarantee privacy rights. These proposals are designed to ensure that people's personal information is protected—no matter where it is sent, processed or stored—even outside the European Union.

The main applicable provisions of law 78-17 (as amended) which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may

be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);

- the right of the persons concerned to access, correct and object to the processing of their personal data must be ensured at all times;
- all processing of personal data must be notified to or duly authorized by the *Commission Nationale Informatique et Libertés* (CNIL), with very limited exceptions;
- electronic communications providers have a whistleblowing obligation (to the French authorities) in the event of a breach of personal data protection, which is detailed in decree 2012-436 of March 30, 2012; and
- any failure to comply with the provisions of law 78-17 (as amended) is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (*Code pénal*). Such offenses are punishable by a fine of up to €30,000 and five years' imprisonment, or, with respect to legal entities, a fine of up to €1.5 million.

In the course of its business, the Numericable Group records and processes personal data including statistical data, including, in particular, data concerning the use of services it provides and number of visits to its websites. This personal data is, however, processed pursuant to all applicable laws, in particular the data bases that the Numericable Group has established for this purpose have been declared to the CNIL.

Concerning data relating to the use of its services, since June 18, 2008, the Numericable Group has been required to store all user identification data for a period of five years following subscription termination. In accordance with Article L. 34-1 of the CPCE, technical data relating to connections has to be stored and then anonymised after a period of one year.

The Numericable Group may be required to pass on data it has in its possession on the identification, location and connection of a user of its services but such data may only be provided to duly authorized national legal and administrative authorities. The information passed on does not include any data concerning the content of any communications or information consulted. The categories of data covered by this requirement are currently set out in decrees 2006-358 of March 24, 2006 and 2011-219 of February 25, 2011. In accordance with law 91-646 of July 10, 1991 the Numericable Group may also be required to carry out legal interceptions of the electronic communications transmitted over its landline network where required by the duly authorized legal and administrative authorities. This type of interception—for which the Numericable Group receives financial compensation from the State following decision 2000-441 DC of the French Conseil Constitutionnel dated December 28, 2000—is carried out in accordance with a strict supervisory framework by qualified professionals using equipment that is duly authorized and controlled by the relevant authorities.

Lastly, decree 2012-488 of April 13, 2012 imposed additional obligations on operators to protect the safety of data on their networks. Operators must implement specific policies to protect the integrity of their networks.

*Domain names*

Domain names are assigned to the digital addresses of the servers connected to the Internet and constitute Internet addresses. The legal provisions relating to the allocation and management of top-level domain names (TLD) for the French national territory are set out in law 2011-302 of March 22, 2011 as codified in Articles L.45 et seq. of the CPCE. The Numericable Group has registered a certain number of domain names in France which have been recognised as assets. The French courts have now strengthened the protection of domain names as they consider that a domain name can infringe trademark rights.

***Tax Regime***

*Tax on Telecom Operators' Revenue*

Law 2009-258 dated March 5, 2009 relating to audiovisual communication and the new television public service introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of telecommunication operators relating to electronic communication services (subject to certain

deductions and exclusions, and with a specific rebate for bundled offers) in excess of € 5,000,000. This tax was implemented from March 7, 2009. In November 2009, the French Telecommunications Federation (*Fédération Française des Télécoms*) asked the European Commission to review the compatibility of this tax with EU Directive 2002/20/EC which specifies the taxes that may be imposed on telecommunications operators. On January 28, 2010, the European Commission began infringement proceedings against France with respect to this tax. On September 30, 2010, the Commission initiated the second phase of the infringement procedure by issuing a reasoned opinion stating that the tax is not compatible with EU Directive n°2002/20/EC and decided to refer the matter to the Court of Justice of the European Union on March 14, 2011. The action was brought before the Court on September 22, 2011 (Case C-485-1 1). On June 27, 2013 the Court rendered a ruling dismissing the Commission's action, on the ground that the tax on telecommunication operators' revenues did not fall within the scope of the EU Directive n°2002/20/EC, and was therefore not incompatible with the Directive.

*The Finance Law of 2011*

Article 26 of the 2011 finance law, promulgated on December 28, 2010, eliminated the possibility of applying the VAT low-rate to a lump base equal to half the price of bundled offers that provide access to both an electronic communications network and a television service. Since then, in the context of these offers, the reduced rate (7% as from January 1, 2012) is applicable, in proportion to the economic value of services corresponding to television distribution rights acquired by the supplier. Numericable has passed on this VAT increase into its retail offers.

*The Finance Law of 2012*

The VAT rate for television services has been increased from 5.5% to 7.0%, as from January 1, 2012. The third Amended Finance Law for 2012 provides for a further increase of this rate to 10%, as from January 1, 2014.

**3. Portugal**

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89, of 11 September 1989 to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: a state owned and monopolistic basic telecommunications network and services, which meant the fixed national telephony services and some associated facilities, run by the publicly owned companies that in 1995 merged to form the PT Group; and the so-called complementary services which assembled a large group of mainly private operators ranging from mobile wireless operators (using GSM), paging, trunking, VSAT and data transmission (using mainly Frame Relay and X25 protocols).

Ensuing the 1996 revision of the European Unions' ONP Directives (e.g. Directives 96/2/EC, 96/19/EC and 97/13/EC), in August 1997 the Portuguese Government decided to revise the whole regulatory structure and submitted to Parliament a new Telecommunications Bill aimed at establishing ''the general bases that regulate the establishment, management and exploitation of telecommunications networks and the provision of telecommunications services'' later enacted as Law 91/97, of 28 August 1997 (the ''1997 Telecommunications Law''). The adoption of a ''full liberalisation'' principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on 1 January 2000 with the end of the Portugal Telecom's legal monopoly over fixed telephony services.

Following the major review of existing EU telecommunications law that resulted in the adoption of a new regulatory framework for electronic communications in 2002, known as the ''Review 99'' Directives, the Portuguese Parliament voted Law 5/2004 of 10 February 2004 (the ''2004 Communications Law''). The new legislation transposed the EU Review 99 package Directives and regulations to national law and revoked all previous regulations containing provisions related to general market framework, licensing, interconnection and all telecommunications networks and service provision, with the exception of radio communications, telecommunications infrastructure and supply of electronic equipment.

In 2011, Law 51/2011, of 13 September 2011, amended the 2004 Communications Law, transposing other EU Directives to national law. Although some provisions of the 2004 Communications Law already dealt with data privacy issues, the Data Protection Directive (Directive 2002/58/EC) was transposed by Law 41/2004 of 18 August.

ICP-ANACOM, a public entity endowed with financial and administrative autonomy and with its own assets, is the entity with the general duties of regulating, supervising and representing the communications sector. ICP-ANACOM is an independent body in the exercise of its duties, although subject to the policy guidelines set by the Portuguese Government with respect to the communications sector, and to supervision by the relevant Ministry as to certain acts which fall under the Portuguese Government's administrative power. ICP-ANACOM is granted the powers to investigate unlawful behaviour and impose fines or other sanctions under the 2004 Communications Law. Under the Law 67/2013, of August 28, 2013, which establishes a general framework for regulatory authorities, ICP-ANACOM is expected to undergo statutory changes in early 2014.

Undertakings willing to provide electronic communications services are required to notify ICP-ANACOM under the General Authorisation regime and may therefrom begin their electronic communications provider activity. Undertakings are then subject to certain provisions relating to the specific services they provide, and can also be subject to other regulatory obligations in case they are found by ICP-ANACOM to have significant market power in some market sectors.

ICP-ANACOM is also the enforcer of Decree-Law 151-A/2000, of 20 July 2000 (the ''2001 Radio Communications Law''), and as such, it is up to ICP-ANACOM to grant radio licenses and manage the radio electric spectrum, the numbering resources and the sharing of radio communications infrastructures.

For both mobile and fixed telephony services, under ICP-ANACOM Regulation 114/2012 on number portability, operators are obligated to ensure the effective transfer of the number within a maximum period of one business day from the presentation of the request by the subscriber before the new operator.

Under Decree-Law 7/2004, of 7 January 2004, as amended, Internet service providers are not liable for information transmitted over their electronic communications network provided that they are not the disclosing party of the transmitted information, do not select or modify neither the information nor its recipients. Storage providers can only become liable for unlawful stored information provided that they become aware of the unlawful use of that information and upon becoming aware, do not take action to remove or to disable access to the information.

Under Portuguese data protection law, it is necessary to obtain the prior consent of the user to store information and to access stored information in the user's equipment, as well as to send unrequested communications for direct marketing purposes. Electronic communications services providers are demanded to notify the Comissão Nacional de Protecção de Dados in cases of breach of personal data of the users.

Universal service obligations are still provided by the PT Group, however, an auction that took place in 2013 awarded the universal service provision for the next five years starting 2014, to (i) ZON and Optimus (and later transferred to the entity resulting of their merger) as regards the provision of a connection to a public communications network at a fixed location and provision of a publicly available telephone service over that connection, (ii) the PT Group as regards the provision of public payphone service and (iii) the PT Group as regards provision of a comprehensive directory service and provision of a comprehensive telephone directory enquiry service. ICP-ANACOM sets out the universal service provision regimes and manages the Universal Service Compensation Fund which was set up to finance the net costs arising out of the provision of such services and that consists of funds collected from the electronic communications services providers, and to a lesser extent, of contributions from the State or money collected from fines.

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six-month limitation period, starting from the moment the services were provided. Consumer protection was strengthened by Law 10/2013, of 28 January 2013, establishing rules of mandatory suspension and/or termination of the service provision in a short period of time in case the consumer fails to pay an invoice on the due date.

ICP-ANACOM collects an annual regulation fee from electronic communications services providers and other regulation fees that are directly related to its activity, such as a fee for granting the usage of certain numbers or certain frequencies. Such fees were recently revised by Administrative Rule 378-D/2013, of 31 December 2013, amending Administrative Rule 1473-B/2008, of 17 December 2008. Municipalities collect a municipal fee for rights of way (''MFRW'') established in the 2004 Communications Law, based on the provider's turnover concerning end users in each municipality.

Under Law 55/2012, of 6 September 2012, electronic communications service providers are also required to contribute to a fund concerning the financing of audiovisual and independent cinema works. Contributions are based on the total number of subscribers were expected to increase at a yearly rate of 10 per cent, from €3.50 to a cap of €5.00 per subscriber per year. However, providers have been challenging these contributions on the grounds that they are contrary to Portuguese constitution and EU law. The Government has disclosed draft legislation aimed at amending Law 55/2012, of 6 September 2012, reducing the electronic communications service providers' direct contribution from €3.50 to €1.75, with ICP-ANACOM contributing to the fund with an amount equal to 76% of the amount paid by electronic communications service providers. The same act also establishes a compulsory investment obligation pending on video-on-demand services (''VoD'').

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;
- Law 67/2013, of August 28, 2013, which establishes a general framework for regulatory authorities;
- Law 42/2013, of July 3, 2013, which sets out rules on selective communication barring, namely regarding valued-added services;
- Law 10/2013, of 28 January 2013, on the strengthening of electronic communications services consumer protection;
- Law 55/2012, of 6 September 2012, on the financing of audiovisual and independent cinema works;
- Decree Law 56/2010, of 1 June 2010, on the unlocking of terminal equipment to allow access to electronic communication services;
- Decree Law 123/2009, of 21 May 2009, as last amended by Law 47/2013, of July 10, 2013 setting up rules, on the access to infrastructure suitable for usage by telecom services (ITUR and ITED regulations);
- Law 99/2009, of 4 September 2009, approving the legal framework of administrative offences within the communications sector;
- DecreeLaw 78/2009, of 21 May 2009, concerning the deployment of telecommunications networks in buildings (ITUR and ITED regulations);
- Administrative Rule 1473-B/2008, of 17 December 2008, as amended, on regulatory fees;
- ANACOM Regulation 58/2005, of 18 August 2005, as amended by Regulation 114/2012, of 13 March 2012, on number portability;
- Law 41/2004, of 18 August 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004, of 29 September 2004, on the procedures for the collection and delivery of the MFRW to municipalities;
- Decree Law 7/2004, of 7 January 2004, on information society services and electronic commerce;
- Decree Law 309/2001, of 7 December 2001, which approved the current statutes of ICP-ANACOM; and
- The 2001 Radio Communications Law.

### 4. Belgium

***Overview***

Under Belgian law, telecommunications and broadcasting activities are regulated separately. Telecommunications include telephony and Internet and are regulated by the Federal Electronic Communications Act of June 13, 2005 (ECA). Television and radio broadcasting is regulated by decrees at community level (Decree of the Flemish Community of March 27, 2009; Coordinated Decree of the French Community of March 26, 2009; Decree of the German Community of June 27, 2005; and the Act of March 30, 1995 of the Federal State for broadcasting activities that are not provided in either French or Dutch in the Brussels Capital region). The sector is also regulated by decisions, resolutions and

recommendations of BIPT (the federal postal and telecommunication services regulator) for telecommunications, as well as of radio and television regulatory authorities at community level. In addition, network infrastructure can be subject to local planning and other regulations issued by municipalities. Specific requirements can also be imposed on entities that are deemed, by the BIPT and/or radio and television regulatory authorities, to have a significant power in relevant markets that are not sufficiently competitive, including non-discrimination and transparency obligations with respect to access, accounting, and price (Numericable has notably been recognised as an operator with significant market power on the Brussels retail market for the distribution of television and radio services by cable).

***Market Practices***

Joint offers, e.g. of telephony services, Internet services and television services, are allowed under Belgian law, provided that such offers comply with EU and national competition legislations and that they do not constitute an unfair trade market practice prohibited by the Act of April 6, 2010 on Market Practices and Consumer Protection. Network operators must also comply with all applicable consumer protection provisions set forth in this act, as well as, where applicable, other legislation, namely the Act of May 15, 2007 on the Protection of Consumers in respect of Radio Transmission Services and Radio Distribution.

***Prior Notification***

Under the ECA, companies must notify to the BIPT electronic communications services and/or networks that they intend to provide as well as any change thereto.

***Telephony Regulation***

The ECA mandates that a minimum set of ''universal services'' be offered to all end-users, independently of their geographical location, at an affordable price and at a specified quality level, and contains, in addition to applicable general privacy protection regulations, several provisions that address privacy protection in the electronic communications sector, including, notably, the processing and use of traffic and location data, the confidentiality of communications, as well as the subscribers' rights with respect to telephone directories. The BIPT may issue specific regulations with respect to, e.g. the allocation of numbers and radio frequencies.

***Internet Regulation***

In addition to the provisions of the ECA, activities of Internet service providers are also subject to the Acts of March 11, 2003 on certain Legal Aspects of Information Society Services that provide that Internet service providers may not be held liable for information transmitted over an electronic communications network, subject however to certain conditions and exceptions.

***Broadcasting Regulation***

The provision of radio and television broadcasting services are subject to prior notification to the relevant regulatory authority, i.e. the VRM, CSA and, BIPT for the Flemish Community, French Community and the Brussels Capital Region respectively. Pursuant to the Flemish and French Broadcasting Decrees as well as the Act regulating broadcasting activities in the Brussels Capital, network operators must also comply with must carry obligations, which requires them to distribute specific radio stations and television channels in their respective communities. The same legislative acts also provide, in the relevant territorial areas, for a right of way for what concerns cable networks.

The Act of January 22, 1945 on economic regulation and pricing and the Ministerial Decree of April 20, 1993 regarding special regulation on prices impose on television services distributors the Minister of Economy's prior consent for any price increase of their basic package.

Pursuant to the Act of June 30, 1994 on Authors' Rights and Neighbouring Rights, cable companies must receive approval from the holders of the relevant author and related rights to distribute radio and television signals embedding protected works over their cable. A collective author society has initiated a law suit before a Brussels court to have Internet service providers subject to the same regime.

## 5. Luxembourg

***Legislative framework applicable to the provision of telecommunications services and networks***

The Luxembourg legislature implemented parts of the Directives on the Open Network Provision with the law of March 21, 1997 on telecommunications, which initiated the liberalisation of the telecommunications market. This law set a new legislative framework for the provision of telecommunications services and networks and completed the separation of regulatory functions and service provision functions with the creation of an independent regulatory authority in charge of monitoring the telecommunications sector. The above mentioned law was substantively amended by the law of May 30, 2005 on electronic communications networks and services which constitute one of the four acts of the Telecom Reform Package.

The Telecom Reform Package is effectively composed of four Acts :

- The Act of May 30, 2005 on networks and electronic communications services repealed by the Act of February 27, 2011 on the networks and electronic communications services (the ''Telecom Act'');
- The Act of May 30, 2005 on the organisation of the management of radio frequency spectrum last amended by the Act of February 27, 2011 (the ''Spectrum Act'');
- The Act of May 30, 2005 on the organisation of the Luxembourg Institute of Regulation amended on several occasions and;
- The Act of May 30, 2005 on the specific provisions regarding the protection of individuals as to the processing of personal data in the electronic communications sector (the ''Personal Data in Electronic Communication Act'').

***Legal regime***

*Electronic communications services and network*

Under article 2(27) of the Telecom Act, ''electronic communications service'' means a service normally provided for remuneration which consists wholly or mainly in the conveyance of signals on electronic communications networks, including telecommunications services and transmission services in networks used for broadcasting, but exclude services providing, or exercising, editorial control over, content transmitted using electronic communications networks and services; it does not include information society services which do not consist wholly or mainly in the conveyance of signals on electronic communications networks.

Under article 2(24) of the Telecom Act, ''electronic communications network'' means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet switched, including Internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February, 27, 2011 the 2011 E-Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute (''LRI'') which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardized certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti-competitive hindrances.

The LRI is also entrusted with the collection of notifications sent by undertakings planning to provide electronic communications networks and services (''notified undertakings'') and maintains a registry of notified undertakings.

The LRI also has the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of €1 million. The LRI may also impose a daily fine (penalty) of an amount between €200 and €2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

*Content regulation and protection*

Pursuant to the Personal Data in Electronic Communication Act, operators of electronic communication services and networks are compelled to ensure the confidentiality of communication exchanged by way of electronic communication means.

The general rule is that other than the user, no person is allowed to listen, intercept or store communications and data related to the traffic and location without the agreement of the user.

This prohibition does not apply to communication related to emergency calls, commercial transactions to the extent that they constitute proof of the transactions, authorities investigating and acting in relation to a flagrante delicto or within the scow of criminal offenses in order to ensure national and public security and cookies. In relation to data resulting from commercial transactions and cookies, the user or parties to the transaction must be informed that their data may be processed, the conditions (in particular the duration) and aim of the storage, and the possibility of the user opposing such data processing.

*Radio Spectrum*

The use of radio spectrum is regulated by the Spectrum Act and the Grand Ducal decree of April, 7 2011 on the administrative taxes applicable to telecommunications.

The frequencies are granted by the minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency) through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to a certain type of application are pre-defined and, as far as these conditions are met, no individual license is required.

The Grand Ducal decree of April 7, 2011 on the administrative taxes applicable to telecommunications set out the fees and levies that have to be paid. For some applications, the fees have been defined in the license itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are no longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, thus enhancing the flexibility of spectrum use.

**Audio visual Media**

***Overview***

The media sector is mainly governed by the Act of July 27, 1991 on electronic media as amended by the Act of December 17, 2010 and the law of April 8, 2011 (the ‘‘Electronic Media Act’’) and the law of

April 11, 2010 on freedom of expression in electronic media amending the law of 8 June 2004 (as amended) on the freedom of expression in the media sector.

A certain number of Grand ducal decrees also regulate the media sector.

Besides, two Acts governs the audiovisual production:

- the act of 21 December 1998 establishing a temporary special tax regime for audiovisual investment certificates; and
- the act of 16 March 1999 creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the minister in the determination and the execution of the Luxembourg media policy. Its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;
- promote in concert with other commissions and committees, Luxembourg as an European centre for audio visual and communication activities;
- assist government representatives responsible for the supervision of the beneficiaries of licenses or authorisation; and
- ensure communication with international organisations responsible for the supervision of the audio visual sector and ensure representative function within certain European committees.

In addition, there is also the Independent Radio broadcasting Commission which has three main functions:

- implementing of provisions relating to authorisations of low powers transmitters;
- advising the government in authorisation matters and;
- arbitration of specific potential disputes.

Finally, the National Programming Council is an independent body advising the government on matters of surveillance of certain specific television and radio programs and proposes a balanced content for socio cultural radio programs.

A new bill of law presented on October 10, 2012 modifying the actual law of July 27, 1991 on electronic media aims at centralizing the competence of the three existing commissions into one single authority, ''the Luxembourg Independent Audi-visual Authority'', which will gain disciplinary powers and adopt the status of a public institution.

***Legal regime***

The Media law has been recently amended in order to adapt itself to the newest sorts of audio visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non-discriminatory content and the form and the content of commercials advertising are more regulated.

*Licenses for distribution of audi-visual media*

Pursuant to article 2 of the Electronic Media Act, any program which is transmitted to the public through a Luxembourg broadcasting frequency is considered a television or radio program.

Pursuant to article 3 of the Electronic Media Act, no one can transmit a radio or television program without having obtained prior permission or a licence granted by the first Minister assisting by the Services of Media and Telecommunications.

Thus, a company willing to develop an audiovisual media service (either a television or an on-demand audiovisual media service) would be required to notify to the Ministry of Economies of its intention to provide such a service either because it is considered as a Luxembourg provider or under some circumstances as a foreign media service provider by the amended Electronic Media Act which provides the applicable criteria in this respect.

In that case, the company shall notify the Ministry at least 20 days prior to launching the service.

*Licence for a Luxembourg satellite program*

Applications for the granting of licenses are required to be sent by email to the Prime Minister-Department of Media and Communication, and information about the applicant and the relevant program must be attached.

The Department of Media and Communication conducts an initial review. If it is deemed complete, the license application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the licence is granted by the Prime Minister on behalf of the government.

*Licence for Luxembourg cable program (TV and Radio)*

The same process as licence for a Luxembourg satellite program is required to be conducted for a licence for a Luxembourg cable program.

*Permission for sound radio program*

The allocation of frequency is subject to the condition that a terrestrial frequency is available in Luxembourg. In this case, terrestrial frequencies are granted following a public call nomination.

The Independent Commission on broadcasting is the body that grants the permission for programs to low power transmitters and make the call for nomination for these frequencies.

**Internet infrastructure**

***Overview***

Internet access services as well as services provided through Internet are regulated by the Telecom Act of May, 30 2005 which has been amended by the Act of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on a different set of legislation).

Further, cyber security is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyber attacks. Similarly, the government has created ''CASES Luxembourg'' which is a project accessible by all Internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to Internet use and advises on how to identify them.

In July 2011, the government has created two new structures: the Luxembourgish Cybersecurity Board whose mission is to work on a strategic plan against attacks via the Internet, and the governmental Computer Emergency Response Team which is responsible if an incident of cyber crime ever occurs in the public information systems.

To date there is no legal obligation for operators or Internet service providers to assist content owners whose rights may be infringed. However, to be exempt of liability in such a case, Internet services providers shall act promptly upon knowledge of fact of circumstances, following which content is obviously illegal, to remove or disable access to such content.

To date, there are no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

***Legal regime***

Pursuant to article 5 of the Telecom Act, the operation of electronic communication services or networks, notably Internet services and IP-services, is subject to a notification to the Luxembourg Institute of Regulation (*Institut Luxembourgeois de Régulation*) (the ''ILR'').

Concerning Internet service providers, the law on electronic commerce as amended of August 14, 2000 provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

***Others***

The laws listed below may be also applicable to the telecommunication, media and Internet sector :

- the law of April, 18, 2001 on copyrights as amended;
- the law of August, 2 2002 as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data;
- the law of May 15, 2006 related to trademarks;
- the law of 11 August 1982 on privacy;
- the Consumer code introduced by the law of April 8, 2011.

General laws are applicable for all aspects not specifically regulated by specific laws or regulations, in particular the provisions of the Luxembourg criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

**6. Israel**

The communications and broadcasting industry in Israel is highly regulated and requires service providers to obtain licenses from, and comply with the terms of such licenses and policy statements of, the Israeli Ministry of Communications or the Broadcasting Council with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever changing regulatory environment can have a material effect on our activities. In this section only, references to 'we', 'us', 'our', 'HOT' and the 'Company' may refer to HOT-Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT-Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the ''Knesset''), primarily the Communications Law (Telecommunication and Broadcasting), 5742—1982 (the ''Communications Law''), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) to issue regulations which provide for specific requirements based upon the principles set forth in the laws. The Israeli Ministry of Communications grants licenses in accordance with the Communications Laws and regulations. In addition to the regulations, the Israeli Ministry of Communications issues policy statements after a public review and consultation process. These policy statements expand upon the Israeli Ministry of Communication's policy with respect to certain basic issues in the relevant market.

**6.1. Television**

***Overview***

Our television operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. We are also subject to specific legislation applying to the television broadcasting industry in Israel, such as the Harmful Broadcasts Classification, Marking and Prohibition of Damaging Broadcasts Law, 5761-2001 (which imposes certain classification and marking obligations with respect to television broadcasts) and the Television Broadcasts Law (Sub-Titles and Sign Language), 5765-2005 (which imposes certain obligations regarding the accompaniment of television broadcasts with sub-titles and translation into sign language).

We provide our television services pursuant to a non-exclusive general cable broadcasting license applying to all areas of Israel and a non-exclusive general cable broadcasting license applying to Judea and Samaria (the ''Broadcasting Licenses''). The Broadcasting Licenses contain certain conditions and restrictions relating to the provision of cable television services to our customers, including amongst others, a requirement to extend our services to customers in all areas of Israel which, in some cases, creates an obligation on us to provide services even though it would not be worthwhile economically to do so. There are certain places in Israel in which we do not currently provide services. The Broadcasting Licenses also stipulate the maximum fees that may be charged for our analog package. Our

Broadcasting Licenses are valid until 2017 and may be extended for periods of ten years at a time by the Broadcasting Council. We also have a special license (held by HOT Telecom) for operating a broadcasting hub which is valid until April 2017. As a general rule, the Broadcasting Licenses are non-transferable. In addition, the transfer of any means of control in the relevant license holders may be subject to prior approval of the Israeli Ministry of Communications and the Broadcasting Council.

Our operations in the pay television segment are subject to the supervision of the Israeli Ministry of Communications and the Broadcasting Council, including, among other things, in connection with the prices of analog services, broadcasting content, and launching of new channels or ceasing to broadcast existing channels. In addition, we have been declared a monopoly in the area of multi channel television broadcasts for subscribers, and accordingly, the Anti Trust Commissioner (the ''Commissioner'') is permitted to issue instructions to us pursuant to the Restrictive Business Practices Law, 5748-1988. Accordingly, our ability to make acquisitions in the broadcasting sector will be limited. The Commissioner has set various conditions which apply to us as part of its decision to approve the Israeli cable consolidation. These conditions include, among others, separation of broadcasting and cable infrastructure activities, limitations on possessing means of control and relationships with producers of the channels, limitations on the purchase of programs and ownership of broadcast programs; limitation on agreements with producers of channels, a requirement to provide telephony services; investing in infrastructure; and provision of a bank guarantee. We are also subject to general anti-trust law which prohibits certain restrictive agreements and the abuse of dominant position in a market. Certain key features of the regulations and Broadcasting Licenses governing our television operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

***Obligation to Extend Services***

Under the terms of the Broadcasting Licenses, we are required to extend our cable television services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services.

***Access to DTT Channels***

The Second Authority for Television and Radio (the ''Second Authority''), a statutory body set up under the Second Television and Radio Authority Law (the ''Second Authority Law''), is responsible for facilitating the development of, and regulating, commercially operated television and radio broadcasts in Israel. Pursuant to an amendment to the Second Authority Law, the Second Authority was charged with planning, establishing and operating, itself or via others, digital broadcasting stations for the free reception and distribution of television broadcasts (''DTT'') to the general public. Accordingly, in August 2009, the Second Authority launched broadcasts on a nationwide basis, enabling the free distribution to the public of the following DTT channels: the Israeli Broadcasting Authority channels (Channel 1 and Channel 33), the commercial television channels (Channel 2 and Channel 10), the Knesset Channel (Channel 99) and, recently, the Educational Channel (Channel 23). The establishment of the digital broadcasting stations infrastructure enables subscribers to view the broadcasts of DTT channels free of charge upon purchasing a set top box. We are also required to carry the DTT channels over our network.

In April 2012, the Distribution of Broadcasts through Digital Infrastructure Law, 5772 2012 was passed into law (the ''DTT Law''). Pursuant to the DTT Law, the state will finance the first three multiplexes of the DTT array allowing the broadcasting of up to 18 channels. Currently, the DTT has already been expanded to include all radio channels broadcasted in Israel and an educational television channel. Additional DTT channels due to be included in the DTT array may include, among others, the Israeli Russian language Channel (Channel 9), the Israeli Music Channel (Channel 24), the Israeli Arabic language Channel, three additional channels dedicated to specific themes and HD versions of any of the channels included in the DTT array.

The draft economic plan for 2013 2014 was published by the Ministry of Finance in April 2013, and was approved by the Government in May 2013 and by the Knesset in August 2013 (the ''Economic Plan'') determined to amend the DTT Law in the following ways:

- The Minister of Communications (the ''Minister'') and the Minister of Finance will be authorized to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorized to set limitations on holding and ownership of the said operator (subject to the approval of the Knesset Economic Committee), with respect to its activities, and regarding tying between services (which, according to the DTT Law, would otherwise be prohibited).
- The Minister and the Minister of Finance, subject to consultation with the Council for Cable and Satellite Broadcasting (the ''Council''), shall by January 1, 2014, establish criteria for the use of a multiplexer that has not been used for propagating broadcasts on the DTT Array.
- In general, a body whose broadcasts are distributed through the DTT Array will pay the aggregate payments and costs as set forth in the law and, the State will not bear the costs for the unused capacity in the DTT array.
- To amend Article 13 of the DTT Law to provide that:
- The Council may grant a license for theme channel broadcasting which will be distributed through the DTT array. Such license shall be granted to the operator selected in a tender solely based on the price offered for DTT array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.
- The winning bidder shall, after its selection, decide to which of the following its broadcasts will be devoted: sports; kids; movies; nature; series; documentary; news; music; history; culture or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determines to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT Array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote its broadcasts to news.
- A theme channel transmitter may finance its broadcasting (other than children's channels which may not be financed through commercials) through commercials or by charging subscribers a fee for receiving the broadcasts of the same channel.
- A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting) 1982 (the ''Communications Law''), may not participate in the theme channel tender.
- An amendment to the Communications Law authorizes the Minister to promulgate regulations for determining the holdings of an Israeli citizen and resident in a Broadcasting Licensee pursuant to the Communications Law (currently, 26% of each of the ''Means of Control'', as defined in the Law, in a licensee). Granting such authority to the Minister may simplify the regulatory requirements applicable to HOT in this regard.

***Narrow Package Proposal***

In September 2012, the Broadcasting Council made a decision to compel both multi channel television broadcasters to offer, in parallel with a basic package of channels a more limited basic package of channels (the ''Narrow Package'') on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and 10 other channels (16 channels in total), which included sport, children and youth, series and movies and global news in accordance with the Broadcasting Council's decision.

The Communications Law has been amended, in the following manner to regulate the introduction of a narrow broadcasts package:

- The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension in consultation with the Broadcasting Council), provisions regarding the obligation of a cable and satellite broadcasting license holders (''a Broadcasting Licensee'') to generally offer a narrow package containing a limited number of channels (the ''Basic Narrow Package''), in accordance with the guidelines determined by the Minister regarding the mix of

channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.

- The Broadcasting Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.
- A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the ''Related Services''), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting Licensee charges fees for such Related Services, the payment therefore charged from Basic Narrow Package subscribers shall not exceed the payment therefore charged from subscribers to other packages.
- If the Minister exercises his authority to require a Broadcasting Licensee to offer a Basic Narrow Package, the Council will not be authorized to set rules with regard to a Broadcasting Licensee's obligation to offer such a package.
- In August 2013, the Council published a proposal regarding a Basic Narrow Package to be offered by a Broadcasting Licensee. As of now, no final policy has been determined.

***Ownership of Television Channels***

We are subject to regulatory limitations in connection with the ownership and production of television channels, including the rules set forth in the Communications Rules (Telecommunication and Broadcasting) (Broadcasting Licensees), 5748-1987 (''Communications Rules''). Pursuant to the provisions of the Communications Rules we are subject to restrictions regarding the number of channels that we can produce ourselves or in collaboration with another broadcasting license holder, such that the number of such television channels does not exceed two-fifths of the number of independent channels that we broadcast on our network. However, we are subject to more restrictive ownership rules pursuant to the decision of the Broadcasting Council approving the Israeli cable consolidation in 2006. Accordingly, the number of channels that we can produce, including channels produced by our predecessor companies at the date of approval, must not exceed 20% of the independent channels that we broadcast. In addition to those channels, we are also permitted to hold controlling interests in additional channels so long as the number of such channels does not exceed 4% of the total independent channels that we broadcast and we are not the controlling shareholder of such independent channels.

As a result of our monopoly status in multi channel television broadcasting, we are also subject to the decision of the Commissioner approving the cable consolidation in 2006, pursuant to which are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channel 3 and Channel 4) and four additional channels, unless we obtain prior approval of the Commissioner.

***Minimum Investment in Local Content Productions***

In accordance with the Communications Law, the Communications Rules and decisions of the Broadcasting Council, we are required to invest at least 8% of our annual television revenues from subscriber fees in local productions to be broadcast for the first time over our network. During 2010, 2011 and 2012, we fulfilled the required rate of investment. In 2011, the Broadcasting Council notified our Group that with effect from 2012, the revenues from subscription fees forming the basis for calculating the minimum investment requirement must also include all payments made by customers for the purpose of receiving their broadcasts, including revenues from the rental of set-top boxes. We disputed this stipulation, which we communicated in writing to the Broadcasting Council. In response, the Broadcasting Council has permitted us to deploy the additional investment amount required in 2012 as a result of the new basis of calculation over the next three years in equal proportions.

***Special Licenses for Cable Broadcasts***

Under the Communications Law, the Broadcasting Council is permitted to grant special licenses for cable broadcasts with a view to increasing the number of competitors involved in the broadcasting industry. In such cases, the general broadcasting licensees will be required to transmit the special

licensee's broadcasts over their networks subject to the condition that the capacity available to the general broadcasting licensee will not fall below five-sixths of the total capacity available over its network. In August 2007, the Israeli Minister of Communications determined the minimum carriage fee to be paid by a special licensee for distribution of its channel by a general cable broadcasting licensee. We are also required to maintain a minimum level of capacity for transmitting special licensee broadcasts pursuant to the conditions established for approving the Israeli cable consolidation. In addition, in accordance with the Communications Law, the Broadcasting Council is permitted to grant special licenses to the broadcasters of designated channels. Unlike other special licensees, the designated channel licensees are not obliged to pay a carriage fee to the general broadcasting licensee although the parties are free to agree to such consideration contractually.

***Prohibition of Termination Fees***

In 2011, the Communications Law was amended to prohibit a license holder from collecting an exit or termination fee from residential and business subscribers whose monthly bill is under NIS 5,000 who terminate their agreement with the license holder before the end of minimum term of such agreement. While a license holder is permitted to collect the balance of the payment in respect of end-user equipment purchased by the subscriber and debts accumulated by the subscriber, if payment for end-user equipment is due in instalments, the license holder is not permitted to demand immediate repayment of the entire balance. With regards to some residential and small business subscribers with contracts which predate the effectiveness of the amendment, the termination fee is limited to a maximum of 8% of the subscriber's monthly account, multiplied by the number of months remaining until the end of the commitment period. The maximum amount does not include the purchase price or rental amount for end-user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are only permitted to collect payments from new subscribers only in respect of services provided in the past month and cannot collect payment for service in advance. This decision has had an impact on our cash flows as we transition customers to a post services billing basis.

***Prohibition on Advertising***

The Communications Law prohibits broadcasting licensees from including commercials in their broadcasts other than promotional advertisements for upcoming broadcasts. Commercial channels, including certain ''must carry'' channels, and foreign channels may be permitted to include commercials on their channels.

***Proposed Transition from Franchises to Licenses for Television Broadcasts***

Currently, the commercial DTT channels such as Channel 2 and Channel 10 are operated on an exclusive franchisee basis granted by the Second Authority. However, an amendment to the Second Authority Law was passed in February 2011, which proposes to increase the number of broadcasters by transitioning from the exclusive franchisee system to a non-exclusive license system under which any entity which satisfies certain threshold conditions may apply for a commercial broadcasting license.

***Fees and Royalty Payments***

The Communications Law obligates general telecommunications licensees to pay royalties to the State of Israel. The regulations enacted under the Communications Law provide for an ongoing decrease in the rate of royalties applicable to such licensees, which have been reduced to 0% commencing on January 2, 2013.

In addition, in accordance with an agreement dated July 2001 between HOT and the State of Israel regarding the consideration payable to the State of Israel for the cable infrastructure, HOT has undertaken to pay the State of Israel payments at a rate of up to 4% of its revenue until the end of 2015. In each of the years ended December 31, 2010 and 2011, we paid the State of Israel over NIS 50 million under this agreement. See Part XXIII of this Prospectus (*General Information*).

### 6.2. Broadband Internet Infrastructure Access and Fixed-Line Telephony

***Overview***

Our broadband Internet infrastructure access and fixed-line telephony operations are subject to extensive legislative and regulatory requirements that apply to the telecommunication industry in Israel, including the Communications Law, and the regulations enacted in accordance with it. Our operations are subject to the supervision of the Israeli Ministry of Communications.

We provide our broadband Internet infrastructure access, fixed-line telephony services and certain other communication services pursuant to a general domestic operator license for the provision of fixed-line services in Israel and a general license for provision of telecom services in several towns in Judea and Samaria (the ''Fixed-Line Licenses''). Among other things, the Fixed-Line Licenses prohibit disconnection of any subscriber from the services other than in certain specified cases listed in the license. Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of ten years at a time upon approval by the Israeli Ministry of Communications. As a general rule, these Licenses are non-transferable. In addition, the transfer of means of control in the relevant license holders is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our broadband Internet infrastructure access and fixed-line telephony operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

***Decision Regarding the Creation of a Wholesale Market***

In February 2010, the Israeli Ministry of Communications and Ministry of Finance appointed a commission headed by the former General Manager of the Israeli Ministry of Industry, Trade and Labour, Amir Hayek (the ''Hayek Committee''), to review and make recommendations with respect to Bezeq's retail telephony rates and the setting of rates for different segments with regard to provision of services in the broadband Internet infrastructure access wholesale market. The Hayek Committee published its recommendation in October 2011. In May 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field, which primarily adopts the recommendations made by the Hayek Committee.

In broadband Internet infrastructure access in particular, on May 2, 2012, the Israeli Ministry of Communications published the final policy document on the subject of the expansion of the level of competition in the fixed-line communications field adopting the main recommendations made by the Hayek Committee in October 2011 with respect to the creation of a wholesale market for fixed line communications. The Ministry of Communications adopted the following principles affecting the broadband Internet infrastructure access market:

- In order to increase competition between providers of fixed-line communications services, owners of nationwide fixed-line access networks who also provide retail communications services (''infrastructure owners''), shall be obliged to sell wholesale services to communications license holders, who will provide services based on these infrastructures (''service providers''), including bitstream access, leasing of access elements (unbundling), leasing of dark fibers, duct access and transmission services (the ''wholesale services''), on the basis of non-discriminatory terms.
- A service provider may issue a request to the infrastructure owners to make use of their network elements, including wholesale services. Service providers and infrastructures owners will conduct commercial negotiations to reach a usage agreement or provision of the aforementioned services, and immediately upon the signing of such an agreement, each infrastructure owner shall publish a reference offer. The reference offer will include the services that are included in the agreement between the infrastructure owner and the service provider, according to the tariffs and the terms set in the agreement, as well as other wholesale services, in accordance with a list that will be published by the Israeli Ministry of Communications from time to time, including an offered price for each service. An infrastructure owner shall not be allowed to offer volume discounts to a service provider. This offer will be offered to anyone who requests, on equitable and non-discriminatory terms, it will be available for perusal by any seeker, and will be presented on the website of the infrastructure owner, as well as on the website of the Israeli Ministry of Communications. For the purposes of this paragraph, an ''agreement'' means an agreement between an infrastructure owner and a significant service provider, which is not a related company to an infrastructure owner.

- Should the Minister of Communications see that a tariff or a term was demanded by an infrastructure owner, or a tariff or a term was agreed to, for a wholesale service, which is not reasonable, may harm competition, may harm the public interest, or may harm the interests of a service provider, the Minister of Communications shall set that tariff or term. In the absence of a demand or an agreement on one or more terms or on a tariff, as stated above, the Minister of Communications shall set them, provided that an agreement has been signed or 6 months have passed since the issuance of this document, whichever shall come first, according to his authority under the Communications Law.
- The ancillary activities, services and arrangements to the wholesale services (rental of space, maintenance, etc.), arrangements for ordering, payment terms, and provisioning, and their tariffs shall also be set in commercial negotiations between service providers and infrastructure owners, and infrastructure owners shall be allowed to demand reasonable and equitable prices. In the absence of agreement between the relevant license holders, the Minister of Communications shall decide according to his authority under the Communications Law.
- The Israeli Ministry of Communications shall make use of a model for enforcement and supervision, which will help the Israeli Ministry of Communications ensure that the tariffs set in the reference offers are in accordance with the conditions set out above, and to monitor the actual provision of the wholesale services in a reasonable and non-discriminatory manner, and to track the level of implementation of the wholesale market.
- Infrastructure owners shall provide, on an ongoing basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Israeli Ministry of Communications and with exceptions that will be set by the Ministry.
- When a reference offer is published by an infrastructure owner, related corporations to that owner shall be allowed to purchase wholesale services in order to provide services according to the terms of their licenses, on the condition that such wholesale services are offered without discrimination to any seeker.
- When Bezeq publishes a reference offer, Bezeq shall be allowed to supply telephony services which are not provided over broadband networks, to its subsidiaries, in a wholesale arrangement; should Bezeq decide to provide the aforementioned services it shall provide them concurrently to any license holder who seeks them without discrimination, all subject to the relevant regulations regarding Bezeq subsidiaries.
- Within 9 months of the publication of the reference offer, as described above, the Minister of Communications shall order the abolishment of the structure separation between an infrastructure owner who published the reference offer, and providers of international calls and ISP services which are related corporations to that infrastructure owner, so that Bezeq, for example, will be allowed to provide to its subscribers bundles which are not disintegrable of all its services (local and international telephony, broadband access and ISP service), unless the Minister of Communications shall determine that in the situation of the wholesale market at that time, abolishment of structural separation might cause significant harm to competition or to the public interest. Should the aforementioned structural separation be abolished, it will be replaced with accounting separation, in a format that will be set by the Minister of Communications.
- The Israeli Ministry of Communications shall set indicators or conditions, under which the Minister of Communications may conclude that the level of development of the wholesale market and the level of development of competition based on bundles include fixed and mobile services in the household sector, allows the granting of easements of the structure separation between an infrastructure owner and a radio telephone operator which is a related company, or the abolishment of the said structural separation and its replacement with accounting separation.
- Should the Minister of Communications decide that the development of the wholesale market and the level of development of competition based on bundles of fixed and mobile services in the household sector allow it, the Minister of Communications shall consider the abolishment of the structural separation between an infrastructure owner and a radio telephone operator which is a related company.
- The Minister of Communications shall review the matter of the disintegrability of television broadcasting services, included in service bundles which also include telecommunications services

(whether fixed or mobile) or broadband services. The abolishment of the structural separation between infrastructure owners and the multi channel broadcasting sector, will be done while providing a reasonable opportunity to provide a basic television broadcasting package on the Internet, by operators who do not have a fixed nationwide network.

- If the wholesale market will not develop in a sound and proper manner, according to indicators which will be set for this purpose, within 24 months of the publication of this policy document, the Minister of Communications shall act to enforce structural separation between the infrastructure of a fixed domestic license holder and the services provided by that license holder to end users.
- Within six months of the publication of the reference offer, as described above, the Minister of Communications will act to change the tariff control mechanism over the tariffs of Bezeq, such that the control shall be done by setting a maximum tariff.
- The Israeli Ministry of Communications shall set, within nine months, a regulatory policy with the aim of increasing investment in, and upgrading the fixed communications infrastructure in Israel.

The Communications Law was amended in August 2013 in the following manner:

- The Minister's authority to determine payments under the law can include prices based on reference points (benchmark).
- The Minister may determine linkage payments by law based on other indexes than the CPI.
- To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.
- The Minister shall be authorized to issue instructions to immediately apply on a license holder for a limited period, if the actions of the licensee raise concern of immediately harm to competition, the public or the interests of another operator. The licensee will be given the opportunity to be heard as soon as possible, under the circumstances, after the instruction.
- The Minister may determine, with the consent of the Minister of Finance, the maximum or minimum charges for telecommunications services.
- The Minister may impose a structural separation between the infrastructure of a domestic operator and the services it provides to the end customers, if necessary.

On January 15, 2014, HOT received the Israeli Ministry of Communication's decision regarding the list of the wholesale services that infrastructure owners (HOT Telecom and Bezeq) will be obliged to offer to services providers. According to this decision, the list of the services, includes: (1) bitstream access, at a national level and at a regional or local level, in the broadband path of the infrastructure owner; (2) for the time being with respect to Bezeq's network only, subloop unbundling from the interface cable or optical cabinet, as the case may be, until the first plug at the end-user's premise; (3) leasing of dark fibers at the access network, aggregation network and core network; (4) leasing of virtual dark fibers at the core network; (5) access to the physical network of the ducts, miniducts, microducts, man-hole, box access and poles, at the access network, aggregation network and core network; and (6) wholesale telephony services. In addition, the Israeli Ministry of Communication announced a hearing regarding the service file of bitstream access, at a national, regional and local level, and regarding the maximum tariffs of the wholesale services in Bezeq's network. HOT is currently evaluating the impact of the Israeli Ministry of Communication's decision.

***Obligation to Extend Services***

Similar to the Broadcasting Licenses, the Fixed-Line Licenses contain a requirement to extend our services to customers in all areas of Israel even where it would not be economically profitable to do so. Although we extend our services to most of Israel, there are currently certain areas of the country where we do not provide these services and we have applied for exemptions from the terms of the Fixed-Line Licenses in accordance with the procedure specified under existing regulations. Pursuant to the Fixed-Line Licenses we are also required to provide network access service to other license holders on reasonable commercial terms so as to enable them to provide services to their subscribers and we must also avoid preferential provision of network access to our affiliated companies, including with regard to payment terms and service availability.

***Removal of Certain Restrictions on Bezeq***

In 2010, following the reduction in the market share of Bezeq, the incumbent telephony services provider in Israel, in the field of land-based communications below 85%, the Israeli Ministry of Communications announced that it was amending the licenses granted to Bezeq and its subsidiaries thus enabling it to commence marketing multiple-play packages to residential customers and allowing it to market its ISP and fixed-line telephony and broadband Internet infrastructure access services together. To the best of our knowledge, Bezeq currently markets two communications multiple-play packages which include: (a) Internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (b) Internet infrastructure access services (ADSL), ISP services from subsidiary Bezeq International as well as fixed-line telephony services. Bezeq also recently began to market bundles including its fixed-line domestic services (both telephony and broadband Internet infrastructure access) with mobile services provided by its subsidiary, Pelephone. Bezeq has recently been permitted to provide multiple-play packages to business customers as well. However, Bezeq will not be permitted to discriminate with its Internet infrastructure access services prices between a subscriber that uses the service together with telephone service and a subscriber that only uses the Internet infrastructure access service.

Based on publicly available sources, Bezeq has filed a merger notice with the Israeli Antitrust Commissioner, regarding its proposed merger with YES. Based on publicly available information disclosed by Bezeq, the Israeli Antitrust Commissioner is considering approving the merger subject to the following conditions:

1. Bezeq will not limit use of Internet infrastructure services based on incremental browsing capacity, nor will the price or quality be based on incremental volume;
2. There will be prohibition on conditioning use of broadcasting services on the use of other telecommunications services; and
3. For two years after the approval of the merger, YES will not prevent any entity, other than those who hold a broadcasting license on the date of the Israeli Antitrust Commissioner's decision (cable and satellite, commercial, IBA), from acquiring rights in original productions, excluding news.

***Israel Electric Company Infrastructure***

In 2010, the Israeli Ministry of Communications announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation, which is a government owned company and the principal owner of the electric transmission and distribution network in Israel, with a view to increasing competition in the fixed-line telephony and broadband Internet infrastructure access market, it intended to grant a license to a joint venture between the Israeli Electric Corporation and a private sector partner pursuant to which such joint venture would be permitted to provide various communication services, including wholesale products to other telecommunication licensees and fixed-line telephony and broadband Internet access to large business customers. The procedure to select the private sector partner to the Israeli Electric Corporation has also been initiated.

***Telephony Services over Broadband***

In 2007, the Israeli Ministry of Communications published the licensing policy for the provision of telephony services via broadband Internet infrastructure or Voice Over Broadband. The policy stipulated that the provision of Voice Over Broadband services will be regulated via general specific licenses to be granted pursuant to the provisions of the Communications Regulations (Telecommunications and Broadcasting) (Processes and Conditions for Receipt of a General Specific License), 5764-2004. A general specific licensee will be permitted to provide telephony services using VoIP or VOB technology via the broadband infrastructure access service of a general fixed-line licensee (currently only us and Bezeq). This policy thus permits a general specific licensee to provide services using a fixed-line licensee's network without the requirement to pay the owner of the network infrastructure charge, although they still must pay interconnection fees, whilst competing with it in providing fixed-line telephony services.

***Elimination of Gigabit Ethernet Transmissions Fees***

In the Israeli broadband Internet market, the broadband Internet infrastructure access providers, Bezeq and us, receive payment from subscribers for access to the infrastructure and from ISPs for the Gigabit

Ethernet (GBE) connections used as part of the connection to the Internet. On June 26, 2012, the Israeli Ministry of Communications announced a hearing and request for comment on the subject of GBE connections for ISPs. The proposal was issued in light of the expectation that the use of the television broadcasting services via the open Internet network (OTT) will increase, thus increasing the need for Internet bandwidth. In order to ease the entry of additional players into the broadcasting field through OTT, the Israeli Ministry of Communications is considering changing the service files which describe the fee structure charged with respect to the broadband Internet access services provided to customers, so that such fees and services include all of the components that are required to provide the connection speeds for the purchasers of the service, including the carrying of traffic on the access and core networks. Thus, the proposed legislation would eliminate the payments that are currently paid to the owners of the infrastructure by the ISPs for the GBE connections, other than the transmission from point-to-point segment which connects between the networks of the owners of the infrastructure and the facilities of the ISPs and which may be purchased from the owners of the infrastructure or from one of the other appropriate license holders, who provide GBE transmissions. It was also proposed that the owners of the infrastructure maintain a minimum number of connection points on the basis of geographic regions and regulate the ability of the ISP to select a certain number of connection points. The proposal also provides that the owners of the infrastructure will be required to provide GBE connections at a certain rate based on the aggregate connection rate that has been ordered by the subscribers of that ISP. The GBE proposal could reduce the revenue our broadband Internet infrastructure access segment receives as a result of the prohibition on charging ISPs for the GBE connections.

In June, 2013, the committee for selecting an investor and a controlling shareholder in the joint communication project with the IEC announced that it chose a group of investors for the foundation of a communication venture designed to establish a network based on fibre optics, headed by Via Europe which holds 60% of the venture, along with the IEC which holds 40% of the venture.

On August 27, 2013, the Minister of Communications granted a general license to provide inner country telecommunications services (Infrastructure) to I.B.C Israel Broadband Company (2013) Ltd. (hereinafter—''IBC''). The permit requires IBC to set up a nationally deployed fibre optics based communication network, in accordance with the milestones set out in the license, additionally to the license to provide domestic wired telecommunications services through it to other license holders. IBC was also granted by the Ministry of Communications, on that date, to the best of the company knowledge, a special license to provide a domestic wired data communications services which allows it to provide services to large business customers, with annual revenue of minimally NIS 30 million, as well as to government agencies and local authorities.

We believe that the granting of such licenses could result in increased competition in the domestic wired telecommunications services sector and thus significantly affecting the results of HOT. HOT's assessment stated forward looking information as defined in the Securities Act 1968, which realization depends on factors which are not under the control of HOT.

***Fees and Royalty Payments***

The regulations enacted under the Communications Law obligate HOT Telecom to make royalty payments to the State of Israel in connection with its domestic fixed-line operator license. These royalty payments were reduced to zero in January 2013.

**6.3. Internet Service Provider**

We provide our ISP services through our subsidiary, HOT Net, pursuant to a special license to provide Internet access services (the ''ISP License''). The ISP license permits us to provide various services, including Internet access services, email services, installation and maintenance of a network for transmission of data, documents and electronic messages (EDI), processing, management and routing of messages and system administration services (including monitoring and handling malfunctions, information security, information systems and information compression, and securing access to service recipient's computer). Under the terms of the ISP License, we are required to provide ISP services to any customer or other ISP license holders, including to customers of other broadband Internet infrastructure access providers, without discrimination and under identical terms and conditions. Our ISP License is valid until December 31, 2015 and may be extended upon approval by the Israeli Ministry of Communications. As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications. On October 31, 2012, the Israeli

Ministry of Communications published an amendment applicable to all licenses issued to ISP providers including our ISP License. The amendment introduced certain provisions mainly relating to consumer protection.

### 6.4. Mobile

Our mobile operations are subject to the Communications Law, the Telegraphy Ordinance New Version, 1972, and the regulations enacted in accordance with them. We are also subject to the Planning and Construction Act and regulations with regard to site construction, the Consumer Protection Law, 1981 and the Non-Ionising Radiation Law. We provide our mobile services pursuant to a non-exclusive license to erect, maintain and operate a mobile system and to provide mobile services (the ''Mobile License''). The Mobile License was amended in September 2011 to add additional frequencies in relation to the launch of a UMTS network. The Mobile License with respect to the main original frequencies which we use to deliver our iDEN based mobile services is valid until February 2016. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications. As a general rule, the Mobile License is non-transferable, and the transfer of any means of control in a relevant license holder is subject to prior approval of the Israeli Ministry of Communications.

Certain key features of the regulations and licenses governing our mobile operations, including certain proposed regulatory changes that may have a significant impact on our operations, are set forth below.

#### *Construction of Network Sites*

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36 for Communications, which was published in May 2002 (''National Zoning Plan 36''). The construction of radio access devices, which are cell sites of smaller dimensions, is further regulated in the Planning and Building Law and the Communications Law.

*National Zoning Plan 36*

National Zoning Plan 36 includes guidelines for constructing cell sites in order to provide mobile broadcasting and reception communications coverage throughout Israel, while preventing radiation hazards and minimizing damage to the environment and landscape. National Zoning Plan 36 sets forth the considerations that the planning and building authorities should take into account when issuing building permits for cell sites. These considerations include the satisfaction of safety standards meant to protect the public's health from non-ionizing radiation emitting from cell sites, minimizing damage to the landscape and examining the effects of cell sites on their physical surroundings. However, National Zoning Plan 36 is in the process of being revised. Current proposed changes will impose additional restrictions and requirements on the construction and operation of cell sites. On June 1, 2010, the National Council for Planning and Building approved the National Zoning Plan No. 36/A/1 version that incorporates all of the amendments to the Plan (the ''Amended Plan''). The main amendments to the Plan are: (a) the plan provides for full liability for depreciated property claims on the mobile operators; (b) the plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the plan demands a minimum distance of four meters between antenna poles on a rooftop.

The Amended Plan is subject to governmental approval, in accordance with the Planning and Building Law. It is unknown if and when the government intends to approve the Amended Plan. If the Amended Plan is approved, it might have a significant impact on our ability to get permits for our mobile sites. In addition, we may need to change the location of our future mobile network sites to less suitable locations, which may have an adverse effect on the quality and capacity of our mobile network coverage. The cost of complying with the Amended Plan might be substantial, and may adversely affect our revenues and profits.

*Radio Access Devices*

Most mobile operators have historically relied on an exemption from obtaining a building permit under the Construction and Planning Law for constructing rooftop mobile radio access devices, which was consistent with the Israeli Attorney General opinion on the matter. In May 2008 the District Court of Tel

Aviv-Jaffa, in its capacity as court of appeals, ruled that the mobile operators' devices do not meet the exemption's requirements and therefore the exemption may not be relied upon. An appeal was filed against this ruling to the Supreme Court and the Israeli government notified the Supreme Court that it concurs with the appeals against the District Court ruling. Furthermore, in July 2008, a petition seeking to annul the Attorney General's opinion and apply the District Court ruling was filed with the Supreme Court by the Union of Local Authorities in Israel and certain local planning and building authorities which also requested to join our appeal and argue against the position of the State. In June 2009, another petition seeking similar remedies, was also filed with the Supreme Court. The Supreme Court decided to hear both petitions and our appeal together. In September 2009, following publication of the recommendations of an inter ministry committee established to examine the appropriateness of future application of the exemption, the Attorney General concluded that the application of the exemption does not balance properly the different interests involved and therefore cannot continue. In March 2010 draft regulations were issued setting conditions for the application of the exemption, which include significant limitations on the ability to construct radio access devices based on such exemption, including a limitation of the number of such radio access devices to 5% of the total number of cell sites constructed or to be constructed with a building permit in a certain area during a certain period (which will render the construction of radio access devices based on the exemption practically impossible), and circumstances in which a request for a building permit for the radio access device was filed and no resolution has been granted within the timeframe set in the regulations. In September 2010, the Supreme Court issued an interim order prohibiting further construction of radio access devices in mobile networks in reliance on the exemption. The interim order, that was issued pursuant to the Israeli Attorney General's request, will be in effect until the enactment of the proposed regulations or other decision by the court. A further decision of the Supreme Court in February 2011, states that the order will not apply to the replacement of existing radio access devices under certain conditions. In September 2010, pursuant to the Israeli Attorney General, the 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 July 31, 2011 (subsequently extended several times, most recently on September 30, 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.

Radio access devices also require permits from the Israeli Ministry of Environmental Protection. The local planning and building committee's engineer may object to the exemption for a permit requirement prior to installing radio access devices. An annulment of, or inability to rely on, or substantial limitation of, the exemption could adversely affect our existing network and network build-out particularly given the objection of some local planning and building authorities to grant due permits where required, could have a negative impact on our ability to obtain environmental permits for these sites, could negatively affect the extent, quality, capacity and coverage of our network, and our ability to continue to market our mobile services effectively.

*Indemnification Obligations*

In January 2006, the Planning and Building Law was amended to provide that as a condition for issuing a building permit for a cell site, local building and planning committees shall require letters of indemnification from mobile operators indemnifying the committees for possible depreciation claims under Section 197 of the Planning and Construction Law, in accordance with the directives of the National Council for Planning and Building. Section 197 establishes that a property owner whose property value has depreciated as a result of the approval of a building plan that applies to his property or neighbouring properties may be entitled to compensation from the local building and planning committee. In February 2007, the Israeli Minister 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 under National Zoning Plan 36 for a cell site and one year from the construction of a cell site. The Minister retains the general authority to extend such period further. This extension of the limitation period increases our potential exposure to depreciation claims.

*The Non-Ionizing Radiation Law*

The Non-Ionising Radiation Law prohibits the construction and operation of cell sites without a permit from the Israeli Ministry of Environmental Protection. The Commissioner of Environmental Radiation, or the Commissioner, is authorized to issue two types of permits: construction permits, for cell site construction; and operating permits, for cell site operation. These permits contain various conditions that regulate the construction and operation of cell sites. A construction permit is valid for one year, and will allow us to operate a cell site for a period not exceeding three months and an operating permit will allow us to operate a cell site for a period of five years. We are required to submit to the Commissioner annual reports regarding radiation surveys conducted on our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. In order to receive an operating permit from the Commissioner, certain conditions must be met, such as presenting a building permit or an exemption and means taken (including technological means) to limit exposure levels from each cell site or facility (relevant also for the receipt of a construction permit). The Non-Ionising Radiation Law, grants the Commissioner authority to issue eviction orders if a cell site or other facility operates without complying with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non-Ionising Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites.

The Ministry of Environmental Protection notified us of a new condition for all of our mobile network site operation permits in order to receive operating permits, according to which we must connect to a monitoring system of the Ministry of Environmental Protection that continuously monitors and reports the level of power created in real time from the operation of our mobile network sites.

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 Ministry of Environmental Protection. As of August 2012, we began to apply for operation permits to our sites to the Commissioner. We also applied for extended time to connect to the monitoring system to the commissioner. As of November 2012, we started receiving operation permits. On February 4, 2013, we were notified by the Ministry of Environmental Protection that we have complied with all of its requirements for connecting to the monitoring system.

***Prohibition of Exit Fee***

On March 21, 2012, the Knesset passed an amendment to the Communications Law in order to prohibit a license holder from collecting an exit or termination fee from new subscribers who cancel their agreement with the license holder. A license holder is still permitted to collect the balance of payment owed to it by the subscriber relating to the purchase of end-user equipment. The amendment does not apply to large subscribers who have purchased 100 or more lines. Additionally, under the terms of the amendment, as of January 2013, it is not be possible to link a transaction for the purchase of end-user equipment and the provision of mobile services.

***Mobile Virtual Network Operator***

A mobile virtual network operator, or MVNO, is a mobile operator that does not own its own spectrum and does not have its own radio network infrastructure. Instead, MVNOs have business arrangements with existing mobile operators to use their infrastructure and network for the MVNO's own customers. The Communications Law was amended in July 2009 to provide for MVNO licenses and in January 2010, the regulations necessary for the granting of an MVNO license were promulgated. The regulations regulate the operation of an MVNO pursuant to an agreement to be reached and entered between a mobile operator and an MVNO and sets, among others, the conditions for receiving an MVNO license, including a requirement to operate a mobile phone switch, a restriction on a mobile operator and a fixed-line operator to receive an MVNO license and limitations on parties related to an existing mobile operator and on other communication licensees, to receive an MVNO license. The amendment provides that in the event that a MVNO and the mobile operator will not have reached an agreement as to the provision of service by way of MVNO within six months from the date the MVNO has approached the mobile operator, and if the Israeli Ministry of Communications together with the Israeli Ministry of Finance determine that the failure to reach an agreement is due to unreasonable conditions imposed by the mobile operator, the Ministry of Communications will use its authority to provide instructions. Such instructions may include

intervening in the terms of the agreement, including by setting the price of the service. To the best of our knowledge, based on publicly available sources to date the Ministry of Communications has granted eleven MVNO licenses.

***Fees and Royalty Payments***

In accordance with our Mobile License, 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. We provided a bank guarantee to the State of Israel for the remaining NIS 695 million. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license and the Ministry of Communication's instructions that would entitle 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 obligations under the license, including 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, and if we meet the territorial coverage requirements within 84 months from September 2011, the guarantee will be reduced to $10 million. See Part XXIII of this Prospectus (*General Information—Material Contracts Relating to the IPO*).

***Reduction of Interconnection Fees***

Effective December 1, 2013, interconnection fees between fixed line telephony service providers (including Bezeq, VoIP or VOB providers and us) will be reduced by 60% and set at NIS 0.01.

***Copyright/Trademark Law***

Israel grants copyright protection to original literary, dramatic, musical and artistic works, as well as sound recordings and computer programs under the Copyright Law, 5767-2007. Copyright protection automatically subsists with respect to works which comply with the terms set forth in the Copyright Law. Under the Copyright Law, generally, protection of a work runs from the date of creation until the end of the seventieth year after the year of the death of the author. Israel is party to a number of multinational treaties relating to copyrights, including the Berne Convention.

In Israel, trademarks are governed by Trade Marks Ordinance (New Version), 5732-1972. A trademark registration is valid for ten years from the date of the trademark application. The registration may be renewed for further periods of 10 years after each renewal. The legal protection of a trademark is conditioned on it having distinctive character. Israeli law also provides for legal protection to unregistered trademarks. Under the Trade Marks Ordinance an owner of a trademark that is well-known in Israel can exclude others from using the mark, even when the trademark was not registered in Israel. Israel is also party to a number of multinational treaties relating to trademarks.

***Structural Separation***

In order to promote competition in the telecommunication and broadcasting industry in Israel the various licenses issued to us to conduct our business contain provisions that require us to maintain strict structural separation between the HOT group entities that hold the licenses, including separation of assets, management and employees. As a result, we generally operate our cable television services which are subject to the Broadcasting Licenses, our broadband Internet infrastructure access and fixed-line telephony services which are subject to the Fixed-Line Licenses, our ISP services which are subject to the ISP License and our mobile services which are subject to the Mobile License as separate businesses conducted by separate entities within our Group. In addition, pursuant to the license provisions, our cable network assets are owned by HOT Telecom and access to the network is provided to other HOT entities pursuant to certain inter company arrangements and subject to legal requirements. Under the terms of the licenses, we are also prohibited from making any of our services conditional upon subscription to another service. For example, we are not allowed to force customers to opt for our multiple-play packages and must continue to offer our various services on a stand alone basis also. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multiple-play services and conduct related marketing, billing and collection activities of our pay television, broadband Internet infrastructure access and fixed-line telephony on the condition

that only commercial information necessary for marketing, billing and collection activities of our multiple-play services are shared between the relevant HOT entities.

On October 30, 2013, the Knesset Finance Committee approved the bill for promoting competition and reducing concentration, 2012. According to the bill, a committee will be established with the objective to supervise the attempts to limit concentration, headed by the Antitrust Commissioner and hosting members such as the General Director of the Ministry of Finance and the head of the National Economic Council or one of his deputies appointed by the prime minister. Under the Bill, among other things, the regulator may decide not to assign any right, including the right to grant or extend a license, to a concentrated factor as it is defined in the bill, if it finds that it is unlikely that any real harm may be caused to the sector in which this rights is assigned and the regulation of such sector. Also, a regulator seeking to allow the assignment of a right, including the grant or extension of a license, will not do so, including not allowing any concentrated factor to participate in the assignment procedure of this right and not setting any conditions that allow its assignment, but only after taking into account considerations of cross market concentration, in consultation with the entity in charge of the concentration reduction. In addition, the bill provides, inter alia, that when assigning a right and setting its terms the regulator must consider, in addition to any other vital consideration as specified by law, considerations of promoting the competition in the sector, and if the right is included in the list of rights issued by the Antitrust Commissioner in this regard, the regulator may not assign this right but only after considering considerations of promoting competition in the sector in consultation with the Antitrust Commissioner. Under the Bill, the holder of a general license to broadcast through cables is defined a concentrated factor. To our knowledge, the bill is expected to be put for first reading in these upcoming days. On October 16, 2013, the Ministry of Communications published a hearing regarding a recommendations report of an inter departmental team aimed at examining the current regulations in the international telecommunication services sector, and the need to modify it in light o developments and changes in the telecommunication market. The ministry allows such license holders and all relevant parties to submit their position regarding the hearing until December 1, 2013. On August 14, 2013, the Ministry of Communications published a hearing by which the ministry began formulating a new regulation framework, in which a version of one unified license will be determined, by which it will be possible to provide all the services provided today with a special general license for providing domestic wired telecommunication services a license to provide radio mobile phone services through another operator, and a general license to provide international telecommunications service. The unified licensing framework will also enable to provide Internet access services (ISP) and NTP. Hot Telecom submitted a response with respect to the hearing.

### 7. French Overseas Territories

In the French Overseas Territories our business activities are subject to the specific legislation and regulations of both France and the European Union governing the telecommunications sector and the information society.

#### Regulation of Electronic Communications Networks and Services

***The European Regulatory Framework for Electronic Communications***

The majority of the regulatory provisions applicable in France to the telecommunications sector are set forth in the French Code for Postal and Electronic Communications Code (Code des Postes et des Communications Electroniques (the ''CPCE'')).

In addition, the following texts are also applicable to the telecommunications sector:

- regulation (EC) No. 2887/2000 dated December 18, 2000, on unbundled access to the local loop, which provides that all operators with significant market power must offer unbundled access to their local loop and associated facilities, under transparent, fair and non-discriminatory conditions;
- regulation (EC) No. 717/2007 on roaming on public mobile telephone networks within the European Community, amended in 2009 by Regulation (EC) 544/2009 of June 18, 2009 and in 2012 by Regulation (EC) No. 531/2012 which provides that all wholesale and retail roaming charges levied by mobile operators are subject to price caps which are set until June 30, 2017; and
- regulation (EC) 1211/2009 dated November 25, 2009, establishing the Body of European Regulators for Electronic Communications (the ''BEREC''). Rather than operating as a European regulatory agency, the BEREC's role is to act as a forum for cooperation between the national regulatory agencies (''NRAs'') and the Commission. Its responsibilities include developing and relaying guidelines and regulatory best practices to NRAs as well as issuing reports and opinions to the European Commission, Parliament and Council.

***French Regulatory Framework Applicable to Electronic Communications***

*Authority of the ARCEP*

In France, the national regulatory authority (NRA) for electronic communications is the ARCEP.

Our operations do not require specific authorisations from the ARCEP. However, we must declare our activities and register with the ARCEP.

The sanctions available to the ARCEP if an operator fails to comply with the regulatory framework include limiting the scope or reducing the term of the operator's registration, as well as suspending or even fully withdrawing such registration. It can also impose fines representing up to 3% of the operator's annual revenue, or 5% in the event of a repeated breach.

*Market Analysis—Asymmetric Regulation*

The analysis of markets is the cornerstone of the asymmetric regulation framework applicable to operators that occupy a dominant market position.

The first and second phases of such market analysis were completed by the ARCEP at the end of 2007 and 2010, respectively. The market analysis was carried out in three distinct markets: the fixed-line market, the mobile market and the broadband market. From 2010 to 2012, the ARCEP carried out and completed the third phase of its market analysis, covering the period from 2011 to 2014.

The regulatory measures that can be imposed by ARCEP on operators identified as having significant market power in a relevant market (and, as applicable, on another market of the electronic communications sector that is tightly linked to the aforementioned market) are specified in Articles L.38 (wholesale markets) and L. 38-1 (retail markets) of the CPCE.

We are not presently considered by the ARCEP to be an operator identified as having significant market power in any relevant market except in the market of calls terminating on our network, like any other operator. It implies that we must comply with the regulations applicable to call termination charges on landline networks.

The regime governing the call termination charges has recently been changed. Since January 1, 2013 the call termination charge applied by operators is set at €0.01.

We cannot guarantee that we will not, in the future, be identified by the ARCEP as having significant market power in one or several other relevant markets and that the ARCEP will not impose additional regulatory measures on us.

*Symmetric Regulation*

The ARCEP also regulates in a ''symmetric'' way, i.e., by imposing the same obligations on all operators, through a number of decisions, for instance:

- decision 06-0636 dated November 30, 2006, on supplying subscriber lists for the purpose of publishing universal directories;
- decision 07-0213 dated April 16, 2007, on routing communications used for value added services;
- decision 2009-0637 dated July 23, 2009, on portability; and
- decision 2009-1106 dated December 22, 2009 and decision 2010-1312 dated December 14, 2010, on access to the terminal section of optical fibre networks.

*Interconnection Access*

Regulations governing the interconnection of each operator to the networks of the incumbent operator and of other operators are essential for opening up the market and ensuring the quality of services provided to each operator's subscribers. Interconnection agreements are subject to private law and must be disclosed to the ARCEP if requested. The ARCEP has the power to rule on disputes between operators but its decisions may be appealed before the Paris Court of Appeal (Cour d'Appel).

We have interconnection agreements with local operators mainly for call termination over fixed and mobile operators. The local loop network is partially leased to France Telecom (ADSL Broadband) and to local fibre suppliers.

*Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fibre Networks*

The French Economy Modernisation Law dated August 4, 2008 introduced several provisions aimed at setting up a regulatory framework for the roll-out of very-high-speed optical fibre networks.

The law comprises a number of measures intended to foster such roll-outs, including: (i) an obligation for private and public landlords to facilitate the installation of optical fibre networks in their buildings; (ii) rules for sharing optical fibre access in order to avoid several networks being set up within the same building (only one ''building operator'' may therefore set up a network in the said building); (iii) a requirement for each operator offering very-high-speed access to be able to connect to the network; and (iv) provisions stating that the access point to the shared network must be located outside the limits of a private property (unless the ARCEP approves the access point being inside such a property).

In addition to the implementing decrees, the ARCEP has been given decision making powers to set the terms and conditions relating to the application of this law.

***Legal Status of the Le Cable Networks***

A telecommunications network is comprised essentially of the physical infrastructure (ducts, head-ends, switches) into which the telecommunications equipment (mainly the cables) are placed. These different components can be governed by different legal statutes. Because Le Cable's physical infrastructure is not built on its own premises (but on public land and private property), Le Cable has entered into concession, easement or lease agreements with landlords. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment.

One of Le Cable's cable networks (Point-à-Pitre, Guadeloupe) can be categorised as an agreement for the delegation of public services délégation de service public). Under such agreement with a local authority for the delegation of public services, the infrastructure and equipment used to carry out the said public services revert back to the local authorities upon expiry or termination of the agreement (biens de retour). Renegotiations of these agreements were imposed by laws passed on July 9, 2004 and March 5, 2007 with a view to clarifying the legal classification of these agreements. Moreover, the law of August 4, 2008 authorised local authorities to grant equal rights of access on their network to our competitors even if the agreement with such local authorities says otherwise.

The rest of Le Cable's current cable network is governed by ad hoc legal agreements. Concerning such agreements with local authorities, Le Cable has initiated their transformation into agreements for the occupation of public domain (conventions d'occupation du domaine public). Occupation of public domain agreements, which are entered into with local authorities for terms ranging from 10 to 30 years, provide that, upon termination, we must, at the option of the local authority (i) return the entire network to the local authority, in some cases against the payment by the local authority of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove, either at our cost or at the cost of the local authority, the equipment installed by us on their land or premises or (iii) transfer the network to another operator, provided it is approved by the local authority.

Fees are typically paid on an annual basis, and in principle based on the size of the network deployed on public land or premises.

***Fixed Number Portability***

Number portability is an obligation for all operators connecting end-subscribers. Decree 2006-82 of January 27, 2006 extended this number portability obligation to alternative landline operators. The ARCEP decision 2009-0637 implementing this decree was issued on July 23, 2009, and approved by the Minister for Electronic Communications on October 22, 2009. This decision sets forth the portability obligations of operators.

***Directories and Provision of Subscriber Lists***

All operators that connect end-subscribers are required to disclose their subscriber lists for the purpose of publishing directories and/or providing information services (as set out in more details by ARCEP decision 06-0639 of November 30, 2006).

***Contribution to Universal Service Funding***

Pursuant to law 2003-1365 dated December 31, 2003, the operator required to guarantee the provision of universal service is designated on the basis of calls for tender. The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunications services.

***Broadcasting of Audiovisual Services***

The transmission and broadcast of radio and television services falls within the scope of the 2002 Telecoms Package and is consequently subject to the control of the NRAs.

As a broadcaster of radio and television services, we must declare our activities and register with the Conseil Supérieur de l'Audiovisuel (''CSA'').

Pursuant to articles 42-1 and 42-2 of law 86-1067 dated September 30, 1986 (as amended by law 2004-669), the sanctions available to the CSA if an operator fails to comply with the regulatory framework includes limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing said registration. The CSA may also impose a fine representing up to 3% of an operator's annual revenue, or 5% in the case of a repeated breach.

In our capacity as a broadcaster of audiovisual services, we are subject to the regulatory ''must-carry'' provisions, i.e., the obligation for a provider of services via cable, satellite or ADSL to carry certain audiovisual services on its network. The must-carry obligations are governed by articles 34-2 and 34-4 of law 86-1067 dated September 30, 1986.

Moreover, the CSA controls the content of the broadcast channels. In particular, under article 15 of law 86-1067 dated September 30, 1986, the CSA must enact rules to protect minors against programs considered dangerous to their physical and mental health. The CSA has put in place strict rules in this respect, including the encryption of specifically designed logos on programs considered inappropriate for minors. As an operator and distributor of TV channels, we make sure that we strictly comply with these rules.

**Regulation of the Content of Electronic Communications**

***Content of Online Services and Liabilities of Internet Market Players***

The liability provisions applicable to intermediary Internet service providers are set forth in law 2004-575 dated June 21, 2004 and the CPCE and decree 2011-219 of February 25, 2011 (as modified on March 30, 2012). They include the conditions under which providers/operators can be held civilly or criminally liable.

***Copyright and the Internet***

Under law 2009-669 adopted on June 12, 2009 promoting the dissemination and protection of creative works on the Internet, a specific ''graduated response'' system was introduced, aimed at limiting illegal downloads. The French government announced in May 2012 the setting up of an ad-hoc commission dedicated to the reform of HADOPI and the legal framework on copyright and the Internet is expected to be modified in the near future.

***Processing of Personal Data and Protection of Individuals***

The main applicable provisions of the revised law 78-17 dated January 6, 1978, which is the cornerstone of the French data privacy regulations, are as follows:

- no personal data may be processed without the prior information and consent of the person concerned. However, a limited number of circumstances are defined in which such processing may be lawful, even without the consent of the person concerned (these exceptions do not apply to the processing of sensitive data);
- the right of data subjects to access, correct and object to the processing of their personal data must be ensured at all times;
- all processing of personal data must be notified to or duly authorised by the French data protection authority (CNIL), to the exception of very few processings;

- electronic communications providers have a whistleblowing obligation (to the French authorities) in the event of a breach of personal data protection which is detailed in Decree no. 2012-436 of March 30, 2012; and
- any failure to comply with the provisions of law 78-17 is subject to administrative and/or severe criminal sanctions. The possible offenses and related penalties are set forth in Articles 226-16 to 226-24 of the French Penal Code (Code pénal). Such offenses are punishable by a fine of up to €300,000 and five years' imprisonment.

In the course of our business, we record and process personal data including statistical data, in particular data concerning the number of visits to our websites. These personal data are, however, processed pursuant to all applicable laws.

Last, Decree no. 2012-488 of April 13, 2012 puts additional obligations on operators to protect the safety of personal data on their networks. Operators must, inter alia, implement specific policies to protect the integrity of their networks.

**Payment services regulations applicable to OPS**

Payment services which Outremer plans to introduce through a fully owned subsidiary OPS, are governed by Articles L. 522-1 of the French Monetary and Financial Code (the ''CMF''), as further detailed in an Order dated October 29, 2009, setting out prudential requirements for payment institutions (the ''Order''). As a payment institution, such subsidiary is controlled by the Autorité de Contrôle Prudentiel (the ''ACP'').

***Prior Approval***

Pursuant to the CMF and the Order, all payment institutions must have been approved by the ACP. When reviewing the request for approval, the ACP seeks to ensure that the payment institution will be operated in a sound and prudent way and examines, in particular, if the company has (i) a sound system of corporate governance, (ii) an efficient procedure for detecting, managing, monitoring and declaring the risks to which it is, or may be, exposed, and (iii) an adequate internal auditing system. Further, it seeks to verify that the individuals declared responsible for the effective management of the payment institution possess the respectability, competence and experience, as well as the status of the shareholders who have a qualified equity holding.

***Changes requiring prior approval from or notice to the ACP***

The CMF and the Order provide that some changes require the prior approval of the ACP, while others only need to be notified to the ACP. In particular and without limitation the following changes require the ACP's prior approval: (i) change in the corporate form, (ii) change in the types of payment services provided or (iii) change in any element which the ACP imposed as a condition to its prior approval.

The ACP's prior approval is also required for any direct or indirect acquisition, extension or sale of a shareholding in the payment institution by a person or group of persons (other than a person or entity within the same group) causing these persons to either (i) reach the thresholds of 10%, 20%, or 33⅓% of the payment institution's voting rights or (ii) acquire or give up the effective control over the payment institution's management. We have now obtained this approval from ACP.

***Rules governing the management and organisation of payment institutions***

The CMF and the Order require payment institutions to abide by a series of management and financial requirements.

***Agents***

When a payment institution intends to provide payment services through an agent, it must report this agent (''agent'') to the ACP, pursuant to the Order.

***Control by the ACP***

A payment institution must at all times comply with the requirements set out in the ACP's approval and the ACP monitors the compliance of the activities conducted by payment institutions.

The CMF and the Order provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACP may withdraw its approval. In such a case, the payment institution will be removed from the list of authorised payment institutions within a maximum of fifteen months from the ACP's decision and funds received in connection with payment services must be returned to the users of the payment services or transferred to a credit or payment institution or to the Caisse des Dépôts et Consignations within this fifteen month period.

The ACP may also impose disciplinary sanctions on payment institutions, including their removal from the list of authorised payment institutions. In such a case, the institution is banned from offering payment services and, in certain circumstances, this sanction entails the dissolution of the payment institution.

## 8. Dominican Republic

### *Overview*

The legal framework of the telecommunications sector in the Dominican Republic is set forth by General Telecommunications Law 153-98 of May 27, 1998, as amended (''Law 153-98''), resolutions issued by the telecommunications regulator on the grounds of Law 153-98 and various decrees of the Executive Power on matters related to the National Plan of Attribution of Frequencies (''PNAF'').

The Constitution of the Dominican Republic guarantees the freedom of enterprise, trade and industry among other individual and social rights, in addition to the industry specific legal framework. The Constitution specifically sets forth that monopolies shall not be permitted except in favour of the Dominican State and must be created by law. The Dominican Constitution provides that the secrecy of the communication telegraphic, telephonic, cable graphic, electronic, telematics or established by another mean, shall not be breached, except by an order of a judge or competent authority, in accordance with the law. Also, the Dominican Constitution guarantees public services of radio, television, library and information networks, to allow universal access to the information.

### *General Telecommunications Law 153-98*

Law 153-98 classifies telecommunications services as follows:

a) Carrier services: provide the necessary capacity to transport signals between two points of termination of a defined network;

b) Final services or teleservices: provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);

c) Value added services: work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);

d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153-98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153-98 reaffirms the ''Universal Service Principle'' by guaranteeing access to telecommunications services at affordable prices in low income rural and urban areas. Law 153-98 created the ''Contribution to the Development of Telecommunications'' (''CDT'') consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153-98 the *Instituto Dominicano de las Telecomunicaciones* (''Indotel'') is the regulatory body created as a decentralized state entity, with operational, jurisdictional, and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio electric spectrum.

Law 153-98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the maximum authority of Indotel, composed of five (5) members designated by the Executive Power.

Among other management powers, Indotel administers the entrance and participation of the telecommunications service providers in the Dominican telecommunications market, and has various functions including (i) granting, expanding and revoking concessions and licenses under the conditions provided for by the laws in force, allowing the entrance of new providers of telecommunications services; (ii) managing and administering the spectrum orbit resources, including the management of the orbital portions of the telecommunications satellites with their respective bands of frequencies, as well as the satellite orbits for Dominican satellites which may exist and coordinating their use and operation with international entities and organisms and with other countries; (iii) controlling the compliance with obligations of the concessionaires of public telecommunications services and of the users of the radio electric spectrum, protecting the right of defence of the parties in its actions.

Law 153-98 promotes competition in all telecommunications services by enforcing the right to interconnect with existing participants and ensuring against monopolistic practices, and at the same time upholding those concessions that are operational. Law 153-98 provides that the regulator shall ensure charges are not discriminatory strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene in the establishment of the same by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the ''Regulation of tariffs and costs of the services''.

In accordance with Law 153-98 a concession granted by Indotel is required for providing public telecommunications services to third parties, with the exceptions set forth in Law 153-98. The authorization process is governed by ''Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic'' contained in Resolution No. 007 02, issued by the Board of Directors of Indotel (as amended by Resolution No. 129 04) (''Resolution 007 02'').

Pursuant to Law 153-98 a license granted by Indotel shall be required for the use of the public radio electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007 02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153-98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153-98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153-98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153-98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

***Certain Relevant Resolutions of Indotel***

On the grounds of Law 153-98 Indotel issued various resolutions. Some of the said relevant resolutions regulating certain areas of telecommunications in the Dominican Republic are as follows:

- Resolution 110-12 dated August 9, 2012, by means of which Indotel's Board of Directors approved the General Regulation for Telephone Services. The principal purpose of this Regulation is to set forth a regulatory framework governing relations between the public telephone service providers and their customers and users, in all its forms (postpaid or prepaid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

This regulation will apply to all relations between users and telephone service providers. After a public consultation process, by Resolution 003 13, dated January 22, 2013, Indotel's Board of Directors approved the modification of Articles 1, 3, 6, 12, 14.2, 14.4, 15, 18.10 to 18.13, 21, 24.1 letter i), 25.3 and 32 of the General Regulation for Telephone Service.

The above mentioned regulation sets forth user's basics rights, including: a) access to telephone services in terms of continuity, generality, equality, neutrality, transparency and quality, in accordance with the principles of the Telecommunications General Law No. 153-98; b) Right to choose their service provider; c) Right to have a phone number and numeric portability; d) Right to sign a contract in accordance with terms, conditions and rights set forth in this regulation; e) Right to cancel the service in accordance with the procedure indicated in this regulation.

This regulation considers as ''abusive clauses'' those (i) imposing conditions to the users that affect their interests and rights, and those that are in disproportion, or contrary to the laws, regulations and standards. According to Article 14.2, abusive clauses on contracts will be unenforceable. Indotel shall require the amendment of abusive clauses to a reasonable standard. If telecommunications service providers do not amend the contract in such term, Indotel may impose the amendment.

- Resolution No. 64-11 dated July 27, 2011 approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520 11 dated August 25, 2011 issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518 02 dated July 5, 2002. The new PNAF approved by Decree 520 11 seeks to optimize and rationalize the use of the radio electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration.
- Resolution No. 156-06 dated August 30, 2006, issued by the Board of Directors of Indotel, that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability.
- Resolution No. 022-05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153-98. Indotel will also investigate and impose sanction in the cases where the information obligation of the mentioned operations is not complied with.

Resolution No. 022-05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153-98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, related to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022-05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022-05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007-02, before the Executive Director of Indotel.

- Resolution No. 160 05 dated October 13, 2005 that approves the Regulation concerning Cable Broadcasts and Other Measures, including ''Must Carry'' provisions.
- Resolution No. 038-11 dated May 12, 2011 that amends the General Ruling concerning Interconnection.

- Resolution No. 025-10 dated March 2, 2010, that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers.
- Resolution No. 151-04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership.
- Resolution No. 128-04 that approves the General Regulation concerning the Use of the Radio Electric Spectrum.
- Resolution No. 120-04 that approves the Regulation concerning Television Broadcasting Service.
- Resolution No. 093-02 dated November 14, 2002, that amends several Articles of Resolution No. 045 02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM).
- Resolution No. 046-02 dated July 20, 2002, that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM).

***Trademark*/*Copyright Laws***

From a technical standpoint, broadcasting services are essentially regulated by Law 153-98 and the regulations approved by the regulator. Now then, in connection with the content of the broadcasting services they shall be governed by the provisions of the specific legislation which regulates the social communications media and by the laws that regulate copyrights, whether they are national laws or resulting from international conventions or agreements signed and ratified by the Dominican Republic.

In the Dominican Republic, patents of invention, trademarks, service marks, commercial names, signs, logos, commercial slogans are governed by Industrial Property Law No. 20 00 dated May 8, 2000, modified by Law No.424-06 for the Implementation of the Free Trade Agreement between the Dominican Republic, Central America and the United States of America (DR CAFTA).

Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic works, under the Copyright Law no. 65-00 dated August 21, 2000, also modified by Law No. 424-06 for the implementation of the free trade agreement between the Dominican Republic, Central America and the United States of America (DR CAFTA).

## PART XIX—DESCRIPTION OF CERTAIN INDEBTEDNESS

*The following contains an overview of the terms of the agreements, indentures or other documents governing the material indebtedness (excluding any intra-Group indebtedness) of the Altice VII Group, including the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Notes, the 2013 Term Loan Facility Agreement, the 2012 Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility, and the Coditel Mezzanine Facility Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents.*

*For an overview of the terms of the agreements, indentures or other documents governing the Numericable Group's material indebtedness, see Part XV (Operating and Financial Review of the Numericable Group—Liquidity and Capital Resources of the Numericable Group—Financial Liabilities*).

### 1. The 2012 Notes

On December 12, 2012 and December 20, 2012, Altice Financing issued $460 million aggregate principal amount of its 7⅞% senior secured notes due 2019 (the ''2012 Dollar Senior Secured Notes'') and €210 million aggregate principal amount of its 8% senior secured notes due 2019 (the ''2012 Euro Senior Secured Notes'' and together with the Dollar Senior Secured Notes, the ''2012 Senior Secured Notes''), and Altice Finco issued $425 million aggregate principal amount of its 9⅞% senior notes due 2020 (the ''2012 Senior Notes'').

### 2. The 2012 Senior Secured Notes

The 2012 Senior Secured Notes mature on December 15, 2019. Interest on the 2012 Senior Secured Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Financing that is not subordinated in right of payment to the 2012 Senior Secured Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2012 Senior Secured Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2012 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Secured Notes are currently guaranteed on a senior basis (the ''2012 Senior Secured Guarantees'') by the Company and certain of its subsidiaries, including Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, Knewon and, following the Tricom Acquisition and the ODO Acquisition, by Altice Bahamas, Tricom S.A., Global Interlinks Ltd. and Orange Dominicana S.A. (collectively, the ''Senior Secured Guarantors''). The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2012 Senior Secured Notes are currently secured on a first ranking basis by (i) share pledges over all of the share capital of Altice Financing and the Senior Secured Guarantors (other than Winreason), (ii) a pledge over the bank accounts and all receivables of Altice Financing, including certain intercompany loans, (iii) subject to certain exceptions, a pledge over all of the material assets of each of the Senior Secured Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the proceeds loans from Altice Finco to Altice Financing, and (v) a pledge over the shareholder loan from the Altice S.A. to Cool Holding.

Prior to December 15, 2015, Altice Financing may redeem all or a portion of the 2012 Senior Secured Notes at a price equal to 100% of the principal amount plus a ''make-whole'' premium. Altice Financing

may redeem some or all of the 2012 Senior Secured Notes at any time on or after December 15, 2015, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

| | Redemption Price | |
|---|---|---|
| Year | 2012 Dollar Senior Secured Notes | 2012 Euro Senior Secured Notes |
| 2015 | 103.938% | 104.000% |
| 2016 | 101.969% | 102.000% |
| 2017 and thereafter | 100.000% | 100.000% |

In addition, prior to December 15, 2015, Altice Financing may redeem up to 40% of the aggregate principal amount of each series of the 2012 Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 107.875% of the principal amount of the Dollar Senior Secured Notes and 108.000% of the principal amount of the Euro Senior Secured Notes plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2012 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of the HOT Minority Shareholder Call Options in excess of a specified threshold amount, Altice Financing must offer to repurchase the 2012 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such HOT Minority Shareholder Call Options. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Finco must offer to repurchase the 2012 Senior Notes and the 2013 Euro Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2012 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the indenture governing the 2012 Senior Secured Notes, the ''2012 Senior Secured Notes Indenture'') and their respective subsidiaries sell certain of their assets, or if Altice Financing or the Covenant Parties experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2012 Senior Secured Notes at specified redemption prices. Currently, Cool Holding has been designated as Covenant Parties under the indenture governing the 2012 Senior Secured Notes.

The 2012 Senior Secured Notes Indenture include certain covenants, which among other things, limits the ability of Altice Financing and the ability of the other subsidiaries of Altice S.A. (other than Altice Finco) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Secured Notes Indenture provides for certain customary events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Secured Notes Indenture, the 2012 Senior Secured Notes and the related 2012 Senior Secured Guarantees are governed by the laws of the State of New York.

### 3. The 2012 Senior Notes

The 2012 Senior Notes mature on December 15, 2020. Interest on the 2012 Senior Notes is payable semi-annually in cash in arrears on each June 15 and December 15, commencing June 15, 2013.

The 2012 Senior Notes are general obligations of Altice Finco and (i) rank *pari passu* in right of payment with any future indebtedness of Altice Finco that is not subordinated in right of payment to the 2012 Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2012 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2012 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2012 Senior Notes are currently guaranteed on a senior subordinated basis (the ''2012 Senior Notes Guarantees'') by Altice S.A. and certain of its subsidiaries, including Cool Holding, SPV1, Altice Financing, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão and, following the ODO Acquisition and the Tricom Acquisition, Altice Bahamas, Tricom S.A., Global Interlinks Ltd. and Orange Dominicana, S.A. (collectively, the ''Senior Notes Guarantors''). The 2012 Senior Notes Guarantees are subject to release under certain circumstances.

The 2012 Senior Notes are currently secured by (i) a first ranking share pledge over all of the share capital of Altice Finco, (ii) second ranking share pledges over all of the share capital of Altice Financing, Cool Holding, (iii) a second ranking pledge over the shareholder loan from Altice S.A. to Cool Holding, and (iv) a second ranking pledge over certain proceeds loans from Altice Finco to Altice Financing.

Prior to December 15, 2016, Altice Finco may redeem all or a portion of the 2012 Senior Notes at a price equal to 100% of the principal amount plus a ''make-whole'' premium. Altice Finco may redeem some or all of the 2012 Senior Notes at any time on or after December 15, 2016, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

| Year | Redemption Price |
|---|---|
| 2016 | 104.938% |
| 2017 | 102.469% |
| 2018 and thereafter | 100.000% |

In addition, prior to December 15, 2015, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2012 Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.875% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2012 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2012 Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If the Covenant Parties (as defined in the indenture governing the 2012 Senior Notes, the ''Senior Notes Indenture'') and their respective subsidiaries sell certain of their assets, or if Altice Finco or the Covenant Parties experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2012 Senior Notes at specified redemption prices. Currently, Cool Holding has been designated as Covenant Parties under the indenture governing the 2012 Senior Notes.

The 2012 Senior Notes Indenture, among other things, limits the ability of Altice Finco and the ability of the other subsidiaries of the Company to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test), (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2012 Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates $20 million or more.

The 2012 Senior Notes Indenture, the 2012 Senior Notes and the related 2012 Senior Notes Guarantees are governed by the laws of the State of New York.

### 4. The 2013 Euro Senior Notes

On June 14, 2013, Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the ''2013 Euro Senior Notes'').

The 2013 Euro Senior Notes mature on June 15, 2023. Interest on the 2013 Euro Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 Euro Senior Notes are general obligations of Altice Finco and (i) rank pari passu in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the 2013 Euro Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 Euro Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 Euro Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Euro Senior Notes benefit from guarantees from the Senior Notes Guarantors on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to June 15, 2018, Altice Finco may redeem all or a portion of the 2013 Euro Senior Notes at a price equal to 100% of the principal amount plus a ''make-whole'' premium. Altice Finco may redeem some or all of the 2013 Euro Senior Notes at any time on or after June 15, 2018, at the redemption prices indicated below plus accrued and unpaid interest and additional amounts, if any.

| Year | Redemption Price |
|---|---|
| 2018 | 104.500% |
| 2019 | 103.000% |
| 2020 | 102.250% |
| 2021 and thereafter | 100.000% |

In addition, prior to June 15, 2016, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2013 Euro Senior Notes with the proceeds of certain public equity offerings at a redemption price equal to 109.000% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 Euro Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Altice Finco may redeem all of the 2013 Euro Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice S.A. and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice S.A. experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 Euro Senior Notes at specified redemption prices.

The indenture governing the 2013 Euro Senior Notes (the ''2013 Indenture''), among other things, limits the ability of Altice S.A. and its subsidiaries to (i) incur or guarantee additional indebtedness, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Indenture, the 2013 Euro Senior Notes and the related guarantees are governed by the laws of the State of New York.

### 5. The 2013 Senior Secured Notes

On December 12, 2013, Altice Financing issued $900 million aggregate principal amount of its 6½% senior secured notes due 2022 (the ''2013 Dollar Senior Secured Notes'') and €300 million aggregate principal amount of its 6½% senior secured notes due 2024 (the ''2013 Euro Senior Secured Notes'' and together with the Dollar Senior Secured Notes, the ''2013 Senior Secured Notes'').

The 2013 Senior Secured Notes mature on January 15, 2022. Interest on the 2013 Senior Secured Notes is payable semi-annually in cash in arrears on each July 15 and January 15, commencing July 15, 2014.

The 2013 Senior Secured Notes are general obligations of Altice Financing and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Altice Financing that is not subordinated in right of payment to the 2013 Senior Secured Notes, (ii) rank senior in right of payment to any existing or future indebtedness of Altice Financing that is expressly subordinated in right of payment to the 2013 Senior Secured Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Financing that is secured by property or assets that do not secure the 2013 Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Senior Secured Notes are currently held in escrow. Following the ODO Acquisition and the Tricom Acquisition, the 2013 Senior Secured Notes will be guaranteed on a senior basis by the Senior Secured Guarantors (other than ABO) (the ''2013 Senior Secured Notes Guarantees''). The 2013 Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2013 Senior Secured Notes are currently secured by collateral over the rights of Altice Financing under the escrow agreement relating to the 2013 Senior Secured Notes and the assets in the escrow accounts. Upon the first release of the proceeds from the offering of the 2013 Senior Secured Notes from the applicable escrow accounts and with respect to Tricom and ODO within 90 days following the Tricom Acquisition or the ODO Acquisition, as applicable, the 2013 Senior Secured Notes will be secured by (i) first-ranking pledges over all of the share capital of Altice Financing, Altice VII and Green, the capital stock of HOT and, following regulatory approval of such pledge, Tricom and ODO, (ii) a first-ranking pledge over the bank accounts and all receivables of Altice Financing, (iii) subject to certain exceptions, first-ranking pledges over all of the material assets of each Senior Secured Guarantor (other than Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon) and Tricom and ODO, as applicable, (iv) a first-ranking pledge over the proceeds loans from Altice Finco to Altice Financing; (v) a first-ranking pledge over the shareholder loan from Altice VII to Cool Holding and, (vi) a first-ranking pledge over the certain other intergroup proceeds loans (other than proceeds loans to and between Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon) (collectively, the ''Senior Secured Collateral'').

Prior to December 15, 2016, Altice Financing may redeem all or a portion of the 2013 Senior Secured Notes at a price equal to 100% of the principal amount plus a make-whole premium. Altice Financing may redeem some or all of the 2013 Senior Secured Notes at any time on or after December 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

| | Redemption Price | |
|---|---|---|
| Year | 2013 Dollar Senior Secured Notes | 2013 Euro Senior Secured Notes |
| 2016 | 104.875% | 104.875% |
| 2017 | 103.250% | 103.250% |
| 2018 | 101.625% | 101.625% |
| 2019 and thereafter | 100.000% | 100.000% |

In addition, prior to December 15, 2016, Altice Financing may on any one or more occasion redeem up to 40% of the aggregate principal amount of each series of the 2013 Senior Secured Notes with the proceeds of certain public equity offerings at a redemption price equal to 106.500% of the principal amount of the relevant 2013 Senior Secured Note plus, in each case, accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of each series of the 2013 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Upon the exercise of certain call options exercisable by minority shareholders of HOT, in excess of a specified threshold amount, Altice Financing must offer to repurchase the 2013 Senior Secured Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with the net cash proceeds of such HOT Minority Shareholder Call Options. In the event there are any remaining net cash proceeds after the completion of such offer, Altice Financing must offer to repurchase the 2013 Dollar Senior Secured Notes and the 2013 Euro Senior Notes at a price equal to 103% of the principal amount plus accrued and unpaid interest and additional amounts, if any, with such remaining net cash proceeds. Further, Altice Financing may redeem all of the 2013 Senior Secured Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in tax law. If Altice VII and its respective subsidiaries sell certain of their assets, or if Altice Financing or Altice VII experience specific kinds of changes in control, Altice Financing may be required to make an offer to repurchase the 2013 Senior Secured Notes at specified redemption prices.

The 2013 Senior Secured Notes Indenture includes certain covenants, which among other things, limits the ability of Altice Financing and the ability of the other subsidiaries of Altice VII (other than Altice Finco) to (i) incur or guarantee additional indebtedness (subject to an incurrence based consolidated leverage ratio test, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Senior Secured Notes Indenture provides for certain customary events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to expiration of any applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Senior Secured Notes Indenture, the 2013 Senior Secured Notes and the related 2013 Senior Secured Guarantees are governed by the laws of the State of New York.

**6. The 2013 Dollar Senior Notes**

On December 12, 2013, Altice Finco issued $400 million aggregate principal amount of its 8⅛% senior notes due 2024 (the ‘‘2013 Dollar Senior Notes’’).

The 2013 Dollar Senior Notes mature on June 15, 2024. Interest on the 2013 Dollar Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 Dollar Senior Notes are general obligations of Altice Finco and (i) rank pari passu in right of payment with any existing or future indebtedness of Altice Finco that is not subordinated in right of payment to the 2013 Dollar Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Altice Finco that is expressly subordinated in right of payment to the 2013 Dollar Senior Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Altice Finco that is secured by property or assets that do not secure the 2013 Dollar Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Dollar Senior Notes are currently held in escrow. Following the ODO Acquisition and the Tricom Acquisition, the 2013 Dollar Senior Notes will be guaranteed on a senior subordinated basis by the Senior Secured Guarantors (other than ABO) (the ‘‘2013 Dollar Senior Notes Guarantees’’). The 2013 Dollar Senior Notes Guarantees are subject to release under certain circumstances.

The 2013 Dollar Senior Notes are currently secured by collateral over the rights of Altice Finco under the escrow agreement relating to the 2013 Dollar Senior Notes and the assets in the escrow accounts. Upon the first release of the proceeds from the offering of the 2013 Dollar Senior Notes from the applicable escrow accounts and with respect to Tricom and ODO within 90 days following the Tricom Acquisition or the ODO Acquisition, as applicable, the 2013 Dollar Senior Notes will be secured by (i) first-ranking pledges over all of the share capital of Altice Finco, (ii) second-ranking pledges over all of the share

capital of Altice Financing, Cool Holding and Altice Holdings, (iii) second-ranking pledges over the proceeds loans from Altice Finco to Altice Financing and (iv) second-ranking pledges over the shareholder loan from Altice VII to Cool Holding (the ''Senior Notes Collateral'').

Prior to December 15, 2018, Altice Financing may redeem all or a portion of the 2013 Dollar Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. Altice Financing may redeem some or all of the 2013 Dollar Senior Notes at any time on or after December 15, 2018, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any.

| Year | Redemption Price |
|---|---|
| 2018 | 104.063% |
| 2019 | 102.708% |
| 2020 | 101.354% |
| 2021 and thereafter | 100.000% |

In addition, prior to December 15, 2016, the Senior Notes Issuer may redeem up to 40% of the aggregate principal amount of the 2013 Dollar Senior Notes s with the proceeds of certain public or private equity offerings at a redemption price equal to 108.125% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, provided that at least 60% of the original aggregate principal amount of the 2013 Dollar Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

The indenture governing the 2013 Dollar Senior Notes (the ''2013 Dollar Senior Notes Indenture''), among other things, limits the ability of Altice VII and its subsidiaries to (i) incur or guarantee additional indebtedness, (ii) make investments or other restricted payments, (iii) create liens, (iv) sell assets and subsidiary stock, (v) pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt, (vi) engage in certain transactions with affiliates, (vii) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (viii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The 2013 Dollar Senior Notes Indenture provides for certain events of default, including, amongst others, defaults under other debt instruments which (i) is caused by the failure to pay principal of, or interest or premium, if any, on indebtedness at its stated maturity prior to the expiration of the applicable grace period, or (ii) results in the acceleration of such indebtedness prior to its maturity, and, in each case, the principal amount of such indebtedness (together with the principal amount of any other such indebtedness under which there has been a payment default or the maturity of which has been accelerated) aggregates €25 million or more.

The 2013 Indenture, the 2013 Dollar Senior Notes and the related guarantees are governed by the laws of the State of New York.

### 7. The 2013 Term Loan

***Overview***

On June 24, 2013 a senior secured term loan credit facility (as amended from time to time, the ''2013 Term Loan Facility'') which is expected to provide for U.S. dollar term loans (the ''2013 Term Loans'') in an aggregate principal amount equivalent to $1,034 million, was entered into among Altice Financing, as borrower, certain lenders party thereto, Goldman Sachs International, Morgan Stanley Senior Funding, Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch and Deutsche Bank Securities Inc., as joint lead arrangers and bookrunners, Goldman Sachs Lending Partners LLC, as administrative agent and Citibank, N.A., London Branch as security agent (the ''2013 Term Loan Agreement'').

The 2013 Term Loan Facility permits the borrower, upon prior notice to the lenders thereunder, to draw term loans up to the committed principal amount on up to four occasions until November 30, 2013, so long as the incurrence of the indebtedness would have been permitted by the covenants in the 2013 Indenture, the 2012 Indentures, the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the 2013 Term Loan. Availability of the 2013 Term Loan Facility at each drawing is subject to specified conditions precedent. Altice Financing has drawn a total amount of

$929 million under the 2013 Term Loan Facility to refinance certain indebtedness of Cabovisão, Coditel and Le Cable, to complete the acquisitions of Outremer and ONI (including refinancing of certain indebtedness) and pay related fees and expenses and for general corporate purposes. The commitments under the 2013 Term Loan Facility will expire on November 30, 2013.

***Interest Rate and Fees***

Borrowings under the 2013 Term Loan Facility bear interest at a rate per annum equal to an applicable margin plus, at Altice Financing's option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus 0.50%, (2) the prime rate quoted in the print edition of The Wall Street Journal, Money Rates Section as the prime pate, (3) the LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (4) a floor of 2.00% (any such borrowing, an ''ABR Loan'') or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such LIBOR rate shall not be lower than 1.00% (any such borrowing, a ''Eurodollar Loan'').

The applicable margin is, for any day, (a) with respect to any ABR Loan, 3.50% per annum and (b) with respect to any Eurodollar Loan, 4.50% per annum.

In addition to paying interest on outstanding principal under the 2013 Term Loan Facility, after August 18, 2013, Altice Financing is required to pay a commitment fee to the lenders in respect of the unutilised commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

***Mandatory Prepayments***

The 2013 Term Loan Agreement requires Altice Financing to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to reinvestment rights and certain other exceptions; (ii) commencing with the fiscal year ended December 31, 2014, 50% of our annual excess cash flow, which percentage will be reduced to 0% if the consolidated leverage ratio of Altice S.A. and its subsidiaries is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount from the exercise of certain HOT Minority Shareholder Call Options at, in the case of such HOT Minority Shareholder Options prepayments, a price for such term loans prepaid equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any.

***Voluntary Prepayments***

Prepayments of the 2013 Term Loan Facility on or prior to the first anniversary of July 2, 2013 (the ''Closing Date'') are subject to a make-whole provision and a minimum call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the first anniversary of the Closing Date but on or prior to the second anniversary of the Closing Date, are subject to a call premium of 2.00%. Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility after the second anniversary of the Closing Date but on or prior to the third anniversary of the Closing Date, are subject to a call premium of 1.00%. Otherwise, Altice Financing is able to voluntarily prepay outstanding loans under the 2013 Term Loan Facility at any time subject to customary ''breakage'' costs with respect to Eurodollar Loans.

***Amortization and Final Maturity***

Beginning with the quarter ending March 31, 2014, Altice Financing will be required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the 2013 Term Loan Facility, with the balance expected to be due on the sixth anniversary of the Closing Date.

***Guarantees***

Each Senior Secured Guarantor guarantees, on a senior basis, the obligations of each other obligor under the 2013 Term Loan Agreement and related finance documents.

***Security***

The 2013 Term Loan Facility is secured by the same collateral securing, inter alia, the 2012 Senior Secured Notes.

***Certain Covenants and Events of Default***

The 2013 Term Loan Agreement include certain negative covenants, which substantially reflect the covenants contained in the 2012 Senior Secured Notes.

The 2013 Term Loan Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the 2013 Term Loan Facility will be entitled to take various actions, including the acceleration of amounts due under the 2013 Term Loan Facility and all actions permitted to be taken by a secured creditor, subject to the intercreditor agreement which regulates the rights and ranking in relation to liabilities owed by members of the Group to various classes of creditors of the Group (the ''Intercreditor Agreement'').

**8. The Coditel Mezzanine Facility Agreement**

***The Facility***

The Coditel Mezzanine Facility Agreement consists of a €100 million mezzanine facility and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding as the company and the borrower, Wilmington Trust (London) Limited as agent and ING Bank N.V. as security agent. The loan advanced under the mezzanine facility for the purpose of partially funding the refinancing of certain indebtedness originally incurred by the borrower to finance the acquisition of Coditel Belgium and Coditel Luxembourg (the ''Refinancing'') must be repaid on the date falling 90 months after the date on which the Refinancing occurred. The mezzanine facility constitutes subordinated obligations of Coditel Holding Lux S.à r.l. and Coditel Holding and benefits from guarantees and security provided by certain members of the group comprising Coditel Holding Lux S.à r.l. and its subsidiaries (the ''Coditel Group'').

***Interest Rates and Prepayment Fees***

Cash pay interest accruing at a rate of 8.50% per annum is payable on the loan at the end of each interest period and PIK interest accruing at a rate of 5.25% per annum is capitalized to the principal amount of the loan semi-annually. A prepayment fee is payable if the loan is prepaid (i) prior to the fifth anniversary of the Refinancing as a result of a voluntary prepayment or a mandatory prepayment triggered by a disposal of certain assets of the Coditel Group in an amount determined by reference to a ratchet or (ii) at any time as a result of a mandatory prepayment arising from a change of control in an amount equal to 1.00% of the principal amount of the loan prepaid. Coditel has the right to prepay the facility provided that a prepayment fee of 6.875% on the amount of the loan prepaid is payable if the loan is prepaid after the third anniversary of the Refinancing (November 2014) but prior to the fourth anniversary of the Refinancing (November 2015). A prepayment fee of 3.4375% on the amount of the loan prepaid is payable if the loan is prepaid after the fourth anniversary of the Refinancing (November 2015) but prior to the fifth anniversary of the Refinancing (November 2016).

***Mandatory Prepayment***

Upon the occurrence of the sale of all or substantially all of the assets or business of the Coditel Group, the loan and all amounts accrued under the mezzanine facility will become immediately due and payable. Upon the occurrence of a change of control of the Coditel Group, each lender is entitled to require that its share of the loan together with all other amounts accrued to that lender and a prepayment fee are paid to that lender. Certain proceeds received by any member of the Coditel Group arising from the disposal of assets are required to be prepaid upon receipt and certain proceeds received by any member of the Coditel Group from claims under certain acquisition documents and reports and insurance claims are required to be prepaid on and from the fifth anniversary of the Refinancing.

***Covenants***

The Coditel Mezzanine Facility Agreement requires certain members of the Coditel Group to observe certain restrictive and affirmative operating covenants, including restrictions on certain dividends and distributions.

***Financial covenants***

The Coditel Group's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cashflow 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 September 30, 2013, the required leverage ratio is 5.65:1 and will fall to 2.60:1 at the termination date.

***Events of Default***

There are certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate the loans together with other accrued amounts and/or (iii) declare that all or part of the loans be payable on demand.

***Representations, Warranties and Undertakings***

There are certain representations, warranties and undertakings customary for a facility of this type subject to certain exceptions and customary materiality qualifications.

**9. The Coditel Senior Facilities Agreement**

The Coditel Senior Facilities Agreement consists of an aggregate of €150 million of senior facilities and was entered into on November 29, 2011, between, among others, Coditel Holding Lux S.à r.l. as the parent, Coditel Holding S.A. as the company and the original borrower, ING Bank N.V. as agent and security agent. On July 2, 2013 Altice Holdings purchased all of the remaining interests of the lenders under the Coditel Senior Facilities Agreement (the ''Coditel Refinancing'').

**10. The Revolving Credit Facility Agreements and the 2013 Guarantee Facility**

The Revolving Credit Facility Agreements are comprised of: (1) a $80 million super senior secured revolving credit facility (as amended from time to time, the ''2012 Revolving Credit Facility'') agreement entered into on November 27, 2012, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, HSBC Bank plc, ING Bank N.V., J.P. Morgan Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Citibank International Plc as facility agent and Citibank, N.A., London Branch as Security Agent (the ''2012 Revolving Credit Facility Agreement''), and (2) a €60 million super senior secured revolving credit facility (the ''2013 Revolving Credit Facility'', together with the 2012 Revolving Credit Facility, the ''Revolving Credit Facilities'') agreement entered into on July 1, 2013, between, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Citibank International Plc as Facility Agent and Citibank, N.A., London Branch as security agent (the ''2013 Revolving Credit Facility Agreement'' and together with the 2012 Revolving Credit Facility Agreement, the ''Revolving Credit Facility Agreements''). Each Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the ''borrower'' or ''borrowers'' under this section refer to Altice Financing and any additional borrowers who accede to the Revolving Credit Facility Agreements in that capacity.

***Structure of the Revolving Credit Facility Agreements***

The final maturity date of the 2012 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after December 27, 2012 (the ''2012 Transaction Completion Date'') and (ii) the date on which the 2012 Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the 2013 Revolving Credit Facility Agreement is the earlier of (i) the date falling five years after July 2, 2013 (the

''2013 Release Date'') and (ii) the date on which the 2013 Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Revolving Credit Facility Agreements for terms of, at the relevant borrower's election, one, two, three or six months (or any other period agreed by Altice Financing and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Revolving Credit Facility Agreement. Drawdowns under the Revolving Credit Facility Agreements must be repaid at the end of the interest period for the relevant loan and repaid amounts may be re-borrowed up to one month prior to the final maturity date (save for certain roll-over loans).

***Limitations on Use of Funds***

The Revolving Credit Facilities and the 2013 Guarantee Facility (defined below) may be used by the borrowers for general corporate and working capital purposes of the Company and its subsidiaries (other than Altice Finco, the ''RCF Group''), including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group.

The commitments under the 2013 Revolving Credit Facility may be increased by up to an additional maximum amount of $80 million euro equivalent, provided that an amount equal to any such increase is simultaneously cancelled under the 2012 Revolving Credit Facility.

**11. The 2013 Guarantee Facility**

A guarantee facility agreement for an amount of up to €75 million was entered into on July 1, 2013, among others, Altice Financing, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch , Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch as security agent (as amended from time to time, the ''2013 Guarantee Facility''). The 2013 Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the RCF Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the RCF Group.

***Structure of the 2013 Guarantee Facility***

The final maturity date of the 2013 Guarantee Facility is the earlier of (i) the date falling five years after the 2013 Release Date and (ii) the date on which the 2013 Guarantee Facility has been repaid and cancelled in full.

***Conditions to Borrowings***

Drawdowns under the Revolving Credit Facility Agreements and the 2013 Guarantee Facility are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following: (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Revolving Credit Facility Agreements, and the 2013 Guarantee Facility, as applicable, being true in all material respects.

***Interest Rates and Fees***

The interest rate on each loan under the Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) (i) LIBOR, in respect of the 2012 Revolving Credit Facility Agreement, and (ii) LIBOR, or, in relation to any loan in euro, EURIBOR, in respect of the 2013 Revolving Credit Facility Agreement; and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements).

The initial margin under the 2012 Revolving Credit Facility Agreement is 4.25% per annum but if: (i) no event of default has occurred and is continuing under the 2012 Revolving Credit Facility Agreement; (ii) at least twelve months have elapsed since the 2012 Transaction Completion Date, then the margin will be adjusted depending on the consolidated leverage ratio of the RCF Group so that: (a) if the consolidated leverage ratio is greater than or equal to 3.0:1, the applicable margin under the 2012 Revolving Credit Facility Agreement will be 4.25% per annum; (b) if the consolidated leverage ratio is less than 3.0:1 but greater than or equal to 2.0:1, the applicable margin 2012 Revolving Credit Facility Agreement will be 3.75% per annum; and (c) if the consolidated leverage ratio is less than 2.0:1, the

applicable margin 2012 Revolving Credit Facility Agreement will be 3.25% per annum. The margin under the 2013 Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2013 Guarantee Facility is 3.50% per annum.

Interest under the Revolving Credit Facility Agreements accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360-day year. With respect to any available but undrawn amounts under the Revolving Credit Facility Agreements, the borrowers are obligated to pay a commitment fee on such undrawn amounts at the rate of 40% of the margin calculated on undrawn and uncancelled commitments from the date falling 30 days after the date of the relevant Revolving Credit Facility Agreement until one month prior the final maturity date of the relevant Revolving Credit Facility Agreement. A guarantee fee is payable to the relevant issuing bank issuing guarantees under the 2013 Guarantee Facility in an amount equal to 0.125% of the face value of the relevant guarantee. Each guarantee issued under the 2013 Guarantee Facility carries a guarantee fee equal to 3.50% .

***Guarantees***

Each Senior Secured Guarantor guarantees, on a senior basis, the obligations of each other obligor under the Revolving Credit Facility Agreements and related finance documents.

***Security***

The Revolving Credit Facilities and the 2013 Guarantee Facility are secured by the same collateral securing, inter alia, the 2012 Senior Secured Notes.

***Mandatory Prepayment***

For so long as an event of default has occurred and is continuing under the Revolving Credit Facility Agreements, proceeds otherwise required to be applied in prepayment of the 2012 Senior Secured Notes shall instead be applied in cancellation and prepayment of the Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a change of control of the RCF Group, the borrowers must repay the Revolving Credit Facilities and the 2013 Guarantee Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Revolving Credit Facilities and the 2013 Guarantee Facility will be cancelled.

If an amount in excess of 50% of the 2012 Senior Secured Notes (and, in respect of the 2013 Revolving Credit Facility, an amount in excess of 50% of the 2012 Senior Secured Notes and all utilisations outstanding under and the 2013 Term Loan as at the date of the 2013 Revolving Credit Facility) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the RCF Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the RCF Group from certain disposals of assets and not applied or invested or committed to be applied or invested to (i) prepay, repay, purchase or redeem certain indebtedness, (ii) invest in or purchase additional assets, or (iii) make certain capital expenditure, must be applied in prepayment of the Revolving Credit Facilities.

***Financial Covenants, Events of Default***

The 2012 Revolving Credit Facility Agreement requires the RCF Group to maintain a consolidated leverage ratio, calculated on a net basis tested as of the end of each fiscal quarter of no more than 4.5:1.

Each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility requires the RCF Group to maintain a consolidated leverage ratio, calculated on a net basis, tested as of the end of each fiscal quarter of no more than 4.5:1.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement, the proceeds of any enforcement of collateral will be applied towards repayment of the Revolving Credit Facilities and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Senior Notes, the 2013 Senior Notes and the 2013 Guarantee Facility.

***Representations and Warranties***

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain representations and warranties customary for facilities of this type subject to certain exceptions and customary materiality qualifications.

***Undertakings***

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility contain certain restrictive covenants which substantially reflect the covenants contained in the 2012 Senior Secured Notes and the 2013 Term Loan.

The Revolving Credit Facility Agreements and the 2013 Guarantee Facility also require the RCF Group to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorisations; (ii) compliance with applicable laws; (iii) compliance with environment laws/approvals and notification of potential environmental claims; (iv) compliance with all necessary taxation requirements; (v) ensuring that any necessary authorisation is not likely to be challenged, revoked, suspended or withdrawn so as to cause a material adverse effect; (vi) pari passu ranking of all payment obligations under the relevant Revolving Credit Facility Agreements or the 2013 Guarantee Facility, as appropriate, and related finance documents with other unsecured unsubordinated payment obligations; (vii) the maintenance of insurance; (viii) compliance with laws and contracts relating to pension schemes and the maintenance of such pension schemes; (ix) the Facility Agent/Security Trustee (as defined in the Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected defaults; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the share pledges; (xii) an entity not moving its centre of main interest from its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by the Company, Cool Holding, SPV1 and Altice Financing; and (xiv) restricting the making of proceeds drawn under the Revolving Credit Facility Agreements available to any sanctioned person or sanctioned country.

**12. The HOT Unsecured Notes**

On February 27, 2011, HOT entered into a trust deed between HOT and Ziv Haft Trust Co. Ltd (the ''HOT Unsecured Notes Trustee'') with respect to unsecured notes (the ''HOT Unsecured Notes''), which were issued on March 30, 2011 in two series: (i) in a nominal value equal to NIS 825 million or €173 million (based on the exchange rate as of September 30, 2013) pursuant to a debenture dated March 30, 2011 (the ''Series A HOT Notes'') and (ii) in a nominal value equal to NIS 675 million or €142 million (based on the exchange rate as of September 30, 2013) pursuant to a debenture dated March 30, 2011 (the ''Series B HOT Notes'') . The Series A HOT Notes are linked to the Consumer Price Index in Israel (''CPI'') and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As of September 30, 2013, the CPI-linked principal amount of Series A HOT Notes outstanding was NIS 760 million or €159 million (based on the exchange rate as of September 30, 2013) and the principal amount of the Series B HOT Notes outstanding was NIS 591 million or €124 million (based on the exchange rate as of September 30, 2013).

The Series A HOT Notes and the Series B HOT Notes mature on September 30, 2018. The amortization schedule for each of the Series A HOT Notes is as follows: 8.3% in 2013; 8.3% in 2014; 8.3% in 2015; 8.3% in 2016; 8.3% in 2017 and 54.2% in 2018. Based on the CPI as of December 31, 2012 of 105.7, we estimate the amortization schedule, which includes estimated future increases in CPI of three points per year, under the Series A HOT Notes is approximately: NIS 71 million in 2013, NIS 71 million in 2014, NIS 71 million in 2015, NIS 71 million in 2016, NIS 71 million in 2017 and NIS 461 million in 2018. The amortization schedule for the Series B Notes is as follows approximately: NIS 56 million in 2013,

NIS 56 million in 2014, NIS 56 million in 2015, NIS 56 million in 2016, NIS 56 million in 2017 and NIS 366 million in 2018. The HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Series A HOT Notes bear interest at a rate of 3.9% per annum, payable semi-annually. The Series B HOT Notes bear interest at a rate of 6.9% per annum, payable semi-annually.

The HOT Unsecured Notes contain certain financial covenants, which require maintenance by HOT of a maximum net debt to EBITDA ratio of 6.0 and maintenance of minimum equity equal to NIS 300 million. Further, in order for HOT to be able to distribute dividends, the maximum net debt to EBITDA ratio is 5.5. In addition, the HOT Unsecured Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration of other HOT indebtedness of NIS 300 million or more in the aggregate, grants the holders the right to call for immediate payment of the HOT Unsecured Notes.

The HOT Unsecured Notes are senior obligations that rank equally with all of its existing and future senior debt and are senior to all of its existing and future subordinated debt. The HOT Unsecured Notes are not secured by any assets of HOT or its subsidiaries.

The HOT Unsecured Notes are not be subject to any intercreditor arrangements and, as a result, in the event of an enforcement sale of the shares of Cool Holding or HOT pursuant to the Intercreditor Agreement, the debt claims of the holders of the HOT Unsecured Notes are not required to be released or otherwise transferred.

**13. License Guarantees**

HOT and its subsidiaries are required to provide guarantees, often by way of a bank guarantee, to the Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including provided a bank guarantee in the amount of NIS 695 million in connection with HOT Mobile winning a frequency allotment and receiving a mobile license in 2011. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that would entitle 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. For more information see Part XXIII (*General Information—Material Contracts Relating to the IPO*).

**14. HOT Mobile Earnout**

In connection with the acquisition of HOT Mobile from Altice Securities and Migad (the ''Earnout Recipients''), HOT agreed to pay the Earnout Recipients additional consideration up to an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile market share and HOT consolidated EBITDA. The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal instalments of NIS 56.25 million, conditioned upon achievement of certain EBITDA targets by HOT Mobile for the years 2013 to 2016, inclusive, and (ii) a contingent future payment of NIS 225 million conditioned on achievement of 7% market share, as defined in the cellular license, in the cellular market by 2016. There is a mechanism to reduce the payments required under the Earnout to the extent HOT Mobile is required to make payments to the Israeli Ministry of Communications pursuant to the Mobile License. As of March 31, 2013, we estimate that the fair value of the Earnout is NIS 344 million and the Group has pro rata rights to approximately 94% of the Earnout. Altice Securities has transferred its rights and entitlements to payments under the Earnout to Altice Finco S.A. (the assigned rights only include such payments that would actually have been received by Altice Securities). In June 2013, HOT paid NIS 90 million under the Earnout to the Earnout Recipients in accordance with the terms of the Earnout, out of which Altice Finco S.A. received NIS 86.4 million.

**15. The 2013 Margin Loan**

An English law governed facility agreement for an amount of up to €323,986,269.63 was entered into on November 7, 2013 between, among others, Altice Six, as borrower, each of Goldman Sachs Bank USA, Morgan Stanley Bank N.A., BNP Paribas, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, acting through its London Branch, HSBC France and ING Bank France as original lenders and

ING Bank N.V as facility agent and as security agent (as we expect will be amended pursuant to an amendment agreement to be entered into on or around 16 January 2014 (the ''2013 Margin Loan Amendment Agreement'') the ''2013 Margin Loan''). The margin loan facility under the 2013 Margin Loan (the ''Margin Facility'') has been made available to Altice Six for the purpose of, among other things, Altice Six purchasing certain of Numericable's ordinary shares in connection with Numericable's initial public offering which priced on November 7, 2013 and closed on November 12, 2013. As of December 31, 2013, €326.1 million (including accrued interest) was outstanding under the Margin Facility. The amendments to the 2013 Margin Loan which we expect will be implemented pursuant to the 2013 Margin Loan Amendment Agreement are expected to be effective for a period of twelve months from the date of the 2013 Margin Loan Amendment Agreement.

***Structure of the 2013 Margin Loan***

The final maturity date of the Margin Facility is November 12, 2016.

***Interest Rates***

The interest rate on the Margin Facility for each interest period is equal to the aggregate of the applicable (x) margin; and (y) EURIBOR. The margin under the 2013 Margin Loan is 4.25% per annum.

Interest under the 2013 Margin Loan accrues daily from and including the first day of an interest period and is payable on each day falling 12, 18, 24, 30 and 36 months after November 12, 2013 and is calculated on the basis of a 360-day year.

***Guarantees***

There are no guarantors in respect of the obligations of Altice Six under the 2013 Margin Loan or any related finance documents.

***Security***

All obligations and liabilities under the 2013 Margin Loan and related finance documents are secured by (a) an English law governed account charge entered into by Altice Six over the cash in certain of Altice Six's accounts held in London and (b) a Luxembourg law governed account pledge agreement entered into by Altice Six over the cash and 33,935,277 of Altice Six's Numericable shares, in each case, held in such account.

***Mandatory Prepayments and Voluntary Prepayments***

The 2013 Margin Loan contains certain mandatory prepayment events, the occurrence of any of which obliges Altice Six to repay all outstanding amounts under the finance documents entered into by Altice Six in connection with the 2013 Margin Loan. Such mandatory prepayment events include, but are not limited to: (i) illegality events; (ii) the de-listing of the Numericable ordinary shares and other related restrictions applicable to the Numericable ordinary shares; (iii) certain credit downgrade events with respect to the Numericable Notes; (iv) changes in the value of Numericable's ordinary shares under terms customary for margin loan facilities of this type; (v) insolvency and bankruptcy events occurring with respect to Numericable; (v) a change of control occurring in respect of Numericable or Altice Six; and (vi) and Altice Six being obliged to make a mandatory offer to purchase the whole of the Numericable shares not held by Altice Six.

Altice Six is able to voluntarily prepay amounts outstanding under the Margin Facility, in whole or in part (but if in part, in an amount not less than €10 million), at any time, subject to customary notice requirements, after (subject to certain exceptions) the end of the period starting on November 7, 2013 and ending on the day that is 180 days after November 12, 2013.

Any amount of the Margin Facility that is repaid or prepaid cannot be reborrowed.

***Representations and Warranties***

The 2013 Margin Loan contains certain representations and warranties customary for a facility of this type subject to certain exceptions and customary materiality qualifications.

***Undertakings***

The 2013 Margin Loan requires Altice Six to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions. These affirmative undertakings, include, but are not limited to, undertakings related to: (i) obtaining and maintaining all necessary consents, licenses and authorisations; (ii) compliance with applicable laws; (iii) compliance with all necessary taxation requirements; (iv) not trading, carrying on business, owning any material assets or incurring any material liabilities; (v) procuring that its payment obligations under the finance documents rank at least *pari passu* with all the claims of its present and future unsecured and unsubordinated creditors; (vi) Altice Six maintaining its centre of main interests in Luxembourg; (vii) the payment of dividends on the pledged shares into the secured accounts; (viii) not electing to receive a dividend in any form other than cash; (ix) not entering transactions with restricted persons or in restricted territories and acting in accordance with economic sanctions laws; (xi) the opening, maintenance and operation of the secured accounts; (xi) not breaching Regulation U of the Federal Reserve System; (xii) not holding assets in or being domiciled in the United States; (xiii) ensuring that any purchase of collateral shares is made as an ''offshore transaction'' pursuant to Regulation S of the U.S. Securities Act 1933; (xvi) further assurance actions required by the security agent; and (xvii) amending Altice Six's constitutional documents. In addition, the 2013 Margin Loan contains margining provisions customary for a facility of this type. Other than as we expect will be implemented pursuant to the 2013 Margin Loan Amendment Agreement (which we expect will provide that Altice Six shall ensure that the ratio of consolidated total net borrowings to annualised EBITDA of certain subsidiaries of Numericable shall not exceed 4.75:1.00) the 2013 Margin Loan does not contain any financial covenants.

***Events of Default***

The 2013 Margin Loan contains certain events of default that are customary for margin loans of this type. The occurrence of such events of default, subject to certain exceptions and materiality qualifications, automatically: (i) cancels the commitments in respect to the Margin Facility; (ii) accelerates the Margin Facility; and (iii) allows the lenders under the 2013 Margin Loan to enforce the security granted by Altice Six, including selling the pledged Numericable shares.

**16. Other Financing Arrangements**

An affiliate of the Company has entered into financing arrangements with certain financial institutions pursuant to which those financial institutions have, on fulfilment of the conditions therein, committed to finance, among other things, the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition. The obligations of the affiliate and the amounts to be advanced to the affiliate under these financing arrangements are secured by, among other things, a pledge over the shares of Altice VII. In the event that any amounts are outstanding under these financing arrangements on the Settlement Date, an amount equal to such outstanding amounts may be deducted from the net proceeds of the purchase of the Offer Shares and applied in repayment of such amounts.

## PART XX—SELLING AND TRANSFER RESTRICTIONS

### NOTICE TO INVESTORS

The offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether they require any governmental or any other consent or need to observe any other formalities to enable the investor to accept, sell or purchase Offer Shares. No action has been or will be taken to permit a public offering of the Offer Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, or any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept, sell or purchase Offer Shares must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase Offer Shares should consult their professional adviser without delay.

#### 1. European Economic Area

In relation to each member state of the European Economic Area which has implemented the EU Prospectus Directive (each, a ''Relevant Member State'') no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State, except (i) in the Netherlands once the Prospectus has been approved by the AFM and published in accordance with the EU Prospectus Directive, and (ii) in that Relevant Member State at any time under the following exemptions under the EU Prospectus Directive, if they are implemented in that Relevant Member State:

(a) to legal entities which are qualified investors as defined in the EU Prospectus Directive;

(b) by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) per Relevant Member State; or

(c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or a Supplement to the Prospectus pursuant to Article 16 of the EU Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom an offer is made will be defined to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(e) of the EU Prospectus Directive.

For the purpose of the expression an ''offer of any Ordinary Shares to the public'' in relation to any Ordinary Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Ordinary Shares to be offered, so as to enable an investor to decide to acquire any Ordinary Shares, as that definition may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the EU Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Bookrunners, be permitted to acquire Ordinary Shares in the Offer.

**2. United States**

This Prospectus is not a public offering (within the meaning of the U.S. Securities Act) of securities in the United States. The Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Joint Bookrunners may offer Ordinary Shares (i) in the United States only through their U.S. registered broker affiliates to persons reasonably believed to each be a ''qualified institutional buyer'' (as defined in Rule 144A under the U.S. Securities Act) (''QIB'') or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the U.S. Securities Act.

Each purchaser of Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(A) The purchaser is, and at the time of its purchase of any Offer Shares will be, a QIB within the meaning of Rule 144A and is aware the sale to it is being made in reliance on Rule 144A.

(B) The purchaser understands and acknowledges that the Offer Shares have not been, nor will they be, registered under the U.S. Securities Act, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph D below.

(C) The purchaser is purchasing the Offer Shares (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares.

(D) The purchaser understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from the registration requirements of the U.S. Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph C above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an ''offshore transaction'' pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Offer Shares into the United States) or (iv) in accordance with Rule 144 under the U.S. Securities Act and, in each case, in accordance with any applicable securities laws of any state or

territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resale of the Ordinary Shares.

(F) The purchaser understands that for so long as the Offer Shares are ''restricted securities'' within the meaning of the U.S. federal securities laws, no such shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such shares will not settle or trade through the facilities of DTCC or any other U.S. clearing system.

(G) The purchaser has received a copy of this Prospectus and has had access to such financial and other information concerning the Company as it deems necessary in connection with making its own investment decision to purchase Offer Shares. The purchaser acknowledges that none of the Company and the Underwriters or any of their respective representatives has made any representations to it with respect to the Company or the allocation, offering or sale of any shares other than as set forth in this Prospectus, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares. The purchaser also acknowledges that it has made its own assessment regarding the U.S. federal tax consequences of an investment in the Offer Shares. The purchaser has held and will hold any offering materials, including this Prospectus, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it.

(H) The purchaser understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The purchaser irrevocably authorises the Company and the Underwriters to produce this Prospectus to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein.

(I) The purchaser undertakes promptly to notify the Company and the Underwriters if, at any time prior to the purchase of the Offer Shares any of the foregoing ceases to be true.

(J) The Purchaser agrees that it will give to each person to whom it transfers the Ordinary Shares notice of any restrictions on the transfer of the Ordinary Shares.

Each purchaser of the Offer Shares outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(A) The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(B) The purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, were located outside the United States at the time the buy order for such Offer Shares was originated and continue to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;

(C) The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S and it will not offer, sell, pledge or transfer any Offer Shares, except in accordance with the U.S. Securities Act and any applicable laws of any state of the United States and any other jurisdiction;

(D) The Offer Shares have not been offered to it by means of any ''directed selling efforts'' as defined in Regulation S; and

(E) The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and the purchaser agrees that, if any of its acknowledgments, representations or agreements herein cease to be accurate and complete, they will notify the Company and the Underwriters promptly in writing. If the purchaser is acquiring Offer Shares on behalf of one or more accounts, it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to

make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such accounts as well)

In addition, each purchaser acknowledges that it understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

**THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE ''U.S. SECURITIES ACT'') OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-b, OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**3. Australia**

This Prospectus has not been lodged with the Australian Securities and Investments Commission as a disclosure document under Chapter 6D of the Corporations Act 2001 (Cwth) of Australia (the ''Corporations Act'') and is only directed to certain categories of exempt persons. Accordingly, if you receive this Prospectus in Australia:

a) you confirm and warrant that you are either:

   (i) a ''sophisticated investor'' under section 708(8)(a) or (b) of the Corporations Act,

   (ii) a ''sophisticated investor'' under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate pursuant to the section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made,

   (iii) a person associated with the Company under section 708(12) of the Corporations Act, or

(iv) a ''professional investor'' within the meaning of section 708(11)(a) or (b) of the Corporations Act, and, to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act, any offer made to you under this document is void and incapable of acceptance; and

b) you warrant and agree that you will not offer any of the Offer Shares sold to you pursuant to this Prospectus for resale in Australia within 12 months of those Offer Shares being sold unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

**4. Israel**

The offering of shares in Israel is being made only to (1) those Israeli institutional investors and qualified individuals specified in the First Schedule to the Israeli Securities Law, 5728-1968, and (2) no more than 35 other offerees in Israel.

## PART XXI—DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

### 1. Directors and Senior Management

The Company places a strong emphasis on corporate governance. Its Board of Directors will, within six months following Admission, be composed of seven members, three of whom will be independent. The Board of Directors will have two committees: the Audit Committee and the Remuneration Committee.

#### Board of Directors

The members of the Board of Directors as of the date of this Prospectus are set forth below. The Executive Directors specified below are non-independent members of the Board and, except Jérémie Bonnin, were all appointed on January 6, 2014. Jérémie Bonnin was appointed as a Director on January 3, 2014. The Non-Executive Directors specified below are the independent members of the Board. Michel Combes was appointed on January 6, 2014 and his term expires at the third annual General Meeting following the date of his appointment and Scott Matlock was appointed on January 16, 2014 and his term expires at the third annual General Meeting following the date of his appointment. It is intended that one additional independent Non-Executive Director will be appointed to the Board within six months of the Admission Date.

| Name | Age | Position | Independent/ Non-Independent | Term (Years) |
|---|---|---|---|---|
| Patrick Drahi | 50 | Executive Chairman | Non-Independent | 5 |
| Dexter Goei | 41 | Chief Executive Officer | Non-Independent | 5 |
| Dennis Okhuijsen | 43 | Chief Financial Officer | Non-Independent | 4 |
| Jérémie Bonnin | 39 | General Secretary | Non-Independent | 4 |
| Michel Combes | 51 | Non-Executive Director | Independent | 3 |
| Scott Matlock | 48 | Non-Executive Director | Independent | 3 |

The business address of each Director is: 3, boulevard Royal, L-2449 Luxembourg.

#### Patrick Drahi, Executive Chairman

Patrick Drahi began his professional career with the Philips Group in 1988 where he was in charge of international marketing (UK, Ireland, Scandinavia, Asia) in satellite and cable TV (DTH, CATV, MMDS). In 1991, Patrick joined the US/Scandinavian group Kinnevik-Millisat, where he was in charge of the development of private cable networks in Spain and France and was involved in the launch of commercial TV stations in Eastern Europe. In 1993, Patrick Drahi founded CMA, a consulting firm specialised in telecommunications and media, which was awarded a mandate from BCTV for the implementation of Beijing's full service cable network. In addition, Patrick founded two cable companies, Sud Câble Services (1994) and Médiaréseaux (1995), where he was involved in several buy-outs. When Médiaréseaux was taken over by UPC at the end of 1999, Patrick Drahi advised UPC on its M&A activities until mid-2000. He then started Altice in 2002.

Patrick Drahi graduated from the Ecole Polytechnique and Ecole Nationale Supérieure de Télécommunications de Paris (post graduate degree in Optics and Electronics) in 1986.

#### Dexter Goei, Chief Executive Officer

Dexter Goei joined Altice in 2009, after working for 15 years in investment banking. Dexter began his investment banking career with JP Morgan and joined Morgan Stanley in 1999 working in their Media & Communications Group. Over the years, Dexter has worked across all segments of the media industry in the US and EMEA region covering primarily cable, pay TV, broadcasting, Internet, content and gaming companies eventually becoming Co-Head of Morgan Stanley's European TMT Group.

Dexter is a graduate of Georgetown University's School of Foreign Service with cum laude honours.

#### Dennis Okhuijsen, Chief Financial Officer

Dennis Okhuijsen joined as the CFO of the Altice Group in September 2012. Before joining Altice, he was the Treasurer for Liberty Global. From 1993-1996, he was a senior accountant at Arthur Andersen. He joined UPC in 1996 where he was responsible for accounting, treasury and investor relations up to 2005

before joining Liberty Global. In his previous capacities, he was also responsible for financial risk management, treasury and operational financing.

Dennis holds a Master of Business Economics from Erasmus University, Rotterdam.

**Jérémie Bonnin, General Secretary**

Jérémie Bonnin joined Altice in May 2005 as Corporate Finance director. Before joining Altice, he was a Manager in the Transaction Services department at KPMG which he joined in 1998. At KPMG, he led several due diligence projects with a significant focus in the telecom area. Since his appointment at Altice, he has been involved in all of Altice's acquisitions which have increased Altice's international footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories and the Dominican Republic). He has a long track record of successful cross-border transactions, and in financial management in the telecom sector. As General Secretary, he also focuses on the implementation of consistent operating policies and corporate structure across the Altice Group, where he holds various board positions.

Jeremie received his engineering degree from the Institut d'Informatique d'Entreprise in France in 1998. He also graduated from the DECF in France, equivalent to the CPA.

**Michel Combes, Independent Non-Executive Director**

Michel Combes has been Chief Executive Officer of Alcatel-Lucent since April 2013. He has more than 20 years of experience in the telecommunications sector and a strong international background. Michel was previously Executive Director of the global mobile communications operator Vodafone plc, where he was appointed CEO, Europe Region in October 2008. In addition to his position as CEO of Alcatel-Lucent, Michel is also Chairman of the Supervisory Board of Assystem SA in France and non-executive board member of MTS.

Michel graduated from the Ecole Polytechnique and Ecole Nationale Supérieure des Télécommunications in France.

**Scott Matlock, Independent Non-Executive Director**

Scott Matlock recently retired from Morgan Stanley & Co., where he was an investment banker for 25 years. He was the Global Head of Media and Communications M&A from 2005 to 2008, the Chairman of Asia M&A (including Australia, India and Japan) from 2008 through to 2010, and the Chairman of International M&A from 2010 to 2014. Scott started his career at Morgan Stanley focused on transportation, industrial and technology companies. In 1997, he switched his focus to the media and communications sectors. When he moved to London in 2002, he became the Head of European Media Coverage and then the Co-Head of European Media and Communications Coverage for the firm. Scott was responsible for some of Morgan Stanley's most important clients and transactions in the media and communication sectors. Sectors on which he has been particularly focused have included cable, mobile/cellular, satellite and broadcast.

Scott graduated from the University of California, Berkeley in 1988.

**Senior Management**

In addition to the executive members of our Board, our senior management includes:

**Max Aaron, Company Secretary and General Counsel**

Max Aaron became General Counsel of Altice in September 2013 and was appointed Company Secretary on January 13, 2014. Prior to joining Altice, Max was a partner for over 14 years at Allen & Overy focusing on capital markets and where he was one of the founding members of Allen & Overy's US law practice. Prior to joining Allen & Overy, Max worked at Shearman & Sterling in both their New York and London Offices. Consistently rated in Europe by the legal directories as one of the top practitioners in his area, Max has done transactions in over 30 countries in a wide variety of industry sectors, including telecoms, media, technology and utilities.

Max received a BA from Brown University and a JD from Boston University School of Law where he was on the Law Review.

**Eric Denoyer, Chairman and Chief Executive Officer, Numericable Group**

Eric Denoyer has been chairman and chief executive officer of the Numericable Group since January 2011. He was general manager of Completel's wholesale division from September 2008 to January 2011 and CEO of Numericable from April 2005 to September 2008.

Eric is a graduate of the Ecole Nationale Supérieure de Télécommunications de Paris (class of 1988) and of the Ecole Polytechnique de Palaiseau (class of 1986).

**Hertzel Ozer, Chairman and Chief Executive Officer, HOT Telecommunication Systems Ltd.**

Hertzel Ozer joined HOT-Telecommunication Systems Ltd. in December 2008. He served as the CEO of HOT and also served as chairman in a number of HOT subsidiaries. In April 2013 Hertzel was nominated Chairman of HOT. Hertzel has previously been employed as CEO of a number of companies in the telecommunication, retail, industry, food and consumers fields including the OSEM group (2004-2008), NESHER—Israel Cement Enterprises (2003-2004). Between 1997-2003 Hertzel served as VP Marketing, Sales, Customer Care & Business Development of BEZEQ, the Israeli telecommunications company.

Hertzel holds an MBA in Business Administration, and a BA in economics and statistics from the Hebrew University in Jerusalem.

**Jean-Michel Hegesippe, CEO of the French Overseas Territories**

Jean-Michel Hegesippe founded his own company, Infotel, in 1986. Based in the French Overseas Territories, Infotel provided transaction processing services to the banking industry. In 1998, Infotel was awarded telecom licences by the French regulatory authority to rollout fixed telecommunication networks. From 1998 to 2004, Infotel (renamed Outremer Telecom in 2000) developed fixed-line telephony and DSL services and reached a total turnover of €70 million. From 2004 to 2007, Outremer Telecom rolled out five independent mobile operations in French Guyana, Martinique, Guadeloupe, La Réunion and Mayotte. Today, the company is the only quadruple-play (fixed-line and mobile) alternative player to Orange and Vivendi, and the third mobile operator in the French Overseas Territories.

Jean-Michel is an engineer in computer sciences with a master's degree and a diploma of advanced studies in information technology (Paris VII University).

**2. Board of Directors and Senior Management Compensation Policy**

**Remuneration Policy**

The Directors consider that the Company remuneration policy duly adopted will enable the Company to attract, motivate and retain candidates with the knowledge, expertise and experience required for each specific role. The policy for Executive Directors is firmly based around a principle of pay-for-performance, with an appropriate proportion of the overall package being delivered through variable pay elements linked to performance over the short and long term.

The level and structure of compensation of the members of the Board, comprising Non-Executive Directors and Executive Directors, reflects the requirements and responsibilities of the relevant member's position.

The remuneration of Non-Executive Directors is based on a fixed annual fee. This fee is currently set at €60,000 per annum per Non-Executive Director with further fixed fees payable to reflect additional responsibilities and time commitment, such as chairmanship of Board committees. The chairman of each of the Audit and Remuneration committees of the Company currently receives additional fees of €20,000 and €10,000 per annum, respectively.

The remuneration package for the Executive Directors is composed of a fixed and variable component. The remuneration package aims at promoting the long-term sustainability of the Company and ensures that the remuneration is appropriately weighted towards performance based elements. The remuneration of the Board of Directors shall be approved by the General Meeting.

Patrick Drahi has agreed that he will not receive any remuneration for his role as Chairman.

Elements of fixed pay, comprising salary and benefits are set at appropriate levels taking into account various factors such as the nature of the role, the experience and performance of the individual, and local

and sector market practice amongst peers of a similar size and scope to the Company. Fixed pay elements are normally reviewed annually to ensure they remain competitive.

Variable pay elements are intended to motivate management towards the achievement of group-wide and personal objectives which ultimately promote delivery of the corporate strategy and the creation of shareholder value. The form and structure of variable pay elements are reviewed at regular intervals to ensure they continue to support the objectives of the Company and its shareholders. Further details regarding each of the variable pay elements are provided below.

Members of the Board and any committee are entitled to repayment by the Company of all such reasonable expenses as they may properly incur in the performance of their duties.

**Executive Directors' Base Compensation**

The aggregate fixed basic remuneration payable by the Company to the Executive Directors (excluding the Chairman) of the Company for services rendered to the Group is €1.1 million per annum. The Executive Directors (excluding the Chairman) shall also be entitled to an aggregate annual discretionary bonus of up to €1.7 million.

Patrick Drahi has agreed he will not receive any remuneration for his role as Chairman.

**Annual Cash Bonus**

The Company operates an annual performance related bonus plan for the senior management team and other key employees. Performance related bonuses will be calculated as a percentage of an employee's fixed annual salary. Different percentages will apply depending upon the employee's seniority. Performance related bonuses will be determined based upon the achievement of certain pre-determined KPIs based on Group, regional, divisional and individual performance, as appropriate. Performance related bonuses will be paid only if certain minimum performance thresholds are met.

**Cash Compensation Plan**

All members of the management team (excluding the Chairman) will be eligible to participate in the Company's Cash Compensation Plan (''CCP''). Under the CCP, a discretionary pool is created annually, based upon the Company's performance for the particular financial year against pre-determined stretching financial targets.

For the 2014 financial year, the targets will be the Company's 2014 EBITDA minus capital expenditure (based on the budget for 2014). The 2014 pool will be worth €2 million if 95% of target is achieved and €4 million for on-target performance, with a straight line payout for performance between these two points. If 115% of target performance is achieved, the pool will be worth €8 million.

The extent to which on-target performance is achieved is determined by the Remuneration Committee once the Company's results have been published for the particular financial year. The Chairman and the CEO, in conjunction with the Remuneration Committee, will allocate the pool between the eligible employees and payment of the cash amount is then normally made within two weeks of such determination.

**Stock Option Plan**

Senior management and Executive Directors of the Company are eligible to participate in the Stock Option Plan (''SOP'') at the discretion of the Remuneration Committee.

Members of the management team (including the Executive Directors) will be granted options on Admission to acquire Shares at the Offer Price. These options will vest and become exercisable in tranches of 50%, 25% and 25% respectively, on the second, third and fourth anniversary of Admission, for a period of seven years (or if earlier, ten years from the initial grant) after which time they will lapse. It is intended that no further options will be granted to participants who were granted options on Admission until the last tranche of the initial options have vested, however options may be granted to new members of the management team.

Options with an aggregate value of up to €250 million will be granted on Admission with an exercise price equal to the Offer Price and further options with an aggregate value of up to €100 million will be

made available for new hires. Therefore, up to 6.9% of the Company's issued share capital will be allocated to satisfy these option grants.

Clawback and malus will apply to options granted under the SOP, such that options may be adjusted or reduced (even to nil) prior to exercise, and any exercised options reimbursed to the Company, in circumstances in which the Remuneration Committee considers appropriate, including material misstatement of financial results, failure of risk management, reputational damage, fraud or negligence.

Participants who leave the Group by reason of death, injury, ill-health or, for any other reason, if the Remuneration Committee so determines, will retain any vested options. Unvested options will vest on cessation, but will be pro-rated for time (unless the Remuneration Committee determines otherwise). Participants who leave the Group for any other reason will forfeit any outstanding unexercised options, unless the Remuneration Committee determines otherwise. Unvested options will normally vest in full on a change of control of the Company.

Options will be settled in shares or, at the discretion of the Remuneration Committee, in cash.

Under the SOP, the Executive Directors will be granted the following options with an aggregate value of up to €190 million on Admission and with an exercise price equal to the Offer Price:

| Director | Value of Options | Aggregate Number of Shares at Offer Price | | |
|---|---|---|---|---|
| | € | Top Point | Mid Point | Bottom Point |
| Patrick Drahi (through Next L.P.) | 75,000,000 | 2,400,000 | 2,678,571 | 3,030,303 |
| Dexter Goei | 75,000,000 | 2,400,000 | 2,678,571 | 3,030,303 |
| Dennis Okhuijsen | 20,000,000 | *See Note(1) below* | | |
| Jérémie Bonnin | 20,000,000 | 640,000 | 714,286 | 808,081 |

(1) €10 million Options to be granted after one year; €10 million Options to be granted after 2 years, of the Admission date.

### Subscription of Ordinary Shares by future management

Future members of the management team will generally be expected to subscribe for Ordinary Shares in the Company at the then prevailing market price for the Ordinary Shares, less any discount the Board may decide to apply to incentivise the management. Ordinary Shares with an aggregate value of up to €20 million will be made available by the Company for such subscription provided that, in each case, such employees agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

## 3. Corporate Governance

The Directors support high standards of corporate governance.

### Ten Principles of Corporate Governance

The Company voluntarily complies with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange although they are not directly applicable as the Company will not be listed on the Luxembourg Stock Exchange.

### Management

The Board of Directors is responsible for the overall management of the Company. It is responsible for the performance of all acts of administration necessary or useful to implement the corporate purpose of the Company as described in the Articles, except for matters expressly reserved by Luxembourg law or the Articles to the General Meeting.

As at the date of this Prospectus, the Board is comprised of six members. Patrick Drahi was elected Chairman of the Board on January 13, 2014. It is intended that within six months of Admission, one more Non-Executive Director will be appointed resulting in a seven member Board of Directors. Three of the seven members of the fully constituted Board will be independent and the remaining four members (including Patrick Drahi) will be non-independent. The Articles provide that the Board of Directors must

be composed of a minimum of three (3) members. The majority of the Directors shall at all times be Executive Directors.

The Articles provide that Directors are elected and removed by the General Meeting by a simple majority of votes cast. Directors are appointed for a maximum term of six (6) years and are eligible for reappointment at the end of such period.

All Executive Directors shall be appointed by the General Meeting only from a list of proposed candidates (it being understood that the number of candidates proposed shall always exceed the number of available mandates of Directors) by Next L.P. (the ''Binding Nomination Right''). All Non-Executive Directors shall be independent. As part of the Binding Nomination Right, the role of Chairman of the Board shall be conferred upon one of the two candidates who have been nominated for appointment to such role by Next L.P. from the list of candidates proposed by Next L.P. for appointment as Executive Directors of the Company pursuant to its Binding Nomination Right. Next L.P. shall only be entitled to exercise its Binding Nomination Right as long as it holds 30 per cent. or more of the issued Ordinary Shares of the Company (see Part XXIII of this Prospectus (*General Information—Share Capital of the Company*). The Binding Nomination Right cannot be amended without the consent of Next L.P. In circumstances in which Next L.P. is entitled to exercise its Binding Nomination Right at a General Meeting, the Board shall request by written notice at least ten (10) days prior to the publication of the convening notice for the General Meeting that Next L.P. exercises its Binding Nomination Right within seven (7) days following receipt of that written notice. The Binding Nomination Right shall be exercised in writing.

If the office of a Director becomes vacant, the other Directors, acting by a simple majority, shall fill the vacancy on a provisional basis until a new Director is appointed by the next General Meeting. In case the vacancy to be filled is that of a Director who was appointed from the list of candidates proposed by Next L.P. in accordance with the Binding Nomination Right, the Directors must, within 72 hours of the vacancy and in any event before any other deliberation or vote, fill in the vacancy by appointing one of the remaining candidates nominated on the latest list of candidates proposed by Next L.P.

**Operations of the Board**

*Meetings*

The Board meets when convened by the Chairman, any vice-chairman or any two Directors. The Board holds meetings in person on at least a quarterly basis and additional meetings as circumstances arise or as the interests of the Company shall require. Directors that cannot be present in person at the meeting may attend via telephone, video conference or other communication means provided that all members can communicate with each other.

The Board will appoint an executive vice-chairman (''Executive Vice-Chairman''), who shall be an Executive Director, and a non-executive vice-chairman (''Non-Executive Vice-Chairman''), who shall be one of the independent Non-Executive Directors. In order for a meeting of the Board to be validly held, a majority of the Directors and the Chairman must be present or represented. If this quorum is not reached a second Board meeting shall be convened with the same agenda and such reconvened Board meeting may validly deliberate and act if a majority of its members are present or represented. For any meeting of the Board, a Director may designate another Director to represent him or her and vote in his or her name. The agenda of the meeting of the Board is agreed by the Chairman of the Board after consultation with the CEO.

*Voting*

Each member of the Board has one vote. The Chairman has a casting vote in the event of a tied-vote. In the absence of the Chairman or in circumstances in which the Chairman is conflicted and such conflict relates to the Warrant, the Warrant Instrument or Warrant Shares, the Executive Vice-Chairman will act as chairman of the meeting and in the event of a tied-vote has a casting vote. In circumstances in which the Chairman is conflicted other than by reason of the Warrant, the Warrant Instrument or Warrant Shares, the Non-Executive Vice Chairman will act as chairman and in the event of a tied-vote has a casting vote. Decisions of the Board are made by a majority of the votes validly cast by the members of the Board present and represented.

Under Luxembourg law, any member of the Board having an interest in a transaction submitted for approval to the Board that conflicts with that of the Company shall be obliged to advise the Board of the

conflict and to cause a record of his statement to be included in the minutes of the meeting. Such member of the Board may not take part in these deliberations or vote concerning the matter. At the next General Meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any members of the Board may have an interest conflicting with that of the Company. These provisions do not apply where the decision of the Board relates to transactions entered into under fair market conditions in the ordinary course of business. The Articles do not contain any further provisions regarding a Director's power to vote on a proposal, arrangement, transaction or contract in which the Director is materially interested or the Directors' power to vote on compensation arrangements to themselves. However, the Company's Conflicts Management Framework contains provisions relating to conflicts of interest or potential conflicts of interests of members of the Board, as further described below.

**4. Board Committees**

The Board will have two committees: the Audit Committee and the Remuneration Committee. The Committees may seek assistance from external experts for the fulfilment of its duties.

**Audit Committee**

The Audit Committee has been established to:

- supervise the activities of the Executive Directors with respect to:
    - the operation of the internal risk management and control systems, including supervision of the enforcement of relevant primary and secondary legislation, and supervising the operation of codes of conduct;
    - the provision of financial information by the Company (including choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial statements, forecasts, work of internal and external auditors);
    - compliance with recommendations and observations of the internal audit function and external auditors;
    - the role and functioning of the internal audit function;
    - the policy of the Company on tax planning;
    - relations with the external auditor, including, in particular, its independence and remuneration as well as the performance of any non-audit services of the external auditor for the Company;
    - the financing of the Company; and
    - the applications of information and communication technology.
- regularly examine the effectiveness of the financial reporting, internal control and risk management system adopted by the Company;
- ensure that audits carried out and the subsequent audit reports comply with the audit plan approved by the Board and/or the Audit Committee; and
- present all material findings and recommendations to the Board for consideration.

The Audit Committee presents recommendations and reports on which the Board may base its decisions and actions. However, all members of the Board have the same responsibility for all decisions made, irrespective of whether the issue in question has been reviewed by such a committee or not.

The responsibilities of the audit committee are defined in the Audit Committee Regulations which have been approved by the Board. All decisions by the committee must be taken by unanimous vote.

The Audit Committee will regularly evaluate its own effectiveness as a collective body and makes recommendations to the Board for the necessary adjustments in its internal regulations.

The Audit Committee shall consist of at least two and no more than three non-executive members of the Board who shall be appointed prior to Admission and each of whom shall be independent. Once a third independent Director is appointed to the Board, such third independent Director shall be appointed to the Audit Committee thereby increasing the membership of the Audit Committee to three members of the Board. All members of the Audit Committee shall be independent. The Chairman of the Audit

Committee is Michel Combes. The Audit Committee will meet as frequently as necessary to ensure effective operation of the Audit Committee; as a minimum at least four times per year.

**Remuneration Committee**

The Board of Directors has established the Remuneration Committee to, in particular:

- make recommendations to the Board on the remuneration policy of the Executive Directors;
- prepare the remuneration report that the Board will incorporate into the Corporate Governance Statement in the Company's Annual Report and to present the remuneration report at the Company's annual General Meeting;
- meet annually with the CEO of the Board to discuss the functioning and performance of the Executive Directors, with a view to setting the variable remuneration;
- present all material findings and recommendations to the Board for consideration;
- check its operation and efficiency each year and provide the Board with clear regular information about the discharge of its functions. It shall inform the Board about any areas in which the Remuneration Committee considers action or improvement to be necessary. The Remuneration Committee shall prepare recommendations concerning the necessary steps to be taken;
- the CEO shall participate in the meetings of the Remuneration Committee when it deals with the remuneration of members of the executive management (other than the CEO).

The Remuneration Committee shall consist of two and not more than three Non-Executive Directors who shall be appointed prior to Admission and each of whom shall be independent. Once a third independent Director is appointed to the Board, such third independent Director shall be appointed to the Remuneration Committee thereby increasing the membership of the Remuneration Committee to three members of the Board. The members of the Remuneration Committee have the requisite expertise in the area of remuneration policy to fulfil the Remuneration Committee's role effectively. The Remuneration Committee shall at all times be chaired by an independent Non-Executive Director designated by the Board.

**5. Conflicts Management Framework**

**General Conflicts**

Where a Director has an interest that conflicts with the interests of the Company, the Director must report such conflict(s) to the Board and is to be excluded from deliberations and voting on the conflicted matter. If the conflicted Director is Patrick Drahi and Patrick Drahi is appointed as Chairman, the Non-Executive Vice-Chairman will act as chairman of the meeting and in the event of a tied-vote has a casting vote save where the conflict relates to the Warrant, the Warrant Instrument or Warrant Shares, in which case the Executive Vice Chairman will act as chairman and in the event of a tied-vote has a casting vote. The conflict is to be disclosed at the next General Meeting and in the next annual accounts of the Company.

**Conflicts and Related Party Transactions**

The general conflicts procedures under Luxembourg law apply to all related party transactions. The conflicted Directors must not participate in deliberations concerning, and voting with respect to, the conflicted matter. The resulting Board must consider the transaction, disclosing to the Audit Committee material conflicts and related party transactions. An independent expert may be commissioned to opine to the Company that a transaction is entered into under normal market conditions.

If a related party commercial contract is an ordinary course arrangement that is to be entered into under normal market conditions and is the subject of arm's length negotiations then it is not deemed to give rise to a conflict of interest. However, the Company has established that, notwithstanding that a commercial contract is entered into under normal market conditions and is the subject of arm's length negotiations, in the event the value of the contract exceeds one per cent. of Group revenue, such contract will be subject to a Board approval and the conflicted Director will not be entitled to participate in the deliberations or vote on the subject matter. Disclosure to the Audit Committee is required where material.

There are no conflicts of interest between any duties to the Company of any member of the Board and their private interests and other duties.

### 6. Corporate Opportunities

For so long as Next L.P. or any other entity controlled by Patrick Drahi owns more than thirty per cent. (30%) in aggregate of the share capital of the Company, Patrick Drahi must present all new opportunities that he believes are capable of execution and relating to a Relevant Opportunity (''**Corporate Opportunities**'') to the Board. Patrick Drahi and any other entity controlled by Patrick Drahi may, but without any obligation to do so, present opportunities other than Relevant Opportunities to the Board if Patrick Drahi and any such entity or entities think the opportunity is one which is in the interests of the Company or the Group and shareholders as a whole. Patrick Drahi and any other entity controlled by Patrick Drahi must be clear as to their intention to pursue the Relevant Opportunity in personal capacity in the event the Company does not pursue the Relevant Opportunity.

Subject to the application of law relating to directors' conflicts of interest procedures, the full Board will consider the Corporate Opportunity having regard to the interests of the Company, the group and shareholders as a whole.

If the Board decides against pursuit of the Corporate Opportunity, Patrick Drahi and any other entity controlled by Patrick Drahi shall be entitled to pursue the Relevant Opportunity in a private capacity.

This obligation on Patrick Drahi and any other entity controlled by Patrick Drahi with respect to the disclosure of Corporate Opportunities terminates upon Next L.P.s shareholding falling below thirty per cent. (30%) of the Company's issued Ordinary Share capital.

Patrick Drahi and any other entity controlled by Patrick Drahi are not obliged to present to the Company any opportunities and interests relating to assets held by Patrick Drahi and any such entity or entities outside of the group prior to the Company's admission and listing on the Euronext in Amsterdam.

## PART XXII—TAX CONSIDERATIONS

### 1. Luxembourg Taxation

The following is an overview of certain material Luxembourg tax consequences relating to the Company as well as to the purchase, holding and disposal of the Offer Shares (and Offer Shares only). It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase the Offer Shares or with regard to the taxation of the Company. Prospective purchasers should consult their own tax advisers as to the applicable tax consequences of the purchase and the ownership of the Offer Shares based on their particular circumstances. No conclusions should be drawn with respect to issues not specifically addressed by this overview. The following description of Luxembourg tax law is based on Luxembourg law and regulations as in effect and as interpreted by Luxembourg tax authorities on the date of this Prospectus and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis. It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers should therefore consult their own advisers as to the effects of any local laws, including Luxembourg tax law, to which they may be subject.

The residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds de l'emploi*), as well as personal income tax (*impôt sur le revenu*). Corporate investors and the Company may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

#### Taxation of the Company

The Company is a fully taxable entity in the Grand Duchy of Luxembourg. As such, it is considered resident of Luxembourg for Luxembourg domestic tax purposes and for purposes of the Luxembourg tax authorities concluded with other countries.

#### Income Tax

Profits of the Company are as a general rule subject to corporate income tax (*impôt sur le revenu des collectivités*—''CIT'') and municipal business tax (*impôt commercial communal*—''MBT''). The tax profit as determined for CIT purposes is applicable, with minor adjustments, for MBT purposes. CIT is levied at an effective rate of 22.47% (2013 rate, inclusive of the 7% surcharge for the employment fund). MBT is levied at a variable rate according to the municipality in which a company is located and amounts to 6.75% (in Luxembourg-city). The maximum aggregate CIT and MBT rate for 2013 consequently amounts to 29.22% p.a. (Luxembourg-city).

Luxembourg companies whose holding and financing assets exceed 90% of their balance sheet total, are subject to an annual minimum CIT of €3,210 (2013 rate, inclusive of the 7% surcharge for the employment fund). As of the year 2013, all other Luxembourg companies are subject to a minimum CIT that depends on the balance sheet total of the company resulting from the last closing balance sheet of the relevant fiscal year. For these companies, the minimum CIT ranges from €535 to €21,400 (2013 rates, inclusive of the 7% surcharge for the employment fund). In both cases, the minimum CIT paid for the year 2013 and for subsequent years can be offset against the corporate tax liability of the following years; if no CIT is due, the minimum tax becomes a final tax payment.

As a general rule, dividends, liquidation proceeds and capital gains received or realised by the Company are regarded as ordinary business income and are consequently included in the taxable base for CIT and MBT purposes. In case of dividends, a tax credit may be available for Luxembourg or foreign withholding tax retained by the distributing entity. The same is valid for liquidation proceeds. Capital gains are taxable only upon realisation. No special lower taxation rates apply to capital gains.

Dividends, liquidation proceeds and capital gains may however be tax exempt if the conditions of the participation exemption regime, as described below, are satisfied. If these conditions are not met, under

current Luxembourg tax laws, 50% of the gross amount of dividends (excluding liquidation proceeds) received from (i) a Luxembourg resident fully-taxable company limited by share capital, or (ii) a company limited by share capital resident in a State with which the Grand Duchy of Luxembourg has concluded a double tax treaty and liable to a tax corresponding to Luxembourg CIT, or (iii) a company resident in a EU Member State and covered by article 2 of the amended EU Parent-Subsidiary Directive is exempt from income tax.

Under the participation exemption regime, dividends derived by the Company from its shareholdings may be exempt from income tax if at the time the dividend is made available, (i) the distributing entity is an eligible entity i.e. a Luxembourg resident fully-taxable company limited by share capital (*société de capitaux*), a company covered by article 2 of the amended EU Parent-Subsidiary Directive or a non-resident company limited by share capital (*société de capitaux*) liable in its country of residence to a tax corresponding to Luxembourg CIT and (ii) the Company has held or commits itself to hold for an uninterrupted period of at least 12 months a direct participation of at least 10% of the share capital of the distributing entity or a direct participation of an acquisition price of at least €1.2 million. A foreign tax is considered comparable to Luxembourg CIT if it is levied at a rate of at least 10,5% on a taxable base that is similar to the basis used for Luxembourg CIT purposes. Liquidation proceeds are assimilated to dividends received and may be exempt under the same conditions. Participations held through a tax transparent entity are considered as being direct participations proportionally to the percentage held in the net assets of the transparent entity.

Under the participation exemption regime, capital gains realised by the Company on its shareholdings in eligible entities (as defined above) may be exempt from income tax if the above mentioned conditions regarding the dividend exemption are met, except that, if the 10% threshold condition is not met, the acquisition price must be of at least €6 million for capital gains purposes.

Tax treaties signed by Luxembourg can further broaden the scope of the participation exemption regime.

***Net Worth Tax***

The Company is subject to net worth tax (*impôt sur la fortune*—''NWT'') at the rate of 0.5% applied on its net assets as determined for NWT purposes. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at 1 January of each year. The unitary value is basically calculated as the difference between (a) assets valued at their fair market value (*valeur estimée de réalisation* or *Gemeiner Wert*) and (b) liabilities vis-à-vis third parties.

The NWT charge for a given year can be avoided or reduced if a specific reserve, equal to five times the NWT to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The maximum NWT to be saved is limited to the CIT amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

The participation held in the share capital of an eligible subsidiary is an exempt asset for NWT purposes, if the conditions of the participation exemption regime are satisfied i.e. on 1 January of a relevant year, the Company holds a participation of at least 10% of the share capital of the eligible entity (as defined above) or a participation therein of an acquisition price of at least €1.2 million.

Foreign assets held in treaty countries (for example real estate or assets invested in foreign permanent establishments) are generally exempt in the Grand Duchy of Luxembourg based on double tax treaty provisions. Third-party liabilities in relation to exempt assets are not deductible in computing the unitary value.

Certain tax treaties concluded by the Grand Duchy of Luxembourg contain a participation exemption provision for dividends and in some cases also for net wealth tax. Investors should therefore carefully compare the requirements under the Luxembourg domestic law and applicable tax treaties.

**Taxation of the Company's Shareholders**

***Withholding Tax***

Dividends paid by the Company to the Shareholders are as a rule subject to a 15% withholding tax (17.65% if the dividend withholding tax is not charged to the Shareholders) in the Grand Duchy of Luxembourg. However, a withholding exemption applies if at the time the income is made available, the receiving entity (i) is an eligible parent (as defined hereafter) and (ii) has held for an uninterrupted period of at least 12 months a participation of at least 10% of the share capital of the Company or a participation

of an acquisition price of at least €1.2 million. Eligible parents include a company covered by article 2 of the amended EU Parent-Subsidiary Directive or a Luxembourg or not Luxembourg permanent establishment thereof, a company resident in a State having a tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, a company limited by share capital (*société de capitaux*) or a cooperative society (*société cooperative*) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof or a Swiss company limited by share capital which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption. A foreign tax is considered comparable to Luxembourg CIT if it is levied at a rate of at least 10,5% on a taxable base that is similar to the basis used for Luxembourg CIT purposes. Tax treaties signed by Luxembourg can further broaden the scope of the withholding tax exemption.

Under Luxembourg law, a liquidation distribution by the Company will not be regarded as a dividend and will therefore not be subject to withholding tax. Under Luxembourg tax law, the Company is responsible for the withholding tax payments on dividends paid by the Company to its shareholders.

***Income tax***

*Luxembourg Resident Individual Investors*

Dividends derived from the Offer Shares by resident individuals, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the ordinary progressive rates (with a top effective marginal rate of currently 43,6%, inclusive of the surcharge for the employment fund). Such dividends however benefit from a 50% exemption plus an additional lump-sum amount of €1,500 (which is doubled for married taxpayers who are jointly taxable) is deductible from total dividends received during the tax year.

Capital gains realised on the disposal of the Offer Shares by resident individuals, who act in the course of the management of their private wealth, should not be subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains on the Offer Shares are deemed to be speculative gains and are subject to income tax at the progressive ordinary rates if the Offer Shares are disposed of within 6 months after their acquisition or if their disposal precedes their acquisition. A participation is deemed to be substantial where a resident individual investor, either alone or together with his spouse and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, has held more than 10% of the share capital of the Company. An investor is also deemed to alienate a substantial participation if it acquired free of charge, within the 5 years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). Capital gains realised on a substantial participation more than 6 months after the acquisition thereof are subject to income tax according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realised on the disposal of the Offer Shares by resident individual investors, who act in the course of their professional or business activity, are subject to income tax at the ordinary progressive rates. Taxable gains are determined as being the difference between the price for which the Offer Shares have been disposed of and the lower of their cost or book value.

*Luxembourg Resident Corporate Investors*

Dividends and other payments derived from the Offer Shares and paid to a Luxembourg fully-taxable resident company are subject to income tax, unless the conditions of the participation exemption regime, as described below, are satisfied. If these conditions are not met, under current Luxembourg tax laws, 50% of the gross amount of dividends received from the Company is exempt from income tax. A tax credit is as a general rule granted for Luxembourg withholding taxes, if any.

Under the participation exemption regime, dividends derived from the Offer Shares may be exempt from income tax at the level of the resident corporate investor if cumulatively, (i) the beneficiary of the dividends is a Luxembourg resident fully-taxable company, a Luxembourg permanent establishment of a company covered by article 2 of the amended EU Parent-Subsidiary Directive or a Luxembourg permanent establishment of a company limited by share (*société de capitaux*) resident in a country

having a tax treaty with Luxembourg or a Luxembourg permanent establishment of a limited company or a cooperative company resident in the European Economic Area other than a EU Member State, (ii) at the time the dividend is put at the beneficiary's disposal the beneficiary of the dividend has held or commits itself to hold the Offer Shares for an uninterrupted period of 12 months and, (iii) during this uninterrupted period of 12 months the Offer Shares represent a participation of at least 10% in the share capital of the Company or a participation of an acquisition price of at least €1.2 million. Liquidation proceeds are assimilated (in the hands of the investor) to received dividends and may be exempt under the same conditions. Offer Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realised by a Luxembourg fully-taxable resident company on the Offer Shares are subject to income tax at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied.

Under the participation exemption regime, capital gains realised on the Offer Shares may be exempt from income tax if the above mentioned conditions are met except that the acquisition price of the Offer Shares must be of at least €6 million for capital gains purposes. Offer Shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Taxable gains are determined as being the positive difference between the price for which the Offer Shares have been disposed of and the lower of their cost or book value.

*Luxembourg Resident Companies benefiting from a Special Tax Regime*

Investors who are (i) undertakings for collective investment subject to the law of 17 December 2010 or (ii) specialized investment funds subject to the law of 13 February 2007 or (iii) family wealth management companies governed by the law of 11 May 2007 are exempt from income tax in Luxembourg. Dividends derived from and capital gains realised on the Offer Shares are thus not subject to income tax in their hands.

*Luxembourg Non-Resident Investors*

Non-resident investors who do not have a permanent establishment in the Grand Duchy of Luxembourg to which the Offer Shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realize capital gains upon sale of Offer Shares, except by way of withholding tax (if any) or for capital gains realised on a substantial participation (see above) before the acquisition or within the first 6 months of the acquisition thereof that are subject to income tax in the Grand Duchy of Luxembourg at ordinary rates (subject to the double tax treaties). Luxembourg tax will also apply in case of alienation after 6 months or more if the investor has been a Luxembourg resident taxpayer for more than 15 years and has become a non-resident taxpayer less than 5 years before the alienation takes place. Under applicable tax treaties, Luxembourg will in general not be entitled to tax.

Dividends received and capital gains realised on the Offer Shares and attributable to a Luxembourg permanent establishment are subject to Luxembourg income tax, unless the conditions of the participation exemption regime are satisfied (see above). A tax credit is further granted for the Luxembourg withholding tax.

Taxable gains are determined as being the positive difference between the price for which the Offer Shares have been disposed of and the lower of their cost or book value.

**Other Taxes**

***Net Wealth Tax***

Luxembourg net wealth tax will not be levied on an investor unless (i) such investor is a corporate entity resident in the Grand Duchy of Luxembourg not entitled to a specific exemption, or (ii) the Offer Shares are attributable to an enterprise or part thereof which is carried on through a permanent establishment in the Grand Duchy of Luxembourg of a corporate entity, where the conditions of the participation exemption are not fulfilled.

***Registration Taxes and Stamp Duties***

The issuance of the Offer Shares is currently subject to a €75 fixed registration duty.

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in the Grand Duchy of Luxembourg by investors as a consequence of the issuance of the Offer Shares, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the Offer Shares unless they are recorded in a Luxembourg notarial deed or otherwise registered in the Grand Duchy of Luxembourg.

***Inheritance Tax and Gift Tax***

Under Luxembourg tax law, where an individual investor is a resident of the Grand Duchy of Luxembourg for inheritance tax purposes at the time of his death, the Offer Shares are included in his taxable base for inheritance tax purposes.

Gift tax may be due on a gift or donation of Offer Shares, if recorded in a Luxembourg notarial deed or otherwise registered in the Grand Duchy of Luxembourg.

**2. The Netherlands Taxation**

This overview solely addresses the principal Dutch withholding tax consequences and certain other taxes and duties relevant to the acquisition, ownership and disposal of Offer Shares. It does not address any other Dutch tax consequences that may be relevant to a particular holder of Offer Shares. Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Offer Shares in his particular circumstances, including the effect of any taxation under the laws of the Netherlands, which are not discussed herein.

Where in this overview English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this overview the terms ''the Netherlands'' and ''Dutch'' are used, these refer solely to the European part of the Kingdom of the Netherlands. The Board shall conduct the affairs of the Company, and shall procure that the Company is organised, in the manner outlined in this Prospectus. A change to such organisational structure or to the manner in which the Issuer conducts its business may invalidate the contents of this overview, which will not be updated to reflect any such change.

This overview is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The tax law, upon which this overview is based, is subject to changes, perhaps with retroactive effect. Any such change may invalidate the contents of this overview, which will not be updated to reflect such change.

***Dividend withholding tax***

The Company is incorporated under the laws of the Grand Duchy of Luxembourg. The Board shall conduct the affairs of the Company in such manner that it does not become a resident of the Netherlands for Dutch tax purposes. Consequently, payments made by the Company on the Offer Shares may be made free from withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands.

***Other taxes and duties***

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the holder of Offer Shares in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of Offer Shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Offer Shares or the performance by the Company of its obligations under such documents, or (iii) the transfer of Offer Shares.

**3. Certain U.S. Federal Income Tax Considerations**

Pursuant to Internal Revenue Service (''IRS'') Circular 230, you are hereby informed that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be

imposed on any taxpayer under the U.S. Internal Revenue Code of 1986, as amended (the ''Code''). Such description was written in connection with the marketing of the Ordinary Shares by the Company. Taxpayers should seek advice based on the taxpayers' particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Ordinary Shares acquired pursuant to this offering by a U.S. Holder thereof as defined below. This description only applies to Ordinary Shares held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to U.S. Holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organisations;
- persons that will own the Ordinary Shares through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting;
- U.S. Holders that will hold Ordinary Shares as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- direct, indirect or constructive owners of 10% or more of the Company's outstanding voting shares.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Ordinary Shares. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Ordinary Shares.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, the Convention Between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, signed at Luxembourg on April 3, 1996, and any protocols thereto (the ''Treaty''), administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Ordinary Shares who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organised in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Ordinary Shares, the tax treatment of such partnership and a partner in such partnership generally will

depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE PARTICULAR TAX CONSEQUENCES APPLICABLE TO THEIR SITUATIONS AS WELL AS THE APPLICATION OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

***Distributions on the Ordinary Shares***

Subject to the considerations in ''—Passive Foreign Investment Company Considerations,'' discussed below, any distributions on the Ordinary Shares paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), will generally be taxable to a U.S. Holder as foreign-source dividend income, and will not be eligible for the dividends received deduction allowed to corporations.

Distributions in excess of current or accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to the Ordinary Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

The amount of any distribution paid in euros will be includible in the gross income of a U.S. Holder of Ordinary Shares in an amount equal to the U.S. dollar value of the euros calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the euros are converted into U.S. dollars. If the euros are converted into U.S. dollars on the date of receipt, a U.S. Holder of Ordinary Shares generally will not be required to recognise foreign currency gain or loss in respect of the distribution.

Subject to certain exceptions for short-term positions, the dollar amount of distributions received with respect to the Company's Ordinary Shares by a U.S. Holder that is an individual will be subject to taxation at a preferential rate (currently at a maximum of 20%) if the distributions are ''qualified dividends.'' Distributions paid on the Company's Ordinary Shares will be treated as qualified dividends if (i) the Company is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules and (ii) the Company was not, in the year prior to the year in which the distribution was paid, and is not, in the year in which the distribution is paid, a PFIC (as defined below). The Treaty has been approved for purposes of the qualified dividend rules and the Company expects to be eligible for the benefits of the Treaty. As described below in ''—Passive Foreign Investment Company Considerations,'' the Company believes that it was not a PFIC in 2013 and does not anticipate becoming a PFIC in the current taxable year or for the foreseeable future.

As discussed in ''Luxembourg Taxation,'' it is expected that distributions by the Company to non-Luxembourgian investors may be subject to a 15% Luxembourg withholding tax, except to the extent an applicable income tax treaty (including the Treaty) provides otherwise. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Luxembourg taxes withheld by the Company, and as then having paid over the withheld taxes to the Luxembourg taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a distribution may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the distribution.

A U.S. Holder will generally be entitled, at the election of the U.S. Holder, to deduct, or claim a foreign tax credit for, Luxembourg taxes withheld from a distribution, subject to applicable limitations in the Code. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during its taxable year. For purposes of the foreign tax credit limitation, distributions paid by the Company generally will constitute foreign source income in the ''passive category income'' basket. The rules relating to U.S. foreign tax credits are complex and U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

***Sale, Exchange, or Other Disposition of the Ordinary Shares***

Subject to the considerations in ''—Passive Foreign Investment Company Considerations,'' discussed below, upon the sale, exchange, or other disposition of the Ordinary Shares, a U.S. Holder generally will recognise capital gain or loss in an amount equal to the difference between the dollar value of the amount realized on the disposition and the U.S. Holder's adjusted tax basis, determined in dollars, in the Ordinary Shares. Such gain or loss generally will be U.S. source and will generally be treated as long-term capital gain or loss if the U.S. Holder's holding period in the Ordinary Shares exceeds one year at the time of disposition. Long-term capital gains may be taxed at lower rates than ordinary income for certain non-corporate taxpayers. Prospective investors should consult their tax advisors regarding the treatment of capital gains and capital losses (the deductibility of which is subject to limitations).

***Passive Foreign Investment Company Considerations***

The rules governing passive foreign investment companies (''PFICs'') can have adverse tax effects on U.S. Holders. The Company believes it was not a PFIC for the 2013 taxable year and does not expect to become a PFIC in the current taxable year or for the foreseeable future. The determination whether the Company is a PFIC, however, depends on the particular facts and circumstances, such as the valuation of the Company's assets, including goodwill and other intangible assets and also may be affected by the application of the PFIC rules, which are subject to differing interpretations. The fair market value of the Company's assets is expected to depend upon, in part, the market price of the Ordinary Shares, which is likely to fluctuate, and the composition of the Company's income and assets will be affected by how, and how quickly, the Company spends any cash that is raised in any financing transaction. Thus, no assurance can be provided that the Company will not be classified as a PFIC for the current taxable year or for any future taxable year. Prospective purchasers should consult their own tax advisors regarding the Company's PFIC status. The Company does not intend to monitor whether it is a PFIC in any future year.

The Company generally will be classified as a PFIC for U.S. federal income tax purposes if, for any taxable year, either:

- 75% or more of its gross income consists of certain types of passive income, or
- the average value (determined on a quarterly basis), of its passive assets is 50% or more of the value of all of its assets.

Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If the Company owns at least 25% by value of the stock of another corporation, the Company is treated for purposes of the PFIC tests as receiving directly its proportionate share of the other corporation's income and as owning its proportionate share of the assets of the other corporation.

Additionally, if the Company is classified as a PFIC in any taxable year with respect to which a U.S. Holder is a shareholder, it generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding taxable years, regardless of whether it continues to meet the tests described above, unless the U.S. Holder makes a ''deemed sale election'' pursuant to which the U.S. Holder will be treated for U.S. federal income tax purposes as having sold such U.S. Holder's Ordinary Shares on the last day of the taxable year of the Company during which it was a PFIC and will thereafter cease to be treated as owning stock in a PFIC by reason of owning shares in the Company. If the Company is classified as a PFIC for any taxable year during which a U.S. Holder owns Ordinary Shares, the U.S. Holder, absent certain elections (including the QEF election and mark-to-market election described below), will generally be subject to adverse rules (regardless of whether the Company continues to be classified as a PFIC) with respect to (i) any ''excess distributions'' (generally, any distributions received by the U.S. Holder on the Ordinary Shares in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Ordinary Shares) and (ii) any gain realized on the sale or other disposition of the Ordinary Shares.

Under these rules (i) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company is classified as a PFIC will be taxed as ordinary income, and (iii) the amount allocated to each of the other taxable years during which the Company was classified as a PFIC will be subject to tax at the highest rate of tax in effect for the applicable category of taxpayer for that year

and an interest charge will be imposed with respect to the resulting tax attributable to each such other taxable year.

If the Company is classified as a PFIC, certain elections may be available to mitigate the interest charge and other adverse rules described above, such as the qualified electing fund (''QEF'') election and the mark-to-market election. The Company does not expect to provide the information regarding its income that would be necessary for a U.S. Holder to make a QEF election with respect to the Ordinary Shares. A mark-to-market election can generally be made with respect to the Ordinary Shares if the Ordinary Shares are regularly traded on a qualified exchange or other market within the meaning of applicable U.S. Treasury regulations. The rules with respect to the mark-to-market election are complex. U.S. Holders should consult their own tax advisors regarding the availability and the advisability of making a mark-to-market election with respect to the Ordinary Shares.

If the Company is classified as a PFIC, a U.S. Holder of Ordinary Shares will generally be treated as owning stock owned by the Company in any direct or indirect subsidiaries that are also PFICs and will be subject to similar adverse rules with respect to distributions to the Company by, and dispositions by the Company of, the stock of such subsidiaries. A mark-to-market election is generally not available for the shares of any subsidiary of the Company that is also classified as a PFIC.

If the Company is considered a PFIC, a U.S. Holder will also be subject to information reporting requirements, possibly on an annual basis.

**No assurance can be given that the Company will not be treated as a PFIC for the current taxable year or that the Company will not become a PFIC in the future. U.S. Holders should consult their own tax advisors with respect to how the PFIC rules and related reporting requirements could affect their tax situation, including the advisability of making any election that may be available.**

***U.S. Backup Withholding Tax and Information Reporting***

Backup withholding and information reporting requirements may apply to distributions on, and to proceeds from the sale or disposition of Ordinary Shares that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Share to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability. A U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Ordinary Shares, subject to certain exceptions, on their tax returns. U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Ordinary Shares.

## PART XXIII—GENERAL INFORMATION

### 1. Persons Responsible

The Company accepts responsibility for the information contained in this Prospectus. The Company declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no material omission likely to affect its import.

### 2. Incorporation and activity of the Company

The Company is a public limited liability company (*société anonyme*) incorporated under the Luxembourg law of August 10, 1915 on commercial companies, as amended from time to time. The Company was incorporated on January 3, 2014 under the name of ''Altice S.A.''. The registered office (*siège social*) of the Company is at 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Company's telephone number is +352 27 858 901. The Company is registered with the Luxembourg Register of Commerce and Companies under number RCS B 183391.

Set out below is an overview of the Company's share capital, certain significant provisions of Luxembourg corporate law as well as a brief summary of certain provisions of the Articles. This overview does not purport to give a complete overview and should be read in conjunction with the Articles, together with relevant provisions of applicable law, and does not constitute legal advice regarding these matters and should not be considered as such.

### 3. Share Capital of the Company

The Company was incorporated with an issued share capital of €31,000 divided into 31,000 Shares of €1.00 each, which were issued to the subscribers to the Company's Articles.

On January 16, 2014, the General Meeting of the Company resolved to amend the nominal value of the Shares to €0.01 and to have 3,100,000 Shares issued by the Company.

On January 16, 2014, the General Meeting of the Company resolved to create an authorised share capital of up to a maximum amount of €5,000,000, allowing the Board to issue 500,000,000 Ordinary Shares of €0.01 each and a maximum amount of €20,000,000 and allowing the Board to issue up to 2,000,000,000 Class B Shares of €0.01 each, for a period of five (5) years from the date of publication in the Mémorial C, Recueil des Sociétés et Associations of the resolution to create an authorised capital, to the Selling Shareholder on the exercise of the Warrant.

The Ordinary Shares are, or will be when issued, in registered form. No temporary documents of title have been or will be issued in respect of the Ordinary Shares. The Ordinary Shares will rank *pari passu* for dividends.

The Class B Shares will be, when issued, in registered form and will not be listed. The Class B Shares will be entitled to a limited dividend in certain circumstances only.

No Ordinary Shares have been issued other than fully paid.

Immediately following Admission, the Company's share capital is expected to be as follows:

| | Nominal Value | Number of shares issued | Amount |
|---|---|---|---|
| Ordinary Shares (assuming Offer Price at bottom-point of Offer Price Range) | €0.01 | 30,575,280 | 305,753 |
| Ordinary Shares (assuming Offer Price at mid-point of Offer Price Range) | €0.01 | 27,026,364 | 270,264 |
| Ordinary Shares (assuming Offer Price at top-point of Offer Price Range) | €0.01 | 24,215,622 | 242,156 |

Currently, neither the Company nor any of its subsidiaries holds any of the Ordinary Shares.

The ISIN of the Ordinary Shares is LU1014539529.

Further information on the rights attaching to the Ordinary Shares is set out in paragraph 5 below, and further information on dealing arrangements is set out in the Part VII (*Details of the Offer*).

Further information on the rights attaching to the Class B Shares is set out in paragraph 5 below.

## 4. Information about the Ordinary Shares

### *Description of the type and class of securities being offered*

The Offer Shares comprises Ordinary Shares in the capital of the Company.

### *Legislation under which the Ordinary Shares were created*

The Ordinary Shares have been created pursuant to, and are governed by, Luxembourg law.

### *Issued Share Capital*

The Company was incorporated with an issued share capital of €31,000 divided into 31,000 Ordinary Shares of €1 each which were issued to Next L.P. as the sole subscriber to the Company's Articles.

The current issued share capital of the Company amounts to €31,000 and is represented by 3,100,000 Ordinary Shares with a nominal value of €0.01 each.

The Company's share capital will be increased as part of the Group reorganisation. Immediately following Admission, the number of Ordinary Shares in the issued share capital of the Company is expected to be as follows:

| | | Number of Issued Shares | | | Amount | | |
|---|---|---|---|---|---|---|---|
| | Nominal Value | Top Point of the Offer Price Range | Mid Point of the Offer Price Range | Bottom Point of the Offer Price Range | Top Point of the Offer Price Range | Mid Point of the Offer Price Range | Bottom Point of the Offer Price Range |
| Ordinary Shares . | €0.01 | Up to 200,215,622 | Up to 203,026,364 | Up to 206,575,280 | Up to 2,002,156 | Up to 2,030,264 | Up to 2,065,753 |

### *Form and currency of the Ordinary Shares*

The Ordinary Shares are issued in registered form. The Ordinary Shares will be held and transferred through book-entry form in accounts opened with one or more financial intermediaries with Euroclear Nederland, in accordance with the normal settlement procedures applicable to equity securities settled through the book-entry system maintained by Euroclear Nederland. The persons shown in securities accounts of a financial intermediary authorised to maintain accounts with Euroclear Nederland as the holders of the Shares will be able to transfer their interests in accordance with the rules and procedures of Euronext Amsterdam, Euroclear Nederland and other relevant additional clearing systems.

The currency of the Ordinary Shares is the euro and their nominal value is equal to €0.01.

### *Voting Rights*

Each Ordinary Share carries the right to one vote. The Shareholders have the right to receive notice of and to attend and vote at all General Meetings of the Company.

### *Dividends and distributions*

The Ordinary Shares carry the right to receive dividends and distributions paid by the Company. Subject to certain limitations set out by Luxembourg law and the Articles, each Ordinary Share is entitled to participate equally with the other Ordinary Shares in dividends when and if declared by the annual General Meeting out of funds legally available for such purposes. Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favour of the Company five years after the date on which the dividends have been declared. Neither the Articles nor Luxembourg law contain restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of Shares.

In the event of the liquidation, dissolution or winding-up of the Company, the assets (if any) remaining after allowing for the payment of all liabilities (the ''Liquidation Proceeds'') shall be allocated in the following order of preference: (i) the Ordinary Shares shall be paid their nominal value; (ii) the Class B Shares shall be paid their nominal value; (iii) the Class B Shares shall receive an amount which is equal to the lower of (a) ten per cent. (10%) of the nominal value of the Class B Shares and (b) five per cent. (5%) of the amount of Liquidation Proceeds to be distributed by the Company; and (iv) the Ordinary

Shares shall receive the remainder of the Liquidation Proceeds. All payments made to the holders of the Ordinary Shares shall be made pro rata to their respective shareholdings. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary General Meeting where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary General Meeting, it requires the approval of at least two-thirds of the votes cast at the extraordinary General Meeting.

***Repurchase of Ordinary Shares***

The Company is prohibited by Luxembourg law from subscribing for its own shares.

The Company may repurchase its Shares subject to the conditions provided for by the 1915 Law. Any repurchase of Ordinary Shares is conditional upon (i) the prior authorisation given by the Shareholders, (ii) such repurchase only relating to fully paid-up Ordinary Shares and (iii) such repurchase, including Ordinary Shares previously acquired by the Company and held by it and Ordinary Shares acquired by a person acting in his own name but on the Company's behalf, not resulting in the value of the Company's net assets falling below an amount lower than an amount corresponding to the Company's issued and outstanding share capital increased by the legal reserve and any statutory reserves which the Company is not permitted to distribute. In addition, if the aggregate purchase price in respect of the Ordinary Shares the subject of the re-purchase is in excess of the nominal value of such shares, the Company must have distributable reserves in an amount at least equal to the difference in value between the aggregate nominal value of the Ordinary Shares being repurchased and the aggregate consideration being paid for such repurchase.

In addition, Luxembourg law allows the Board to approve the repurchase of the Company's Ordinary Shares without the prior approval of the General Meeting if necessary to prevent serious and imminent harm to the Company. In such a case, the next General Meeting must be informed by the Board of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the issued share capital which they represent and the consideration paid for them.

***Description of restrictions on free transferability***

The Ordinary Shares are freely transferable. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold the Ordinary Shares or exercise the voting rights attached thereto.

The Offer Shares are subject to a lock-up arrangement as detailed in Part VIII of this Prospectus *(Plan of Distribution)*.

**5. Information about the Class B Shares and Warrant**

***Legislation under which the Class B Shares were created***

The Class B Shares have been created pursuant to, and are governed by, Luxembourg law.

***Form and currency of the Class B Shares***

The Class B Shares are not, and will not be, listed. The Class B Shares are issued in registered form.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares and the amount paid up on each share in the register of shareholders of the Company (the ''Register'') which is kept at the registered office of the Company. Each transfer of shares is made by a written declaration of transfer recorded in the Register, such declaration to be dated and signed by the transferor and the transferee or by their duly appointed agent. The Register shall be kept at the registered office of the Company.

The currency of the Class B Shares is the euro and their nominal value is equal to €0.01.

***Voting Rights attaching to the Class B Shares***

Each Class B Share carries the right to one vote. The Class B Shareholders have the right to receive notice of and to attend and vote at all General Meetings of the Company.

In respect of any resolution put to the General Meeting which purports to alter the terms of the Class B Shares, the holder of the Class B Shares must, as a separate class of shareholder, vote in favour of such proposal in accordance with the applicable voting threshold requirements set out in the 1915 Law.

***Dividends and distributions***

As provided for in the Articles, the Class B Shares carry the right to receive dividends paid by the Company only in circumstances in which a dividend is paid on the Ordinary Shares. The Class B Shares share pro rata in any dividend declared by the Company. The amount of any dividend paid on the Class B Shares shall be capped at an amount equal to the lower of (i) 10 per cent. (10%) of the nominal value of the Class B Shares in respect of which the dividend is to be paid, and (ii) five per cent. (5%) of the aggregate amount of the dividend distributed by the Company.

Any distribution of profits made by the Company shall be allocated as follows: (i) Class B Shares shall receive an amount which shall be capped at an amount equal to the lower of (i) ten per cent. (10%) of the nominal value of the Class B Share(s) in respect of which the dividend is to be paid, and (ii) five per cent. (5%) of the aggregate amount of the dividend distributed by the Company; and (ii) Ordinary Shares shall receive the outstanding amount of the decided distribution which is not distributed to the holder of the Class B Shares.

In the event of the liquidation, dissolution or winding-up of the Company, the assets (if any) remaining after allowing for the payment of all liabilities (the ''Liquidation Proceeds'') shall be allocated in the following order of preference: (i) the Ordinary Shares shall be paid their nominal value; (ii) the Class B Shares shall be paid their nominal value; (iii) the Class B Shares shall receive an amount which is equal to the lower of (a) ten per cent. (10%) of the nominal value of the Class B Shares and (b) five per cent. (5%) of the amount of Liquidation Proceeds to be distributed by the Company; and (iv) the Ordinary Shares shall receive the remainder of the Liquidation Proceeds. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary General Meeting of shareholders where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary General Meeting of shareholders, it requires the approval of at least two-thirds of the votes cast at the extraordinary General Meeting.

***Repurchase of Class B Shares***

The Class B Shares will be capable of repurchase in accordance with article 49-8 of the 1915 Law. The Class B Shares must mandatorily be repurchased by the Company at their nominal value if (i) the holder of the Class B Shares sells or transfers any Class B Shares to a person other than the Company or an affiliate except in case of a transfer arising as a result of a repurchase or cancellation by the Company of any Class B Shares or a transfer to Patrick Drahi or his heirs or an entity controlled by Patrick Drahi be it directly or indirectly; (ii) the holder of the Class B Shares holds less than thirty per cent. (30%) of the Ordinary Shares of the Company; (iii) following the occurrence of a Durational Exercise Event, immediately following the passing of the resolution of the General Meeting approving the renewal of the Company's authorised share capital and the Board's authority to issue Class B Shares out of such authorised share capital; (iv) following the occurrence of a Low Threshold Exercise Event if no single holder of Ordinary Shares (excluding Next L.P.) and no holders of Ordinary Shares (excluding Next L.P.), acting in concert as defined in accordance with article 3 of the Transparency Law, continues to hold twenty per cent. (20%) or more of the aggregate number of voting rights attached to the Ordinary Shares of the Company; or (v) following the occurrence of a High Threshold Exercise Event, the General Meeting of the Company has voted in favour of the continuity of the Company.

Under Luxembourg law, a repurchase of the Class B Shares in accordance with article 49-8 of the 1915 Law is permitted only when (i) the repurchase is authorised by, and the terms and conditions of such repurchase is set out in, the Articles, (ii) the shares which are the subject of the repurchase are fully paid up, (iii) as set out in the 1915 Law distributable amounts or the proceeds of a new issue of shares made with a view to carrying out such repurchase are available, (iv) if the proceeds of a new issue of shares is not used to effect the repurchase, a reserve equal to the nominal value of the repurchased shares is included in a reserve which is, save in certain circumstances, un-distributable, and (v) notice of the repurchase is published in accordance with the 1915 Law.

The Articles contain an undertaking by the holder of the Class B Shares to take any and all actions necessary to permit a repurchase of the Class B Shares or the capital decrease followed by the

cancellation of all its Class B Shares, including the use of the rights attaching to the Class B Shares into which the Warrant is exercisable to convene a General Meeting of the Company and to approve at such General Meeting the decrease of the Company's share capital and the subsequent cancellation of the Class B Shares. The holder of the Class B Shares has also undertaken to offer its Class B Shares for repurchase to the Company and to provide the Company with the financial resources necessary to undertake the repurchase of the Class B Shares in accordance with the 1915 Law in case the Company is not in a position to repurchase the Class B Shares in accordance with the 1915 Law and the holder of the Class B Shares refuses to vote in favour of the cancellation of the Class B Shares and decrease of the share capital of the Company.

***Description of restrictions on free transferability***

Subject to any transfer of Class B Shares arising as a result of a repurchase (and subsequent cancellation) by the Company of any Class B Shares or a transfer to Patrick Drahi or his heirs or any entity controlled by Patrick Drahi, whether directly or indirectly (such transaction being a permitted transfer), the Class B Shares or any right, title, and/or interest therein or thereto may not be transferred, sold, exchanged, given, assigned, hypothecated, pledged, encumbered, a security granted or otherwise disposed of, be it directly or indirectly, whether by operation of law or otherwise by the holder of the Class B Shares for a period of five (5) years (such duration being consistent with Luxembourg practice) from their date of issue (the ''Class B Lock-up'') unless arising as a result of a repurchase or cancellation by the Company of any Class B Shares. The Class B Lock-up provisions are set out in the Articles.

***Warrant Instrument***

The Company, on January 16, 2014, issued the Warrant Instrument pursuant to which the Warrant was created over Class B Shares.

Next L.P. controlled by Patrick Drahi (the ''Warrant Holder''), holds the Warrant issued by the Company.

The Warrant is not transferable to third parties other than to any person or entity controlling, controlled by or under common control with Next L.P. (in each case, whether directly or indirectly). The Warrant is exercisable into Class B Shares.

***Terms of the Warrant Instrument, exercise of the Warrant and issuance of Warrant Shares***

The Warrant is exercisable in full, or partially, by the Warrant Holder upon each occurrence of an Exercise Event.

The right of the Warrant Holder to exercise the Warrant is not extinguished upon exercise of the Warrant: the Warrant is a revolving instrument entitling the Warrant Holder to exercise the Warrant upon the occurrence of any Exercise Event, notwithstanding any previous exercise of the Warrant, provided that at the time of the occurrence of a subsequent Exercise Event, the Warrant Holder does not already hold Shares representing the relevant proportion of the Company's share capital, the Warrant Holder would hold, should it exercise the Warrant on the basis of the relevant Exercise Event (as explained below).

Exercise of the Warrant upon the occurrence of an Exercise Event is not mandatory.

Upon the occurrence of an Exercise Event, the Warrant is exercisable (in full, or partially, on several occasions) into such number of Warrant Shares as is equal to a maximum of either (i) in the event of a Low Threshold Exercise Event, 66.67% of the issued and outstanding share capital on a fully diluted basis, or (ii) in the event of a High Threshold Exercise Event, 75% of the issued and outstanding share capital on a fully diluted basis, plus one Class B Share, taking into account the shares already held by the Warrant Holder.

A ''Low Threshold Exercise Event'' occurs either (i) when the shareholding of any holder of Ordinary Shares, excluding the Warrant Holder (or the shareholding of any holder of Ordinary Shares, excluding the Warrant Holder, when aggregated with the shareholding(s) of any shareholder(s) with whom such shareholder is acting in concert in accordance with article 3 of the Transparency Law is at least equal to twenty per cent. (20%) of the aggregate number of voting rights attaching to the Ordinary Shares, or (ii) in order to comply with Luxembourg law, which requires the renewal of the authorised share capital by a decision of the General Meeting with a majority of two-thirds of the votes cast at such meeting as described below every five (5) years, upon (a) the expiry of a period of four (4) years and six (6) months

from the Warrant Issue Date or (b) any subsequent expiration of a period of four (4) years and six (6) months following any publication of the renewal of the authorised share capital set out in the Articles (each such period being a ''Durational Exercise Event'').

A ''High Threshold Exercise Event'' occurs when (i) the Company's losses for any financial year exceed half of the Company's corporate capital and (ii) the Board resolves to propose to the shareholders of the Company the continuation of the existence of the Company despite the Company's loss situation.

The Warrant Holder may exercise its Warrant at any time following the date on which an Exercise Event occurred and as long as the Exercise Event continues to exist, except in the case of an exercise following a Durational Exercise Event, in which case, the Warrant Holder may exercise its Warrant only during a period commencing on the date of occurrence of the relevant Durational Exercise Event and expiring on the date which is six (6) months following such date.

On an exercise of the Warrant, the Warrant Holder will pay for the Class B Shares in cash at the par value of each Class B Share into which the Warrant is exercised (''Warrant Exercise Price''). The Company will place into a bank account held in the Company's name the amount of the aggregate Warrant Exercise Price and will not use the funds except for the purpose of repurchasing or cancelling the Warrant Shares pursuant to the Articles.

The General Meeting has created an authorised share capital of a maximum amount of €25,000,000 comprising 2,000,000,000 Class B Shares which may be used by the Board, for an initial period of five (5) years from the date of publication of the Articles (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds of the votes cast at such meeting provided that a majority of the share capital is represented at the meeting (and upon a second call of the meeting without a quorum)), to (i) increase the current share capital in whole or in part on one or more occasions by (a) a maximum amount of 5,000,000 euro (€5,000,000) with or without the issue of shares (but if with the issue of shares by the issue of Ordinary Shares) against payment in cash or in kind or against an incorporation of share premium, account 115, distributable reserves or retained earnings and/or (b) a maximum amount of 20,000,000 euro (€20,000,000) by the issue of Class B Shares (including but not limited to the issue of Class B Shares on the exercise of any warrants that may be issued by the Company from time to time) against payment in cash (such payment being equal to the aggregate nominal value of the Class B Shares to be issued); (ii) determine the place and date of the issue (or any successive issue) and the terms and conditions of the subscription for the Class B Shares and/or the Ordinary Shares, as the case may be; (iii) determine the allocation of the subscription price for the Class B Shares and/or the Ordinary Shares to the share capital, share premium and/or any other reserve account of the Company; (iv) limit and/or withdraw the preferential subscription rights of existing shareholders in case of an issuance of Class B Shares and/or the Ordinary Shares, as the case may be; and (v) record each share capital increase by way of a notarial deed and amend the share register to reflect the amendment accordingly.

***Cancellation of the Warrant***

If the Warrant Holder's holding of Ordinary Shares falls below thirty per cent. (30%) of the total number of Ordinary Shares in issue at any time during the Warrant Exercise Period, the Warrant is automatically cancelled in accordance with the terms of the Warrant Instrument.

## 6. Summary of the Articles

Set out below is an overview of the material provisions of the Articles and applicable Luxembourg laws. Because it is an overview, it does not contain all of the information in the Articles and is qualified in its entirety by reference to the Articles which are available for inspection at the Company's registered office. Further details can be found in Part XXIII of this Prospectus (*General Information—Documents available for Inspection*).

***Company's Objects***

The Company's object is contained in article 3 of the Articles. The Company's object is the acquisition of participations, in Luxembourg or abroad, in any company or enterprise in any form whatsoever, and the management, development and sale of those participations. The Company may in particular acquire and sell, by subscription, purchase and exchange or in any other manner, any stock, shares and other participation securities, bonds, debentures, certificates of deposit and other debt instruments and, more generally, any securities and financial instruments issued by any public or private entity. It may

participate in the creation, development, management and control of any company or enterprise. Further, it may invest in the acquisition and management of a portfolio of patents or other intellectual property rights of any nature or origin.

The Company may borrow in any form. The Company may issue notes, bonds and any kind of debt and equity securities. It may issue convertible funding instruments and warrants. The Company may lend funds, including, without limitation, the proceeds of any borrowings, to its subsidiaries and affiliated companies. It may also give guarantees and pledge, transfer, encumber or otherwise create and grant security over some or all of its assets to guarantee its own obligations and those of any other company, subsidiary or affiliate, and, generally, for its own benefit and that of any other company or person. The Company may issue warrants or any other instrument which allows the holder of such instrument to subscribe for shares in the Company. For the avoidance of doubt, the Company may not carry out any regulated financial sector activities without having obtained the requisite authorisation.

The Company may use any techniques, legal means and instruments to manage its investments efficiently and protect itself against credit risks, currency exchange exposure, interest rate risks and other risks.

The Company may carry out any commercial, financial or industrial operation and any transaction with respect to real estate or movable property, which directly or indirectly, favours or relates to its corporate object.

***Rights and restrictions attached to the Shares***

The Shares are subject to all the provisions of the Articles. Pursuant to the Articles and Luxembourg law, the main rights attached to the Shares are described below.

Each Share gives entitlement to one vote. Each Share is entitled to participate in distributions and liquidation proceeds. See the section above entitled ''—***Dividends and distributions***''.

Upon each capital increase or issue of instruments entitling shareholders to subscribe for Shares, each Share is, pursuant to the 1915 Law, entitled to a proportional preferential subscription right in the new issue, unless such right has been limited or withdrawn by a decision of (i) the General Meeting or (ii) the Board in the context of the authorised share capital.

Any change to the right attaching to the Class B Shares and to the Binding Nomination Right requires the prior written consent of Next L.P. for so long as Next L.P. holds at least thirty per cent. (30%) of the Ordinary Shares of the Company.

***Authorised share capital***

The General Meeting has created an authorised share capital of €25,000,000 comprising Ordinary Shares and Class B Shares.

The Board is authorised and empowered within the limits of the authorised share capital for an initial period of five (5) years from the date of publication of the Articles (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds of the votes cast at such meeting provided that a majority of the share capital is represented at the meeting (and upon a second call of the meeting without a quorum)) to: (i) increase the current share capital in whole or in part on one or more occasions by (a) a maximum amount of 5,0000,000 euro (€5,0000,000) with or without the issue of shares (but if with the issue of shares by the issue of Ordinary Shares) against payment in cash or in kind or against an incorporation of share premium, account 115, distributable reserves or retained earnings and/or up to (b) a maximum amount of 20,000,000 euro (€20,000,000) by the issue of Class B Shares (including but not limited to the issue of Class B Shares on the exercise of any warrants that may be issued by the Company from time to time) against payment in cash (such payment being equal to the aggregate nominal value of the Class B Shares to be issued); (ii) determine the place and date of the issue (or any successive issue) and the terms and conditions of the subscription for the Class B Shares and/or the Ordinary Shares, as the case may be; (iii) determine the allocation of the subscription price for the Class B Shares and/or the Ordinary Shares to the share capital, share premium and/or any other reserve account of the Company; (iv) limit and/or withdraw the preferential subscription rights of existing shareholders in case of an issuance of Class B Shares and/or the Ordinary Shares, as the case may be; and (v) record each share capital increase by way of a notarial deed and amend the share register to reflect the amendment accordingly.

Pursuant to the 1915 Law, Shares may be acquired by the Company following a Shareholder decision at an extraordinary General Meeting to reduce the capital of the Company. Such a capital decrease requires a Shareholders' resolution with a quorum requirement of fifty per cent. (50%) at a first meeting (with no quorum requirement at a second, reconvened meeting) and a majority requirement of at least two-thirds of the votes cast at the relevant Shareholders' meeting.

Pursuant to the 1915 Law, Shares can be converted into a different class of shares (e.g., non-voting preferred shares) but only with the consent of the respective Shareholder and subject to a Shareholders' resolution adopted at a General Meeting held with a quorum of at least fifty per cent. (50%) (no quorum applying at a second, reconvened meeting) and a majority requirement of at least two-thirds of the votes cast at the relevant meeting.

Luxembourg law provides for the issue of repurchasable shares, which are repuchasable subject to the conditions stated in the Articles. The Articles contain provisions allowing for any Class B Shares in issue to be repurchased by the Company provided that the statutory conditions set out in article 49-8 of the 1915 Law (which are reproduced in the Articles) have been fulfilled. The Ordinary Shares are repurchasable shares.

Under Luxembourg law, and as set out in the Articles, a repurchase of the Class B Shares in accordance with article 49-8 of the 1915 Law is permitted only when (i) the repurchase is authorised by, and the terms and conditions of such repurchase is set out in, the Articles, (ii) the shares which are the subject of the repurchase are fully paid up, (iii) as set out in the 1915 Law distributable amounts or the proceeds of a new issue of shares made with a view to carrying out such repurchase are available, (iv) if the proceeds of a new issue of shares is not used to effect the repurchase, a reserve equal to the nominal value of the repurchased shares is included in a reserve which is, save in certain circumstances, un-distributable, and (v) notice of the repurchase is published in accordance with the 1915 Law.

The Articles stipulate that the Class B Shares must mandatorily be repurchased by the Company at their nominal value upon or following the exercise of the Warrant if: (i) the holder of the Class B Shares transfers, sells, exchanges, or otherwise disposes of any Class B Shares to a person other than the Company or an affiliate except in case of a transfer arising as a result of a repurchase or cancellation by the Company of any Class B Shares or a transfer to Patrick Drahi or his heirs or an entity controlled by Patrick Drahi be it directly or indirectly, directly or indirectly or whether by operation of law, or pledges, assigns, encumbers or creates a security interest in any Class B Shares; (ii) the holder of the Class B Shares holds less than thirty per cent. (30%) of the Ordinary Shares of the Company; (iii) following the occurrence of a Durational Exercise Event, immediately following the passing of the resolution of the General Meeting approving the renewal of the Company's authorised share capital and the Board's authority to issue Class B Shares out of such authorised share capital; (iv) following the occurrence of a Low Threshold Exercise Event if no single holder of Ordinary Shares (excluding Next L.P.) and no holders of Ordinary Shares (excluding Next L.P.), acting in concert as defined in accordance with article 3 of the Transparency Law, continues to hold twenty per cent. (20%) or more of the aggregate number of voting rights attached to the Ordinary Shares of the Company; or (v) following the occurrence of a High Threshold Exercise Event, the General Meeting of the Company has voted in favour of the continuity of the Company.

The Articles contain an undertaking by the holder of the Class B Shares to take any and all actions necessary to permit a repurchase of the Class B Shares or the capital decrease followed by the cancellation of all its Class B Shares, including the use of the rights attaching to the Class B Shares into which the Warrant is exercisable to convene a General Meeting of the Company and to approve at such meeting the decrease of the Company's share capital and the subsequent cancellation of the Class B Shares and to provide the Company with financial resources necessary to undertake the repurchase of the Class B Shares in accordance with the 1915 Law in case the Company is not in a position to repurchase the Class B Shares in accordance with the 1915 Law and the holder of the Class B Shares refuses to vote in favour of the cancellation of the Class B Shares and decrease of the share capital of the Company.

***Share Transfer Restrictions***

The Ordinary Shares are freely transferable, in accordance with the normal settlement procedures applicable to equity securities settled through the book-entry system maintained by Euroclear Nederland. The Offer Shares are subject to a lock-up arrangement. Class B Shares or any right, title and/or interest therein or thereto shall not be transferred, sold, exchanged, given, assigned,

hypothecated, pledged, encumbered, a security granted or otherwise disposed of, be it directly or indirectly, whether by operation of law or otherwise by the holder of the Class B Shares for a period of five (5) years (such duration being consistent with Luxembourg practice) from their date of issue (the ''Class B Lock-up'') unless arising as a result of a repurchase or cancellation by the Company of any Class B Shares or a transfer to Patrick Drahi or his heirs or an entity controlled by Patrick Drahi be it directly or indirectly.

***Dividends and other distributions***

In accordance with the Articles, each year, at least five per cent. (5%) of the annual net profits of the Company have to be allocated to a legal reserve account. Such allocation to the legal reserve ceases to be compulsory when the Company's legal reserve amount reaches ten per cent. (10%) of the Company's issued share capital. The remaining balance of the Company's profits, together with any available reserves (other than the legal reserve) and subject to applicable law, is at the disposal of the General Meeting for distribution or allocation to a reserve account or carry forward in accordance with applicable legal provisions.

The Company will declare any payment made in respect of the Shares in euro. Under Luxembourg law, a dividend may be declared by a simple majority of the votes cast at a General Meeting of the Company.

Dividends will be distributed in accordance with the Company's Articles, dividend policy and in accordance with the decision of the General Meeting on the date set by the Board (to which the powers to determine the date and conditions of payment may be delegated by the General Meeting).

Furthermore, interim dividends may be paid by the Board within the conditions provided for by the 1915 Law.

Both the Ordinary Shares and the Class B Shares carry the right to receive dividends and distributions paid by the Company. As provided for in the Articles, each Ordinary Share is entitled to participate equally with the other Ordinary Shares in dividends when and if declared by the General Meeting of the Company out of funds legally available for such purposes. The Class B Shares carry the right to receive dividends only in circumstances in which a dividend is paid on the Ordinary Shares as declared by the General Meeting of the Company out of funds legally available for such purposes. The Class B Shares do share pro rata in any dividend declared by the Company. The amount of any dividend paid on the Class B Shares shall not be more than the amount which shall be capped at an amount equal to the lower of (i) ten per cent. (10%) of the nominal value of the Class B Share in respect of which the dividend is to be paid, and (ii) five per cent. (5%) of the aggregate amount of the dividend declared by the Company.

Any distribution of profits made by the Company shall be allocated as follows: (i) Class B Shares shall receive an amount which shall be capped at an amount equal to the lower of (i) ten per cent. (10%) of the nominal value of the Class B Share(s) in respect of which the dividend is to be paid, and (ii) five per cent. (5%) of the aggregate amount of the dividend distributed by the Company; and (ii) Ordinary Shares shall receive the outstanding amount of the decided distribution which is not distributed to the holder of the Class B Shares.

Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favour of the Company five years after the date on which the dividends have been declared. Neither the Articles nor Luxembourg law contain restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of Shares.

The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary General Meeting where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary General Meeting, it requires the approval of at least two-thirds of the votes cast at the extraordinary General Meeting.

In the event of the liquidation, dissolution or winding-up of the Company, the assets (if any) remaining after allowing for the payment of all liabilities (the ''Liquidation Proceeds'') shall be allocated in the following order of preference: (i) the Ordinary Shares shall be paid their nominal value; (ii) the Class B Shares shall be paid their nominal value; (iii) the Class B Shares shall receive an amount which is equal to the lower of (a) ten per cent. (10%) of the nominal value of the Class B Shares and (b) five per cent.

(5%) of the amount of Liquidation Proceeds to be distributed by the Company; and (iv) the Ordinary Shares shall receive the remainder of the Liquidation Proceeds.

All payments made to the holders of the Ordinary Shares and to the holder of the Class B Shares shall be made pro rata to their respective shareholdings.

For information on the taxation of dividends, see Part XXII of this Prospectus (*Tax Considerations*).

***Shareholder Meetings***

Please refer to paragraph 7 below which sets out, among others, the quorum requirements, convening rights and attendance provisions for General Meetings.

Shareholder resolutions are adopted by a majority of the votes cast without a quorum requirement, unless the relevant resolutions relate to: (i) an amendment of the Articles (including an increase or decrease of the issued and/or authorised share capital); (ii) a merger or a demerger; or (iii) the liquidation of the Company, in which case a quorum of 50% at a first meeting (with no quorum required at a second, reconvened meeting) and a two-thirds majority of the votes cast at the relevant meeting must be obtained to pass the relevant resolutions.

In respect of amendments to the Articles involving any change to the respective rights of different categories of shares, it is necessary to comply with the majority and quorum requirements set out above in respect of each category of share in issue. Resolutions to change the nationality of the Company or to increase Shareholders' commitments must be adopted by a unanimous vote of the Shareholders.

The General Meeting will appoint the Company's directors and auditor(s), approve the annual statutory and consolidated accounts, and resolve on dividend distributions.

***Board***

The Company is managed by the Board, which is comprised of a minimum of three (3) Directors and a maximum of ten (10) Directors. The majority of the Directors shall be Executive Directors.

All Executive Directors shall be appointed by the General Meeting only from a list of proposed candidates (it being understood that the number of candidates proposed shall always exceed the number of available mandates of Directors) by Next L.P. (the ''Binding Nomination Right''). All Non-Executive Directors shall be independent.

Next L.P. shall only be entitled to exercise its Binding Nomination Right as long as it holds thirty per cent (30%), or more of the Ordinary Shares. The Binding Nomination Rights cannot be amended without the consent of Next L.P. In circumstances in which Next L.P. is entitled to exercise its Binding Nomination Right at a General Meeting, the Board shall request by written notice sent at least ten (10) days prior to the publication of the convening notice for the General Meeting that Next L.P. exercises its Binding Nomination Right within seven (7) days following receipt of that written notice. The Binding Nomination Right shall be exercised in writing.

The General Meeting shall appoint the Directors and determine their number, their remuneration and the term of their office. Directors cannot be appointed for a term of office of more than six (6) years but are eligible for re-appointment upon the expiry of their term of office. Directors may be removed at any time, with or without cause, by a resolution of the General Meeting.

If the office of a Director becomes vacant, the other Directors, acting by a simple majority, shall fill the vacancy on a provisional basis until a new Director is appointed by the next General Meeting. In case the vacancy to be filled is that of a Director who was appointed from the list of candidates proposed by Next L.P. in accordance with the Binding Nomination Right, the Directors must, within 72 hours of the vacancy and in any event before any other deliberation or vote, fill in the vacancy by appointing one of the remaining candidates nominated on the latest list of candidates proposed by Next L.P.

All powers not expressly reserved to the Shareholders by the 1915 Law or the Articles fall within the competence of the Board, which has full power to carry out and approve all acts and operations consistent with the Company's corporate object. The Board may delegate special or limited powers to one or more agents for specific matters.

The Board shall meet at the request of the Chairman, a vice-chairman or any two (2) Directors. A Director may grant to another Director a power of attorney in order to be represented at any meeting of the Board.

The Board may only validly deliberate and act if (i) a majority of its members and (ii) the Chairman are present or represented. Board resolutions shall be validly adopted by a majority of the votes of the Directors present or represented. If this quorum is not reached a second Board meeting shall be convened with the same agenda and such reconvened Board meeting may validly deliberate and act if a majority of its members are present or represented.

Any Director may participate in any meeting of the Board by telephone or video conference, or by any other means of communication which allows all those taking part in the meeting to identify, hear and speak to each other. Participation by such means is deemed equivalent to participation in person at a duly convened and held Board meeting.

Board resolutions shall be recorded in minutes signed by the Chairman (or a Vice Chairman, as the case may be), by all the Directors present or represented at the Board meeting, or by the secretary (if any).

Circular resolutions signed by all the Directors shall be valid and binding as if passed at a duly convened and held Board meeting, and shall bear the date of the last signature.

***Chairman***

The Articles stipulate that the Board will appoint (i) a Chairman from among its members who shall be an Executive Director. The Chairman has, in the case of a tied vote at a meeting of the Board, a casting vote. The Chairman will preside at meetings of the Board.

In the absence of the Chairman or in circumstances in which the Chairman is conflicted and such conflict relates to the Warrant, the Warrant Instrument or Warrant Shares, the Executive Vice-Chairman will act as chairman of the meeting and in the event of a tied-vote has a casting vote. In circumstances in which the Chairman is conflicted other than by reason of the Warrant, the Warrant Instrument or Warrant Shares, the Non-Executive Vice Chairman will act as chairman and in the event of a tied-vote has a casting vote.

***Conflicts of Interest***

The 1915 Law states that any director who has a personal interest in a transaction conflicting with that of the company in respect of which he or she is a director and which is submitted to the Board for approval must advise the Board of such conflict and cause a record of his statement to be included in the minutes of the relevant Board meeting at which such matter is discussed. In addition, he or she is prohibited from participating in the deliberations relating to, and from voting on, such matter at that Board meeting. A special report on the conflict must then be prepared by the Board and presented to the next General Meeting, before any other matter is put to the vote. These provisions of the 1915 Law are set out in the Articles.

***Amendments to the Rights of Shareholders***

Any amendments to the rights of Shareholders requires an amendment to the Articles and are subject to the same quorum and majority requirements as for an extraordinary General Meeting (the requirements in respect of which are set out at paragraph 7 below). Any resolution to amend the Articles must be taken before a Luxembourg notary and such amendments must be published in accordance with Luxembourg law. The Articles do not provide for any specific conditions that are more stringent than is required by law.

**7. General Meetings**

Luxembourg law distinguishes between ordinary General Meetings and extraordinary General Meetings (''Extraordinary General Meeting'') of shareholders. Extraordinary General Meetings are convened to vote on any amendment of the Articles and certain other matters described below and are subject to the quorum and majority requirements described below. All other General Meetings are ordinary General Meetings, to be held at least once a year.

*Ordinary General Meetings:* at an ordinary General Meeting there is no quorum requirement and resolutions are adopted by a simple majority, irrespective of the number of shares represented.

*Extraordinary General Meetings:* an Extraordinary General Meeting convened for any of the following purposes must have a quorum of at least 50% of the issued share capital and resolutions are adopted by

a two-thirds majority, except for a resolution changing the nationality of the Company, which requires a unanimous vote:

- a limitation or exclusion of preferential subscription rights;
- approving a legal merger or demerger;
- the liquidation of the Company;
- the changing of the nationality of the Company; or
- an amendment of the Articles (which includes an increase or decrease of the authorised or the issued share capital).

If the above quorum is not reached, the Extraordinary General Meeting may be reconvened to a later date, subject to appropriate notification procedures with no quorum requirement.

General Meetings may be convened by the Board, the Chairman or the statutory auditors of the Company from time to time. A General Meeting must be called upon written request (which shall include an indication of the agenda for such meeting) made by a Shareholder or Shareholders holding, in aggregate, at least ten per cent. (10%) of the voting rights in the Company.

Each holder of Shares in the capital of the Company shall be entitled to attend the General Meeting, to address such meeting and, to the extent applicable, to exercise his voting rights. Shareholders may vote by proxy or written voting forms. The Board must be notified in writing of a shareholder's intention to attend the meeting. Such notice must be received by the Board no later than on the date specified in the notice of the meeting. The Board may determine that the voting rights may be exercised by means of electronic communication.

Shareholders may only attend the General Meeting and participate in the voting in respect of shares which are registered in their name on the record date as specified in the notice of the meeting. The record date will be on the 14$^{th}$ day prior to the date of the meeting.

The notice of the meeting shall be circulated no later than on the 30$^{th}$ day, or in case of convening a second meeting due to lack of quorum in the first meeting on the 17$^{th}$ day, prior to the date of the meeting and shall state the items to be dealt with, the items to be discussed and which items are to be voted on, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holder, the address of the website of the Company and, if applicable, the procedure for participating at the meeting and exercising one's right to vote by electronic means of communication.

Shareholders individually or jointly representing at least five per cent (5%) of the issued share capital have the right to request the Board to place items on the agenda of the General Meeting and submit proposals for items included in the agenda. Such request shall be received at least twenty-two (22) days before the relevant General Meeting. The Company shall acknowledge receipt of requests referred to in (ii) above within forty-eight (48) hours from receipt. The Company shall prepare a revised agenda including such additional items on or before the fifteenth (15$^{th}$) day before the date of the relevant General Meeting.

**8. Share Capital Increase**

The issuance of Shares in the Company requires an amendment to the Articles approved by an Extraordinary General Meeting, which may not validly deliberate unless at least half of the issued share capital is represented upon the first call and the agenda indicates the proposed amendments to the Articles. On first call, the General Meeting must be convened on at least 30 days' notice. If the first of these conditions is not satisfied, a second meeting may be called by means of a notice published at least 17 days prior to the meeting in (i) the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*), (ii) in one Luxembourg newspaper and (iii) in such media which may reasonably be expected to be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which are accessible rapidly and on a non-discriminatory basis (the ''EEA Publication''). The second meeting will deliberate irrespective of the proportion of share capital represented. At both meetings, resolutions, in order to be adopted, must be approved by at least two-thirds of the votes cast. Votes cast do not include votes attaching to Shares with respect to which the Shareholder has not taken part in the vote, has abstained or has returned a blank or invalid vote.

The Shareholders may, within certain limits, grant the Board the power to issue new shares. The General Meeting has created an authorised share capital of €25,000,000 comprising 2,000,000,000 Class B Shares which may be used by the Board, for an initial period of five (5) years from the date of publication of the Articles (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds of the votes cast at such meeting provided that a majority of the share capital is represented at the meeting (and upon a second call of the meeting without a quorum)), to (i) increase the current share capital in whole or in part on one or more occasions by (a) a maximum amount of 5,000,000 euro (€5,000,000) with or without the issue of shares (but if with the issue of shares by the issue of Ordinary Shares) against payment in cash or in kind or against an incorporation of share premium, account 115, distributable reserves or retained earnings and/or (b) a maximum amount of 20,000,000 euro (€20,000,000) by the issue of Class B Shares (including but not limited to the issue of Class B Shares on the exercise of any warrants that may be issued by the Company from time to time) against payment in cash (such payment being equal to the aggregate nominal value of the Class B Shares to be issued); (ii) determine the place and date of the issue (or any successive issue) and the terms and conditions of the subscription for the Class B Shares and/or the Ordinary Shares, as the case may be; (iii) determine the allocation of the subscription price for the Class B Shares and/or the Ordinary Shares to the share capital, share premium and/or any other reserve account of the Company; (iv) limit and/or withdraw the preferential subscription rights of existing shareholders in case of an issuance of Class B Shares and/or the Ordinary Shares, as the case may be; and (v) record each share capital increase by way of a notarial deed and amend the share register to reflect the amendment accordingly.

Unless limited or cancelled by shareholders at an extraordinary General Meeting, holders of the Ordinary Shares have under Luxembourg law and the Articles have a pro rata preferential right to subscribe for newly issued Ordinary Shares, except for (i) shares issued for consideration other than cash, (ii) shares issued to the employees of the Company and (iii) shares issued to persons exercising a previously granted right to subscribe for shares.

The Articles provide that statutory preferential subscription may be limited or cancelled by the Board of Directors in the event of an increase of the issued share capital by the issuance of Class B Shares or Ordinary Shares, as the case may be, decided by the Board within the limits of the authorized share capital.

As permitted under the 1915 Law, the Board is permitted under the Articles to restrict the operation of statutory preferential subscription rights in respect of an issuance of Class B Shares.

### 9. Information rights

Luxembourg law gives shareholders limited rights to inspect certain corporate records thirty (30) days prior to the date of the annual General Meeting at the Company's website or its registered address, including the parent company accounts with the list of directors and auditors, the combined accounts, the notes to the parent company accounts and to the combined accounts, a list of shareholders whose shares are not fully paid-up, the management reports and the auditor's reports.

The parent company accounts, the combined accounts, the auditor's reports and the management reports must be sent to the registered shareholders at the same time as the convening notice for the annual ordinary General Meeting. In addition, any shareholder is entitled to receive a copy of these documents free of charge upon request thirty (30) days prior to the date of the annual ordinary General Meeting and to inspect these documents at the registered office of the Company. Under Luxembourg law, it is generally accepted that a shareholder has the right to receive responses to questions concerning items on the agenda of a General Meeting if such responses are necessary or useful for a shareholder to make an informed decision on the agenda item, unless such a response could be detrimental to the interests of the company. This determination is made by the Board.

### 10. Election and Removal of Directors

Members of the Board are elected by simple majority of the represented shareholders at any General Meeting. Except in the event of the replacement of a member of the Board during his or her mandate, their respective terms will expire at the third annual General Meeting following the date of their appointment. Any Director may be removed with or without cause by a simple majority vote at any General Meeting.

## 11. Amendment of the Articles

Luxembourg law requires an extraordinary General Meeting to vote on any amendment of the Articles, including any amendments to change the rights of the holders of Ordinary Shares or Class B Shares of the Company. The Company's Articles do not contain provisions providing for conditions to amend the Articles, and the rights of the holders of Ordinary Shares that are more stringent than the conditions required by law except for any change to the rights attaching to the Class B Shares and to the Binding Nomination Right which require the prior written consent of Next L.P. for so long as Next L.P. holds at least thirty per cent. (30%) of the Ordinary Shares of the Company. The agenda of the extraordinary General Meeting must indicate the proposed amendments to the Articles.

An extraordinary General Meeting convened for the purpose of amending the Articles must have a quorum of at least 50% of the issued capital of the Company. If the quorum is not reached, the extraordinary General Meeting may be reconvened with no quorum being required. Irrespective of whether the proposed amendment is subject to a vote at the first or a subsequent extraordinary General Meeting, the amendment is subject to the approval of at least two-thirds of the votes cast at the extraordinary General Meeting, except as described below.

Any resolutions to amend the Articles must be taken before a Luxembourg notary and must be published in accordance with Luxembourg law.

## 12. Annual Accounts

Each year the Board must prepare parent company financial statements for the Company, consisting of an inventory of its assets and liabilities together with a statement of financial position and a profit and loss account. The Board must also prepare annually consolidated financial statements of the Company. The Board must also prepare annual management reports on each of the standalone audited financial statements and the consolidated financial statements. For each of these sets of accounts a report must be issued by the independent auditors.

The annual financial statements, the consolidated financial statements, the management report and the auditor's reports must be available for inspection by shareholders on the Company's website or at the registered office of the Company in Luxembourg at least thirty (30) days prior to the date of the annual General Meeting.

The financial statements and the consolidated financial statements, after approval by the annual General Meeting, are filed with the Luxembourg Register of Commerce and Companies.

## 13. Disclosure rules

*Home member state for purposes of the EU Transparency Directive*

Luxembourg is the home member state of the Company for the purposes of the EU Transparency Directive (Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004). As a result, the Company will be subject to financial and other reporting obligations under Luxembourg law dated 11 January 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market (the ''Transparency Law'').

Because the shares will be admitted to trading on a regulated market operating in the Netherlands, the Company will also be subject to a disclosure obligation relating to inside information under the Financial Supervision Act (*Wet op het financieel toezicht*), which implements the EU Transparency Directive in the Netherlands.

*Disclosure of information*

The Company is required to publish its annual accounts within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year. In addition, the Company is obliged to publish interim management statements (inter alia containing an overview of important transactions and their financial consequences) in the period starting ten weeks after and six weeks before the first and second half of each financial year. This may change depending on how Luxembourg will transpose the EU Transparency Directive amending Directive (2013/50/EU).

The Company must also make public certain inside information by means of a press release and on its website. Pursuant to the Financial Supervision Act and the Luxembourg Transparency Law, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not been made public and publication of which could significantly affect the trading price of the securities inside information. Both the Financial Supervision Act and the Luxembourg Transparency Law contain specific rules intended to prevent insider trading. Pursuant to the Luxembourg Law of 9 May 2006 (Relative auseabres de marché), the Company has adopted a code of business conduct in respect of the reporting and regulation of transactions in the Company's securities.

*Disclosure of Significant Ownership in the Company's shares*

Holders of the Company's Ordinary Shares and derivatives or other financial instruments linked to the Company's Ordinary Shares may be subject to notification obligations pursuant to the Luxembourg Transparency Law. The following description summarises these obligations. The Company's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

Without prejudice to the Transparency Law, any Shareholder (or any Shareholders acting in concert as defined in accordance with Article 3 of the Transparency Law) holding Ordinary Shares shall notify the Company of the proportion of voting rights of the Company he/she/it/they hold(s) where that proportion reaches/exceeds/falls below 1%, 2%, 3% and 4% within seven (7) days of such event (the ''Threshold Event''). The voting rights of the Shareholders who do not comply with this notification obligation within the seven (7) day period will be suspended at the General Meeting immediately following the Threshold Event or the breach (as the case may be) as set out in the Articles.

The Luxembourg Transparency Law provides that the acquisition or disposal of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the relevant person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 331/3%, 50% or 662/3% of the total voting rights existing when the situation giving rise to a declaration occurs, notice to the Company, the CSSF and the Luxembourg Stock Exchange (''LSE'') (acting as officially appointed mechanism in charge of the central storage of regulated information for public disclosure) will be required. A person must also notify the Company, the CSSF and the LSE of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights.

For the purposes of calculating the percentage of a shareholder's voting rights in the Company, the following will be taken into account:

- voting rights held by a third party with whom that person or entity has concluded an agreement and which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the Company;
- voting rights held by a third-party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to shares pledged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention to exercise them;
- voting rights attaching to shares in which a person or entity holds an interest for the duration of the life of such person or entity;
- voting rights which are held or may be exercised within the meaning of the four foregoing points by an undertaking controlled by that person or entity;
- voting rights attaching to shares deposited with that person or entity which the person or entity may exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third-party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity may exercise the voting rights in its sole discretion.

*Disclosure of Insider Transactions*

Members of the Board and other executives fulfilling senior management responsibilities (''Persons Discharging Senior Managerial Responsibilities'', as defined below) within the Company and persons closely associated with them must disclose to the CSSF and to the Company all transactions relating to shares of the Company or derivatives or other financial instruments linked to shares of the Company conducted by them or for their account. ''Persons Discharging Senior Managerial Responsibilities'' within the Company are the members of the Board of Directors and executives who, while occupying a high level management position, are not members of the above corporate bodies, but who have regular access to non-public material information relating, directly or indirectly, to the Company and have the authority to make management decisions about the future development of the Company and its business strategy.

**14. Mandatory bids and Compulsory Acquisition Rules relating to Ordinary Shares**

*European Union takeover regulations*

The European Directive on Takeover Bids (2004/25/EC) (the Takeover Directive) has been implemented in Luxembourg Law of May 19, 2006 on takeover bids (the ''Luxembourg Takeover Law'') and it has been implemented in Dutch legislation in the Financial Supervision Act and the Public Takeover Bids Decree (*Besluit openbare biedingen Wft*, the ''Dutch Takeover Decree'').

The relevant conflict of laws provisions of the Takeover Directive, implemented both in the Luxembourg Takeover Law and the Dutch Takeover Decree, do explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the member state in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in another member state, the authority competent to supervise the bid for all the remaining shares in the company shall be that of the member state of the market on which the shares are admitted to trading, i.e., in the present case the competent authority in The Netherlands, the AFM.

In respect of governing law, matters relating to the consideration offered in the case of a bid for all the remaining shares in the company, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. However, in matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights, which confer control and any derogation from the obligation to launch a bid for all the remaining shares in the company, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office, i.e., in the present case the competent authority in Luxembourg, the CSSF.

*Mandatory takeover offers*

The Luxembourg Takeover Law provides that if a person, acting alone or in concert, acquires securities of the Company which, when added to any existing holdings of the Company's securities, give such person voting rights representing 33⅓% of all of the voting rights attached to the issued shares in the Company, this person is obliged to make an offer for the remaining shares in the Company.

*Squeeze out procedures*

The Luxembourg Takeover Law provides that a holder, alone or with persons acting in concert with it, directly or indirectly, of at least 95 per cent. of the Company's voting rights (a ''majority shareholder'') may, under certain conditions, require all the holders of the remaining securities to sell to it their securities. A majority shareholder that decides to exercise its mandatory squeeze-out right must ensure that it can fulfil in full any cash consideration.

*Sell-out Rights*

The Luxembourg Takeover Law provides that, where a holder of securities of a company becomes a majority shareholder through the acquisition of securities made alone or by persons acting in concert with it, one or several holders of the remaining securities may, under certain conditions, require the majority shareholder to buy these securities.

*Provisions Preventing a Change of Control*

The Articles do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

The Warrant Instrument grants to the Warrant Holder a right to subscribe, by exercising the Warrant, for a number of Class B Shares. Such subscription may result in the Warrant Holder obtaining voting control of the Company. Please refer to paragraph 5 above in relation to the terms and operation of the Warrant Instrument.

**15. Insider dealing and market manipulation**

The rules on preventing insider dealing and market abuse set out in the Financial Supervision Act and Luxembourg Law of 9 May 2006 (the ''Luxembourg Market Abuse Law'') are applicable to the Company, the members of the Board, other insiders and persons performing or conducting transactions in the securities of the Company. The Financial Supervision Act and the Luxembourg Market Abuse Law are subject to certain geographical limitations, *i.e*. certain Dutch law provisions may only apply if a transaction is entered into in or from the Netherlands and certain Luxembourg law provisions may only apply if a transaction is entered into in or from Luxembourg. These geographical and other limitations are not further explained in this section. Furthermore, even if certain Dutch law provisions and Luxembourg law provisions may not apply, comparable foreign law provisions may apply.

Certain important market abuse rules set out in the Financial Supervision Act and the Luxembourg Market Abuse Law that are relevant for investors are described hereunder. The Company's shareholders and investors are advised to consult with their own legal advisers in relation to these rules.

The Company is in principle required to make inside information public without any delay. Pursuant to the Financial Supervision Act and the Market Abuse Law, inside information is knowledge of concrete information directly or indirectly relating to the issuer or the trade in its securities which has not yet been made public and publication of which could significantly affect the trading price of the securities. The Company must provide the CSSF and the AFM with this inside information at the time of publication. Furthermore, the Company must without delay publish the inside information on its website and keep it available on the Company's website for at least one year. It is prohibited for any person to make use of inside information within or from the Netherlands, Luxembourg or a non-EU member state by conducting or effecting a transaction in the shares. In addition, it is prohibited for any person to pass on inside information relating to the Company or the trade in its securities to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction in securities of the Company. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for or the price of the securities.

Market abuse qualifies as a felony and an economic crime under Dutch and Luxembourg law. Non-compliance with the Dutch and Luxembourg market abuse rules set out in this Chapter could constitute an economic offense and/or a crime and could lead to the imposement of administrative fines by the AFM and/or the CSSF. The public prosecutor could press criminal charges resulting in fines or imprisonment.

**16. Subsidiary Undertakings**

The Company is the holding company of the Group.

The Significant subsidiary undertakings and associated undertakings of the Company are as follows:

| Name | Country of Incorporation | Proportion of ownership interest |
|---|---|---|
| Altice VII S.à.r.l. . . . . | Luxembourg | 100% |
| Altice Finco S.A. . . . . | Luxembourg | 100% owned by Altice VII S.à.r.l. |
| Numericable Group S.A. . . . . | France | 30% (including certain call options) owned by Altice Six (upon completion of the Numericable Acquisition, Altice Six will own 40% of Numericable Group S.A.) |
| Altice B2B Lux S.à r.l. . . . . | Luxembourg | 100% owned by Numericable Group S.A. |

| Name | Country of Incorporation | Proportion of ownership interest |
|---|---|---|
| Altice Financing S.A. | Luxembourg | 100% |
| Altice Six S.A. | Luxembourg | 100% owned by the Company |
| Cool Holding Ltd. | Luxembourg/Israel | 100% |
| H. Hadaros 2012 Ltd. | Israel | 100% owned by Cool Holding Ltd. |
| HOT Telecommunication Systems Ltd | Israel | 68.6% owned by Cool Holding Ltd and 31.4% owned by H. Hadaros 2012 Ltd. |
| HOT Net Internet Services Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HOT Telecom Limited Partnership | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| Hot Vision Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HotIdan Cable Systems Israel Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HotIdan Cable Systems (Holdings) 1987 Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HotEdom Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| Hot T.L.M Subscribers Television Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HotCable System Media Haifa Hadera Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| HOT Mobile Ltd. | Israel | 100% owned by HOT Telecommunication Systems Ltd |
| Altice Holdings S.à. r.l. | Luxembourg | 100% owned by Altice VII S.à.r.l. |
| Altice West Europe S.à r.l. | Luxembourg | 100% owned by Altice Holdings S.à. r.l. |
| Altice Portugal S.A. | Portugal | 100% owned by Altice West Europe S.à r.l. |
| Cabovisão—Televisão par Cabo, S.A. | Portugal | 100% owned by Altice Portugal S.A. |
| Winreason, S.A. | Portugal | 100% owned by Cabovisão—Televisão por Cabo. S.A. |
| ONI S.G.P.S., S.A. | Portugal | 100% owned by Winreason S.A. |
| Onitelecom—Infomunicações, S.A., | Portugal | 100% owned by ONI S.G.P.S., S.A. |
| Knewon S.A. | Portugal | 100% owned by ONI S.G.P.S., S.A. |
| Deficom Telecom S.à r.l. | Luxembourg | 74% owned by Altice West Europe S.à r.l. |
| Coditel Holding Lux II S.à. r.l. | Luxembourg | Following the 2013 Coditel Acquisition, 40% owned by Altice West Europe S.à r.l. and 60% owned by Deficom Telecom S.à r.l. |
| Coditel Management S.à. r.l. | Luxembourg | Following the 2013 Coditel Acquisition, 40% owned by Altice West Europe S.à r.l. and 60% owned by Deficom Telecom S.à r.l. |
| Coditel Holding Lux S.à. r.l. | Luxembourg | 100% owned by Coditel Holding Lux II S.à. r.l. |
| Coditel Holding S.A. | Luxembourg | 100% owned by Coditel Holding Lux S.à. r.l. |
| Coditel Brabant S.P.R.L. | Belgium | 100% owned by Coditel Holding S.A. |
| Coditel S.à r.l. | Luxembourg | 100% owned by Coditel Brabant S.P.R.L. |
| Altice Blue One S.A.S | France | 100% owned by Altice West Europe S.à r.l. |
| green.ch AG | Switzerland | 100% owned by Altice Blue One SAS |
| Altice Caribbean S.à r.l. | Luxembourg | 100% owned by Altice Holdings S.à r.l. |

| Name | Country of Incorporation | Proportion of ownership interest |
|---|---|---|
| Altice Blue Two S.A.S | France | 77%[5] owned by Altice Caribbean S.à r.l. |
| World Satellite Guadeloupe S.A. | France | 100% owned by Altice Blue Two S.A.S |
| Martinique TV Câble S.A. | France | 100% owned by Altice Blue Two S.A.S |
| OMT Invest S.A.S | France | 100% owned by Altice Blue Two S.A.S |
| Groupe Outremer Telecom S.A. | France | 98.16% owned by OMT Invest S.A.S |
| Outremer Télécom S.A.S | France | 100% owned by Groupe Outremer Télécom |
| Outremer Télécom Océan Indien S.A.S | France | 100% owned by Outremer Télécom S.A.S |
| Altice Bahamas S.à.r.l. | Luxembourg | 97.2% owned by Altice Caribbean S.à.rl. (following the Tricom Acquisition and the ODO Acquisition) |
| Altice Content | Luxembourg | 100% owned by Altice Holding S.à.r.l. |
| Sport Lux | Luxembourg | 100% owned by Altice Content |
| MCS | France | 100% owned by Sport Lux |
| Sportv S.A. | Luxembourg | 100% owned by MCS |

## 17. Major Shareholders

The Company is a subsidiary of Next L.P. Next L.P. is founded and controlled by Patrick Drahi.

Its purpose is to identify opportunities and make acquisitions, including in the telecommunications industry, and to create value through operational excellence. The Company's controlling shareholder has developed a unique expertise in the telecommunications industry since 1994. The Company's controlling shareholder consolidated the cable sector in France, and also developed a strong presence in Israel, Portugal, Belgium, Luxembourg, Switzerland and the Caribbean, and has significant experience in investing capital in, structuring, financing and managing investments in and advising cable operators worldwide.

As at January 17, 2014 (the last practicable date prior to the publication of this Prospectus) and insofar as is known to the Company, the following persons are, directly or indirectly, interested in 5% or more of the issued share capital of the Company, and will have the following interests immediately after Admission:

| | | | Percentage of issued share capital immediately following Admission (assuming no exercise of the Over-allotment Option) | | | Percentage of issued Share capital immediately following Admission (assuming full exercise of the Over-allotment Option) | | |
|---|---|---|---|---|---|---|---|---|
| Shareholder | Number of Ordinary Shares owned | Percentage of issued share capital as at January 17, 2014 | Top Point of Offer Price Range | Mid Point of Offer Price Range | Bottom Point of Offer Price Range | Top Point of Offer Price Range | Mid Point of Offer Price Range | Bottom Point of Offer Price Range |
| Next L.P. | 3,100,000 | 100% | 74.5% | 72.6% | 70.3% | 71.5% | 69.3% | 66.6% |

## 18. Directors

As at the date of this Prospectus, the Board is comprised of six (6) members. Patrick Drahi was elected Chairman of the Board on January 13, 2014. It is intended that within six months of Admission, one more Non-Executive Director will be appointed resulting in seven (7) Board members. Three (3) of the seven members of the fully constituted Board will be independent and the remaining four members (including Patrick Drahi) will be non-independent. The Articles provide that the Board of Directors must be composed of a minimum of three (3) members and a maximum of ten (10). The majority of the Directors shall at all times be Executive Directors.

The Board will appoint an executive vice-chairman, who shall be an Executive Director, and a non-executive vice-chairman, who shall be one of the independent Non-Executive Directors. In the

[5] 75% upon completion of the Mobius acquisition as currently envisaged; 99% if the Managers' roll-over and Mobius Managers' reinvestment is completed as currently envisaged.

absence of the Chairman or in circumstances in which the Chairman is conflicted and such conflict relates to the Warrant, the Warrant Instrument or Warrant Shares, the Executive Vice-Chairman will act as chairman of the meeting and in the event of a tied-vote has a casting vote. In circumstances in which the Chairman is conflicted other than by reason of the Warrant, the Warrant Instrument or Warrant Shares, the Non-Executive Vice Chairman will act as chairman and in the event of a tied-vote has a casting vote. For any meeting of the Board, a Director may designate another Director to represent him or her and vote in his or her name. The agenda of the meeting of the Board is agreed by the Chairman of the Board after consultation with the CEO.

***Other Directorships and Partnerships***

The details of those companies and partnerships outside the Group of which the Directors are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this Prospectus, are as follows:

| Name | Position | Company/Partnership | Position still held (Y/N) |
|---|---|---|---|
| Dexter Goei . . . . . | Director | F300 | Y |
| | Director | Hubgrade | Y |
| | Director | Knewon | Y |
| | Director | ONI Maderia | Y |
| | Director | ONI Açores | Y |
| | Director | VInluam | Y |
| | Director | Wananchi | Y |
| | Director | Titan Consulting | Y |
| Jérémie Bonnin . . | Director | Altice Participations GP | Y |
| | Director | Next GP | Y |
| | Director | Uppernext GP | Y |
| | Director | CPA Lux | Y |
| | Director | F300 | Y |
| | Director | Hubgrade | Y |
| | Director | Knewon | Y |
| | Director | ONI Maderia | Y |
| | Director | ONI Açores | Y |
| | Director | Vinluam | Y |
| | Director | Hamaja | Y |
| | Director | Altice VII Bis | Y |
| | Director | Titan Consulting | Y |
| | Director | Auberimmo | Y |
| | Director | Wananchi | Y |
| | Director | Altice Securities | Y |
| | President's Representative | Valvision SAS | N |

| Name | Position | Company/Partnership | Position still held (Y/N) |
|---|---|---|---|
| Michel Combes . . | CEO | Alcatel | Y |
| | CEO for Europe | Vodafone | N |
| | CEO | TDF | N |
| | Non-executive chairman of the Board and Director | Infogrammes / Atari | N |
| | President of the Supervisory Board | Assystem | Y |
| | President | Carlsonwagonlit France | N |
| | Member of the Supervisory Board | Europacorp | N |
| | Member of the Supervisory Board | Altamir Amboise | N |
| | Member of the Board | Weather / Wind | N |
| | Member of the Board | Atos Origin | N |
| | Member of the Board | Censors of Associés en Finance | N |
| | Executive Director | France Télécom | N |
| | Executive Vice-President | Nouvelles Frontières | N |
| | President of the Board | PagesJaunes | N |
| | Member of the Board | Wanadoo | N |
| | Member of the Board | Equant | N |
| | Member of the Board | Sonaecom | N |
| | Member of the Board | Fortuneo | N |

***Confirmations***

As at the date of this Prospectus, no Director has during the last five years:

(A) had any convictions in relation to fraudulent offences;

(B) except as indicated in the paragraph above, been associated with any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out against the name of the Director in the table above;

(C) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities including, where relevant, designated professional bodies; or

(D) been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

### *Interests of Directors in Ordinary Shares*

*Interests in shares in the Company*

On Admission, assuming that no further Ordinary Shares have been purchased or issued after January 17, 2014 (the latest practicable date prior to the publication of this Prospectus) certain of the Directors will have the following beneficial interests in Ordinary Shares:

| | Interests of the Directors in the issued share capital of the Company as at January 17, 2014 | | Interests of the Directors in the issued share capital of the Company immediately following completion of the Offer (assuming no exercise of the Over-allotment Option) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Shareholding | | | Percentage of issued share capital of the Company | | |
| Director | Shareholding | Percentage of issued share capital of the company | Top Point of Offer Price Range | Mid Point of Offer Price Range | Bottom Point of Offer Price Range | Top Point of Offer Price Range | Mid Point of Offer Price Range | Bottom Point of Offer Price Range |
| Patrick Drahi (Next L.P.) . . . . . | 3,100,000 | 100% | 149,240,130 | 147,443,923 | 145,172,017 | 74.5% | 72.6% | 70.3% |
| Dexter Goei[(1)] . . . . | 0 | 0% | 3,263,926 | 3,169,670 | 3,051,493 | 1.6% | 1.6% | 1.5% |
| Dennis Okhuijsen[(1)] . | 0 | 0% | 1,604,327 | 1,546,054 | 1,474,356 | 0.8% | 0.8% | 0.7% |
| Jérémie Bonnin[(1)] . . | 0 | 0% | 1,028,600 | 998,000 | 959,553 | 0.5% | 0.5% | 0.5% |

(1) Held through Penta L.P.

### *Sale of participation interests by Penta L.P.*

Penta L.P. holds participation interests giving economic exposure to the Company, on behalf of the Executive Directors (excluding Patrick Drahi) and certain members of management, via Next L.P. In connection with the Offer, Penta L.P. will receive net cash payments from Next L.P. representing a purchase of such participation interests by Next L.P., using proceeds received by the Selling Shareholder from the sale of Offer Shares in the Offer, for an amount of approximately €127 million (assuming no exercise of the Over-allotment Option). In addition, upon consummation of the Offer, Penta L.P. will receive approximately 4.3% of the Ordinary Shares of the Company (based on mid-point of the Offer Price Range and assuming no exercise of the Over-allotment Option). Therefore, management (through Penta L.P.) will retain approximately 66% of their economic exposure to the Company in Ordinary Shares and will receive cash for approximately 34% of their exposure.

### *Transactions with Directors*

None of the Directors has or has had any interest in any transaction which is or was unusual in its nature of conditions or significant to the business which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

None of the Directors has or had a beneficial interest in any contract to which any member of the Group was a party during the current or immediately preceding financial year.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors.

### *Executive Directors' Letters of Appointment*

Set out below is a summary of the termination provisions included in the appointment agreements of the Executive Directors.

The Executive Directors appointment can be terminated either by the Company in accordance with the Articles or Luxembourg law or the relevant Executive Director on six months' prior written notice. There are no contractual severance arrangements in place.

Each of the Executive Directors has the benefit of indemnity insurance maintained by the Group on their behalf, indemnifying the Executive Director, to the extent permitted by law, against liabilities they incur in the course of their appointment as a Director of the Company and in defending any proceedings whether civil or criminal in which judgement is given in their favour.

The particulars of the appointment agreement with the Executive Directors of the Company are set out below:

| Name | Age | Position | Date of Appointment | Independent/ Non-Independent | Term (Years) |
|---|---|---|---|---|---|
| Patrick Drahi . . . . . | 50 | Executive Chairman | 6 January 2014 | Non-Independent | 5 |
| Dexter Goei . . . . . | 41 | Chief Executive Officer | 6 January 2014 | Non-Independent | 5 |
| Dennis Okhuijsen . . . . | 43 | Chief Financial Officer | 6 January 2014 | Non-Independent | 4 |
| Jérémie Bonnin . . . . . | 39 | General Secretary | 3 January 2014 | Non-Independent | 4 |

The aggregate fixed basic remuneration payable by the Company to the Executive Directors of the Company (excluding the Chairman) for services rendered to the Group is €1,100,000 per annum (excluding variable remuneration). The Executive Directors (excluding the Chairman) are also entitled to a discretionary aggregate bonus of €1,700,000 per annum.

***Non-Executive Directors' Letters of Appointment and Fees***

On Admission, the Company will have two independent Non-Executive Directors on the Board. A third independent Non-Executive Director will be appointed to the Board within 6 months of Admission. Each of the Non-Executive Directors appointed has entered into a letter of appointment with the Company which becomes effective on Admission.

Each appointment is for an initial period of three years that expires on the date of the Company's third annual General Meeting following Admission and will be automatically terminated upon (i) expiry of the fixed period of three years, (ii) resignation, (iii) retirement pursuant to the Articles or (iv) removal from office by virtue of powers vested in the Shareholders under the Articles or Luxembourg law.

Each of the Non-Executive Directors is entitled to receive a fixed annual fee of €60,000 from the Company. In addition, each of the Non-Executive Directors appointed as a member of the Audit Committee shall be entitled to receive an additional fixed annual fee of €20,000 in respect of such membership and each of the Non-Executive Directors appointed as a member of the Remuneration Committee shall be entitled to receive a fixed annual fee of €5,000 in respect of such membership, from the Company.

The Company shall reimburse each of the Non-Executive Directors all reasonable expenses properly incurred in the performance of their duties as a Non-Executive Director of the Company.

Each of the Non-Executive Directors has the benefit of indemnity insurance maintained by the Company on their behalf indemnifying them against liabilities they incur to third parties as a result of their office as a Non-Executive Director.

## 19. Significant Change

Other than as disclosed in this Prospectus (see, in particular, Part X of this Prospectus (*Selected Historical and Post-Transaction Pro-Forma Financial Information*), Part XI (*Selected Historical and Pre-Transaction Pro Forma Financial Information*) and Part XIV (*Selected Financial Information of the Numericable Group*), no significant change has occurred in the financial or trading position of the group since September 30, 2013.

## 20. Litigation and Disputes

Other than as disclosed in this Prospectus (see Part XVII of this Prospectus (*Information about the Company and the Group—Legal Proceedings*), there are no, and have not been with reference to the previous twelve (12) months any, governmental, legal or arbitration proceedings against or affecting the Company, nor is the Company aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position or profitability of the Company.

## 21. Material Contracts Relating to the Offer

Set out below is an overview of the material contracts entered into by the Company with respect to the Offer. Material business contracts are contained in Part XVII of this Prospectus (*Information about the Company and the Group*) of this Prospectus (other than a contract in the ordinary course of business and

the contracts relating to certain indebtedness summarised in Part XIX of this Prospectus (*Description of Certain Indebtedness*)).

### 21.1. Underwriting Agreement

The Underwriting Agreement provides that the obligations of the Underwriters to procure purchasers for, or failing which, to purchase themselves, the Offer Shares, and if applicable, the Over-allotment Shares, are subject to: (i) there not having occurred a material adverse change with respect to the business, operations, property or condition (financial or otherwise) or prospects of the Company and its subsidiaries, (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers' certificates, and (iv) certain other conditions.

In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves, the Offer Shares, and, if applicable, the Over-allotment Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Underwriting Agreement provides for the Underwriters to be paid a selling, underwriting and management commissions of 1.5% of the product of the Offer Price and the aggregate number of Offer Shares allotted pursuant to the Offer and any Over-allotment Shares issued pursuant to the Over-allotment Option.

### 21.2. Lock-up arrangements

The Selling Shareholder and certain members of senior management have agreed to a 365-day lock-up following the Settlement Date, during which time the Selling Shareholder may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

In addition, the Company has agreed to a 180-day lock-up following the Settlement Date, subject to a carve-out which permits equity issuance only in the context of a publicly announced merger or acquisition transaction. Under the carve-out, following the expiry of the initial 45 days of the 180-day lock-up period, the Company shall be permitted to issue new shares representing no greater than 50 per cent. of the total issued share capital of the Company, in connection with a publicly announced merger or acquisition transaction (either to issue shares as consideration for such acquisition or to raise proceeds to fund such acquisition). This carve-out to the Company lock-up may only be used once during the 180-day period following the Settlement Date. If shares are issued pursuant to this carve-out during the lock-up period, no further issue by the Company shall be permitted for the remainder of the 180-day lock-up period, or for 90 days after such issuance, whichever is longer.

In addition, the Company is permitted to issue approximately 714,285 new Ordinary shares (based on an Offer Price at the mid-point of the Offer Price Range) to certain new employees or future employees, which shall be treated as a carve-out from the 180-day lock-up period which the Company is subject to; provided that, in each case, such employees agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

Under arrangements currently being discussed with the OMT Managers, it is envisaged that the OMT Managers will enter into lock-up arrangements with Next L.P., pursuant to which the OMT Managers may not dispose of any Ordinary Shares issued to them without the consent of Next L.P. These provisions will apply (i) until 2016, in respect of all such Ordinary Shares, (ii) from 2016 through 2017, on two/third of such Ordinary Shares and (iii) from 2017 through 2018, on one third of such Ordinary Shares. The lock-up arrangements will lapse in 2018. It is envisaged that similar arrangements will be entered into with the Mobius Managers. Whilst it is the present intention that the Ordinary Shares proposed to be issued to the OMT Managers and the Mobius Managers under these arrangements are so issued on the Settlement Date, there is a possibility that this will not be achieved and consequently that such issue can only take place after the Settlement Date. To the extent the Company is only able to issue the Ordinary Shares post Settlement Date, pursuant to this arrangement, such issue shall be treated as a carve-out from the 180-day lock-up period which the Company is subject to *provided that*, in each case, the OMT Managers and the Mobius Managers agree to enter into a 365-day lock-up following the Settlement Date, during which time they may not dispose of any interest in their Ordinary Shares without the consent of the Joint Global Coordinators.

Based on the current status of discussion between Altice Caribbean, the OMT Managers and the Mobius Managers, and assuming that (i) the OMT Managers and the Mobius Managers contribute their shares in

Altice Blue Two (other than ratchet shares) to the Company and that (ii) the Mobius Managers will reinvest a fraction of their proceeds from the Mobius Acquisition in Ordinary Shares in the Company, the Company would issue approximately 2,360,945 new Ordinary Shares to be subscribed by OMT Managers and Mobius Managers (based on an Offer Price at the mid-point of the Offer Price Range) which would lead to dilution of Company shareholders by approximately 1.1% (based on an Offer Price at the mid-point of the Offer Price Range). In addition, the existing arrangement also contemplates a 2014 financial performance based earnout payable to the OMT Managers and the Mobius Managers which will be settled by the Company by way of an issue of Ordinary Shares up to the value of €10 million in early 2015.

### 22. Related Party Transactions

Please see Part XII of this Prospectus (*Operating and Financial Review of the Group—Related Party Transactions*).

### 23. Significant new factor, material mistake or inaccuracy

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted prior to the Admission of the Offer Shares, a Supplement to the Prospectus will be published and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the date of publication of the Supplement to the Prospectus.

### 24. Consents

Deloitte Audit S.à.r.l. has given and not withdrawn its written consent to the inclusion in this Prospectus of its accountants' reports as included in Part XXVI of this Prospectus and its report concerning the pro forma financial information as included in Part XXVI of this Prospectus and references thereto in the form and context in which they appear and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

Each Underwriter has given and not withdrawn its consent to the inclusion in this Prospectus of their names in the form and context in which it appears.

### 25. Documents available for Inspection

Copies of the following documents may be inspected at the statutory seat of the Company at 3, boulevard Royal, L-2449, Luxembourg, Grand Duchy of Luxembourg during normal business hours on any weekday (other than Saturdays, Sundays and public holidays in Luxembourg and the Netherlands) for the duration of the Offer:

- the Articles;
- the following financial statements:
  - the audited opening balance sheet of the Company as of January 3, 2014;
  - the audited historical combined financial statements of the Company for the years ended December 31, 2010, 2011 and 2012 prepared in accordance with IFRS;
  - the unaudited condensed combined financial statements of the Company as of and for the nine-month period ended September 30, 2013;
  - the unaudited pro forma condensed combined financial information of the Company (as of September 30, 2013 with respect to the statement of financial position, and for the year ended December 31, 2012 and the nine months ended September 30, 2013 with respect to the statement of income);
  - the unaudited illustrative aggregated selected combined financial information of the Company as of and for the years ended December 31, 2012 and 2011;
  - the audited historical financial statements of Orange Dominicana, S.A. as of and for the years ended December 31, 2011 and 2012;
  - the unaudited interim financial statements of Orange Dominicana, S.A. for the nine-month periods ended September 30, 2012 and 2013;

- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgium GAAP;
- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;
- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;
- the audited accounts of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;
- the audited pro forma consolidated statements of financial position, comprehensive income and cash flows for Winreason, S.A. for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;
- the unaudited pro forma consolidated financial statements of Winreason, S.A. as of and for the nine-month periods ended September 30, 2012 and 2013;
- the unaudited pro forma consolidated financial statements of Winreason, S.A. as of and for the seven-month period ended July 31, 2013;
- the audited consolidated accounts for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;
- the unaudited consolidated financial statements of Groupe Outremer Telecom as of and for the six-month period ended June 30, 2012 and 2012;
- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP (aligned with the measurement and recognition criteria of IFRS);
- the audited combined financial statements for the Numericable Group as of and for the years ended December 31, 2012, 2011 and 2010, prepared in accordance with IFRS as adopted in the European Union; and
- the unaudited interim condensed combined financial statements for the Numericable Group as of and for the nine months ended September 30, 2012 and September 30, 2013, prepared in accordance with IAS 34;

- consent letters; and
- a copy of this Prospectus.

**26. Documents Incorporated by Reference**

The following documents are incorporated into this Prospectus by reference to Altice's website (www.altice.net/announcement.html) and are also available on the website of the Luxembourg Stock Exchange (www.bourse.lu):

- the audited financial statements of Coditel Brabant S.p.r.l. as of and for the seven months ended July 31, 2011 prepared in accordance with Belgium GAAP;
- the audited accounts of Coditel S.à r.l. for the period from January 1, 2011 to July 31, 2011 prepared in accordance with Luxembourg GAAP;
- the unaudited financial statements of Cabovisão for the two months ended February 29, 2012 prepared in accordance with IFRS;
- the audited accounts of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;
- the audited pro forma consolidated statements of financial position, comprehensive income and cash flows for Winreason, S.A. for the years ended December 31, 2011 and 2012 (corresponding to the period between January 1 and December 31) prepared in accordance with IFRS;
- the unaudited pro forma consolidated financial statements of Winreason, S.A. as of and for the nine-month periods ended September 30, 2012 and 2013;

- the unaudited pro forma consolidated financial statements of Winreason, S.A. as of and for the seven-month period ended July 31, 2013;
- the audited consolidated accounts for Groupe Outremer Telecom for the years ended December 31, 2011 and 2012 prepared in accordance with IFRS;
- the unaudited consolidated financial statements of Groupe Outremer Telecom as of and for the six-month periods ended June 30, 2012 and 2013; and
- the audited statutory accounts of Ma Chaîne Sport for the years ended December 31, 2011 and 2012 prepared in accordance with French GAAP.

*The information incorporated by reference has been used exclusively for the purposes of preparing the Illustrative Aggregated Selected Financial Information. The information incorporated by reference is considered as additional information not required by the relevant schedules of the Prospectus Regulation.*

For the purposes of Regulation 2(b) of Article 14 of the EU Prospectus Directive, the Prospectus will be available in printed form and available free of charge for the duration of the Offer at the registered office of the Company at 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. In addition the Prospectus will be published in electronic form and available on the Company's website at www.altice.net, subject to access restrictions.

**27. Business Year**

The business year for the Company begins on the first day of January and ends on the last day of December of each year. The first accounting year began on 3 January 2014 and shall end on 31 December 2014.

**28. Financial statements**

The consolidated financial statements of the Company will be published on an annual basis. These statements will be audited by the Company's auditors.

**29. Auditors**

Deloitte Audit S.à.r.l., a private limited liability company (*société à responsabilité limitée*), having its registered office at 560, rue de Neudorf, L-2220 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B67895 and who is a member of the Institut des Réviseurs d'Enterprises Luxembourg.

## PART XXIV—GLOSSARY

| Term | Definition |
|---|---|
| **3G** | The third generation of mobile communications standards, referred to in the industry as IMT-2000, capable of data speeds exceeding the 14.4 Kbps of GSM technology. |
| **4G** | The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband Internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities. |
| **ADSL** | Asymmetrical DSL; an Internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line. |
| **ARCEP** | Autorité de Régulation des Communications Électroniques et des Postes, the national telecommunications regulator in France, headquartered in Paris, France. |
| **ARPU** | Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenues from subscribers. See ''*Operating and Financial Review of the Altice VII Group—Key Operating Measures*'' for the definition of ARPU used by the Altice VII Group and ''*Operating and Financial Review of the Numericable Group—Key Performance Indicators—ARPU*'' for the definition of ARPU used by the Numericable Group. |
| **B2B** | Business-to-business. |
| **bandwidth** | The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information. |
| **broadband** | Any circuit that can transfer data significantly faster than a dial-up phone line. |
| **churn** | As used by the Altice VII Group, churn equals the number of RGUs for a given service disconnected (either at the customer's request or due to termination of the subscription by us.) during the period divided by the number of average RGUs for such service for such period; statistics do not include customers excluding transfers between our services (other than a transfer between our cable services and our mobile services). See ''*Operating and Financial Review of the Numericable Group—Significant Factors Affecting Results of Operations—Churn*'' for the definition of Churn used by the Numericable Group. |
| **CPCE** | Code des Postes et des Communications Électroniques. |
| **CPE** | Customer premise equipment, which typically comprises a modem or set-top box and associated cabling and other fittings such as an NIU in order to deliver service to a subscriber. |
| **''DSL''** | Digital Subscriber Line; DSL is a technology that provides high-speed Internet access over traditional telephone lines. |
| **DTT** | Digital terrestrial television. |

| Term | Definition |
|---|---|
| **FTTB** | Fibre to the building. |
| **FTTC** | Fibre to the cabinet. |
| **FTTH** | Fibre to the home. |
| **FTTx** | Fibre optic infrastructure. |
| **HD** | High definition. |
| **HFC** | Hybrid fibre coaxial. |
| **HSPA** | High Speed Packet Access, a type of UMTS 3G network that supports both mobile communications technology that provides enhanced download and upload speeds. |
| **IaaS** | Infrastructure as a service. |
| **Internet** | A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol. |
| **ILD** | International long distance. |
| **IP** | Internet Protocol. |
| **IPTV** | Internet Protocol television. |
| **IRU** | Indefeasible Right of Use, the effective temporary ownership of a portion of the capacity of an international cable. IRUs are specified in terms of a certain number of channels of a given bandwidth. IRU is granted by the company or consortium of companies that built the (usually optical fibre) cable. |
| **ISP** | Internet Service Provider. |
| **IT** | Information technology, a general term referring to the use of various software and hardware components when used in a business. |
| **local loop** | The network element used to connect a subscriber to the nearest switch or concentrator, commonly referred to as the ''last mile'' because it is the part of the network that is connected directly to the subscriber; alternatively the HFC access network. |
| **LTE** | Long term evolution technology being a standard in mobile network technology. |
| **M2M** | Machine-to-machine. |
| **MAN** | Metropolitan area network. |
| **MHz** | Megahertz; a unit of frequency equal to one million Hertz. |
| **Mbps** | Megabits per second; each megabit is one million bits. |
| **Moody's** | Moody's Investors Services, Inc. |
| **multiple-play** | The bundling of different telecommunications services, e.g. digital cable television, broadband Internet and fixed telephony services, by one provider. |
| **MVNO** | Mobile virtual network operator. Refers to a company that provides mobile services but does not have its own licensed frequency allocation of radio spectrum, nor necessarily all of the infrastructure required to provide mobile telephony services. |

| Term | Definition |
|---|---|
| **network** | An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fibre optic or metallic cable or point to point radio connections. |
| **PacketCable™** | A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable™ networks use Internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications. |
| **PSTN** | Public switched telephony network. |
| **PVR** | Personal video recording. |
| **quadruple-play** | Triple-play with the addition of mobile service. |
| **RGU** | Revenue Generating Unit. See ''*Operating and Financial Review of the Altice VII Group—Key Operating Measures*'' for the definition of RGU used by the Altice VII Group and ''*Operating and Financial Review of the Numericable Group—Key Performance Indicators—RGUs*'' for the definition of RGU used by the Numericable Group. |
| **S&P** | Standard & Poor's Investors Ratings Services. |
| **SMEs** | Small and medium enterprises. |
| **SoHo** | Small office/Home office. |
| **triple-play** | Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services, from U.S.. |
| **UMTS** | Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards. |
| **U.S. Docsis 3.0** | Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system. |
| **VoD** | Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, children programming and adult programming. |
| **''VoIP''** | Voice over Internet Protocol; a telephone service via Internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem. |
| **VPN** | Virtual private network, a business service enabling users to obtain remote access to network functionality. |
| **VDSL** | Very high speed DSL. A high speed variant of ADSL. |
| **VoN** | Voice over Net, a form of telephony over the Internet that is usually a lower quality than VoIP. |
| **white label services** | Telecom services sold on a wholesale basis by one operator to another which resells such services under its own brand. |

## PART XXV—DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms ''Group'', ''we'', ''us'' and ''our'' as used in this Prospectus refers to the Company and its subsidiaries.

Definitions of certain term and certain financial and operating data can be found below. For explanations or definitions of certain technical terms relating to our business as used herein, see Part XXIV of this Prospectus (*Glossary*) on page 226 of this Prospectus.

| | |
|---|---|
| **€ or EUR** | means the euro. |
| **1915 Law** | means the Luxembourg law of 10 August 1915 on commercial companies (as amended). |
| **2012 Revolving Credit Facility Agreement** | 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 Indenture** | refers to the 2012 Senior Notes Indenture and the 2012 Senor Secured Notes Indenture, respectively. |
| **2012 Senior Notes Indenture** | refers to the indenture governing the 2012 Senior Notes. |
| **2012 Senior Notes** | refers to the $425 million aggregate principal amount of 9⅞% senior notes due 2020 of Altice Finco. |
| **2012 Senior Notes Guarantees** | refers to the guarantees of the obligations of Altice Finco under the 2012 Senior Notes provided on a senior subordinated basis by the Company and certain of its subsidiaries, including Altice Financing, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon. |
| **2012 Senior Secured Notes Indenture** | refers to the indenture governing the 2012 Senior Secured Notes. |
| **2012 Senior Secured Guarantees** | refers to the guarantees of the obligations of Alice Financing relating to the Senior Secured Debt provided on a senior basis by the Company and certain of its subsidiaries, including, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, and Cabovisão, Winreason, ONI S.G.P.S. Onitelecom and Knewon. |
| **2012 Senior Secured Notes** | refers to, collectively, the Dollar Senior Secured Notes and the Euro Senior Secured Notes. |
| **2012 Transaction Completion Date** | refers to the date falling five years after December 27, 2012. |
| **2013 Coditel Acquisition** | has the meaning given to such term in ''Material Contracts-Coditel Purchase Agreement''. |
| **2013 Guarantee Facility** | refers to refers to the guarantee facility agreement dated on or around June 19, 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 Indenture** | refers to the Indenture governing the 2013 Senior Notes. |
| **2013 Release Date** | refers to the date falling five years after July 2, 2013. |

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| **2013 Revolving Credit Facility Agreement** | refers to the revolving facility agreement, dated on or about June 19, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the 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 of Altice Finco. |
| **2013 Term Loan Agreement** | refers to the term loan credit agreement dated on or about June 19, 2013 between Altice Financing as borrower and the persons listed in Schedule 2.01 thereto as lenders, an agent to be mutually agreed among the borrower and the lenders as the Administrative Agent and Citibank, N.A., London Branch as Security Agent. |
| **2013 Transactions** | refers collectively to the fold-in, the refinancing of ABO, the refinancing of Cabovisão, the refinancing of Coditel, the ONI Transaction, the Outremer Transaction, the 2013 Coditel Acquisition and the acquisition of the content subsidiaries Ma Chaîne Sport and Sportv. |
| **ABO** | refers to Altice Blue One SAS, a *société par actions simplifiée*, incorporated under the laws of France. |
| **Admission** | means the admission of the Ordinary Shares to Euronext Amsterdam and the trading of the Ordinary Shares on Euronext Amsterdam becoming effective. |
| **AFM** | means the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten). |
| **Altice or Altice S.A. or the Company or the Issuer** | refers to Altice S.A, a public company with limited liability (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice VII S.à r.l** | refers to Altice VII S.à r.l, a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg. |
| **Altice VII Group** | refers to Altice VII S.à r.l. and its subsidiaries. |
| **Altice Blue Two** | refers to Altice Blue Two SAS, *a 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 Finco** | refers to Altice Finco SA., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg. |
| **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. |

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| **Altice Portugal** | refers to Altice Portugal S.A. (formerly known as Rightproposal—Telecomunicações, S.A.) a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal. |
| **Altice Six** | Altice Six S.A., a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg. |
| **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. |
| **Articles** | the Articles of Association of the Company. |
| **Board or Board of Directors** | means the board of Directors of the Company. |
| **Cabovisão** | refers to Cabovisão—Televisão por Cabo, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal. |
| **Chief Executive Officer or CEO** | refers to the Chief Executive Officer of the Company, Mr Dexter Goei whose details are set out in Part XXI. |
| **Chairman or Executive Chairman** | refers to the Executive Chairman of the Company, Mr Patrick Drahi, whose details are set out in Part XXI. |
| **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 Management** | refers to Coditel Management S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg. |
| **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. |
| **Coditel Minority Shareholders** | has the meaning given to such term in ''Material Contracts-Coditel Purchase Agreement''. |
| **Coditel Purchase Agreement** | has the meaning given to such term in ''Material Contracts-Coditel Purchase Agreement''. |
| **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. |

| | |
|---|---|
| **Crédit Agricole CIB** | means Crédit Agricole Corporate and Investment Bank with its registered address at 9 quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France. |
| **Credit Suisse** | means Credit Suisse Securities (Europe) Limited with its registered address at One Cabot Square, London E14 4QJ, United Kingdom. |
| **Deficom** | refers to Deficom S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg. |
| **Deutsche Bank** | means Deutsche Bank AG, London Branch, having its registered address at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. |
| **Directors** | means the directors of the Company whose name appears on page 42 of this Prospectus. |
| **Dollar Senior Secured Notes** | refers to the $460 million aggregate principal amount of 7⅞% senior secured notes due 2019 issued by Altice Financing of Altice Financing. |
| **EU** | refers to the European Union. |
| **EU Directives or Directives** | means legal instruments of the European Union which requires Member States to achieve a particular result within their internal legal system. |
| **EU Member State** | means a member state of the European Union. |
| **EU Prospectus Directive** | refers to the European Union (EU) Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State. |
| **Euro Senior Secured Notes** | refers to the €210 million aggregate principal amount of 8% senior secured notes due 2019 of Altice Financing. |
| **Euroclear Nederland** | refers to Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland. |
| **Euronext Amsterdam** | refers to the regulated market operated by Euronext Amsterdam N.V. |
| **European Economic Area or EEA** | refers to the European Union, Iceland, Norway and Liechtenstein. |
| **European Union or EU** | an economic and political union of 28 EU Member States which are located primarily in Europe. |
| **Executive Director** | means an executive director of the Company, as listed in Part XXI. |
| **Exercise Event** | means a High Threshold Exercise Event or a Low Threshold Exercise Event (as the case may be). |
| **First Trading Date** | refers to the first trading date on an ''if-and-when-delivered'' basis of the Ordinary Shares on Euronext Amsterdam. |
| **French Overseas Territories** | refers to Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte. |
| **General Meeting** | means a general meeting of the Shareholders of the Company. |
| **Goldman Sachs** | Goldman Sachs International, an unlimited company incorporated in England and Wales with registered numbered 2263951. |

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| **Green** | refers to green.ch AG (company registration no. CHE-113.574.742) (formerly Solution25 AG), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland. |
| **Green Datacenter** | refers to Green Datacenter AG (company registration no. CHE-115.555.342), a Swiss company limited by shares (Aktiengesellschaft), incorporated and existing under the laws of Switzerland. |
| **Group** | refers to Altice S.A. and its subsidiaries. |
| **Group Companies** | means companies within the Group. |
| **Group 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. |
| **Historical Combined Financial Information** | refers, collectively, to the unaudited combined financial statements of the Company as of September 30, 2013 and for the nine months ended September 30, 2013 (with comparative figures as of and for the nine months ended September 30, 2012), prepared in accordance with IAS 34, the audited combined financial statements of the Company as of and for the years ended December 31, 2010, 2011 and 2012, which have been audited by Deloitte Audit S.à r.l., and the information directly derived therefrom. |
| **HOT** | refers to HOT Telecommunication Systems Ltd., or collectively, HOT Telecommunication Systems Ltd. and its subsidiaries as the context requires. |
| **HOT Group** | refers to HOT and its subsidiaries excluding HOT Mobile. |
| **HOT Minority Shareholder Agreement** | has the meaning given to such term in ''Material Contracts-HOT Minority Shareholder Agreements''. |
| **HOT Minority Shareholder Call Options** | has the meaning given to such term in ''Material Contracts-HOT Minority Shareholder Agreements''. |
| **HOT Minority Shareholders** | has the meaning given to such term in ''Material Contracts-HOT Minority Shareholder Agreements''. |
| **HOT Mobile** | refers to HOT Mobile Ltd., formerly known as MIRS Communications Ltd. |
| **HOT Net** | refers to HOT Net Internet Services Ltd. |
| **HOT Telecom** | refers to HOT Telecom Limited Partnership. |
| **HOT Telecom** | means HOT Telecom Limited Partnership |
| **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. |
| **HSBC** | means HSBC Bank plc with its registered office at 8 Canada Square, Canary Wharf, London, E14 5HQ. |
| **IDC** | refers to International Data Corporation. |

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| **IFRS** | refers to the International Financial Reporting Standards as issued by the IASB as adopted by the European Union, unless the context otherwise requires. |
| **Illustrative Aggregated Selected Financial Information** | refers to the unaudited illustrative aggregated selected combined financial information for each of the years ended December 31, 2011 and 2012 which has been compiled by aggregating the Historical Combined Financial Information for each of the years ended December 31, 2011 and 2012 and the audited historical financial information of each of the business undertakings acquired by Altice VII prior to October 31, 2013 for each of the years ended December 31, 2011 and 2012 or for such shorter periods during the years ended December 31, 2011 and 2012, as applicable, for which the results of operations of such acquired business undertaking is not included in the audited historical combined financial statements of the Company. For a list of the audited historical financial statements of business undertakings acquired by Altice VII prior to December 31, 2013 used to compile the Illustrative Aggregated Selected Financial Information, see Part VI of this Prospectus (*Important Information—Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information of the Company*). |
| **Indentures** | refers to, collectively, the 2012 Indenture and the 2013 Indenture. |
| **Intercreditor Agreement** | refers to the intercreditor agreement dated December 12, 2012, among, *inter alios*, the Altice Finco, the Altice Financing, Cool Holding, and Citibank, N.A., London Branch, as the Security Agent. |
| **ING** | means ING Bank N.V. having its registered address at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands. |
| **Joint Bookrunners** | each of Goldman Sachs, Morgan Stanley, Credit Suisse, Deutsche Bank and HSBC. |
| **Joint Global Coordinators** | each of Goldman Sachs and Morgan Stanley. |
| **Joint Lead Manager** | each of ING and Crédit Agricole CIB. |
| **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. |
| **Listing Agent** | refers to ING acting as listing agent with respect to the listing of the Ordinary Shares on Euronext Amsterdam. |
| **Luxembourg** | means the Grand Duchy of Luxembourg. |
| **Mobius** | refers to Mobius SAS, a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France. |

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| **Morgan Stanley** | means Morgan Stanley & Co International plc having its registered address at 25 Cabot Square, London, E14 4QA. |
| **New Transactions** | means the Numericable Acquisition, the ODO Acquisition and the Tricom Acquisition, collectively. |
| **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. |
| **NIS or ILS** | means New Israeli Shekels. |
| **Non-Executive Director** | means a non-executive director of the Company, as listed in Part XXI. |
| **Numericable** | refers to Numericable Group S.A., a public limited company (*société anonyme à conseil d'administration*) incorporated under the laws of France. |
| **Numericable Group** | refers to Numericable Group S.A. and its subsidiaries. |
| **Numericable Group Revolving Credit Facilities** | refers collectively to the revolving credit facility established under the senior facility agreement, dated June 6, 2006, as amended most recently on October 21, 2013, between, among others, Ypso France S.A.S., as borrower, a syndicate of banks, as lenders, and BNP Paribas, as agent and security agent. |
| **Numericable IPO** | means the initial public offering of the shares of the Numericable Group in November 2013. |
| **Numericable Acquisition** | refers to the pending acquisition by Altice Six of additional shares in the Numericable Group from Carlyle and Cinven following which Altice Six will hold 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice Six by certain existing shareholders) and will have the majority of votes in the board of directors pursuant to the Numericable Shareholders' Agreement. |
| **Numericable Notes** | refers to the €225,000,000 8.75% senior secured notes due 2019 and the €275,000,000 senior secured floating rate notes due 2018, in each case, issued by Numericable Finance & Co. S.C.A. (including any refinancing of such notes). |
| **ODO Acquisition** | refers to the pending acquisition by Altice Bahamas (a wholly owned indirect subsidiary of the Company) of a controlling equity stake in Orange Dominicana, S.A. as described in Part XII of this Prospectus (*Operating and Financial Review of the Group—Post Balance Sheet Date Events—ODO Acquisition*). |
| **Offer** | means the offer of Ordinary Shares to certain prospective investors, including QIBs in the United States described in Part VII (*Details of the Offer*), being made by way of this Prospectus. |
| **Offer Period** | refers to the period that commences at 9:00 a.m. CET on January, 20 2014 and is expected to end at 4:00 p.m. CET on January 30, 2014. |
| **Offer Price Range** | refers to the indicative price range between €24.75 to €31.25 per Share. |
| **Offer Shares** | those Ordinary Shares to be issued by the Company pursuant to the Offer as described in Part VI (*Details of the Offer*). |

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| **OMT Invest** | refers to OMT Invest S.A.S., a *société par actions simplifiée*, incorporated under the laws of France. |
| **ONI and ONI Group** | refers to Winreason, ONI S.G.P.S., Onitelecom and/or their subsidiaries as the context requires. |
| **ONI S.G.P.S.** | means ONI S.G.P.S., S.A. a holding company (*sociedade gestora de particiopações sociais*) incorporated under the laws of Portugal. |
| **ONI Transaction** | refers to, collectively, the acquisition of ONI and the refinancing of the financial indebtedness of ONI. |
| **Onitelecom** | means Onitelecom—Infomunicações, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal. |
| **Ordinary Shares or Shares** | means ordinary shares of €0.01 each in the Company. |
| **Other HOT Subsidiaries** | means 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. |
| **Outremer** | refers to Groupe Outremer Telecom and its subsidiaries. |
| **OMT Managers** | has the meaning given to such term in ''*Material Contracts—OMT Managers' Shareholder Agreements*''. |
| **Outremer Managers' Shareholders' Agreement** | has the meaning given to such term in ''Material Contracts—OMT Managers' Shareholders' Agreement''. |
| **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 an investment agreement and the refinancing of all of the outstanding indebtedness of OMT Invest and its subsidiaries pursuant to a purchase agreement dated June 7, 2013 between Altice VII and certain of its subsidiaries and the existing investors in, and certain managers of, OMT Invest and certain of its affiliates; and (ii) the contribution by the Altice VII 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 purchase Agreement to Altice Blue Two pursuant to the investment agreement. The Outremer Transaction was consummated on July 5, 2013. |
| **Over-allotment Option** | means the over-allotment option granted by the Selling Shareholder and Penta L.P. to the Joint Global Coordinators in the Underwriting Agreement. |
| **Over-allotment Shares** | means Ordinary Shares issued at Admission pursuant to the exercise of the Over-allotment Option (if it is exercised). |
| **PD Regulation** | means the EU Prospectus Directive Regulation (2004/809/EC). |
| **Penta** | refers to Penta Limited Partnership Incorporated, a limited partnership having its registered office at 11 New Street, St Peter Port, Guernsey, GY1 2PF, represented by Penta General Partner Ltd, itself duly represented by Dexter Goei. |

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| **Pre-IPO Reorganisation** | refers to the pre-IPO reorganisation resulting in Altice S.A. acquiring the entire issued share capital of Altice SIX S.A. and Altice VII S.à r.l. |
| **Post-Transaction Pro Forma Financial Information** | refers to the unaudited pro forma combined interim financial information of the Company as of September 30, 2013 and for the nine months ended September 30, 2013, the unaudited pro forma combined financial statements of the Company for the year ended December 31, 2012, and the information directly derived therefrom, insofar as such financial statements and information directly derived therefrom give pro forma effect to the Numericable Acquisition and the ODO Acquisition. |
| **Pre-Transaction Pro Forma Financial Information** | refers to the information derived from the financial statements comprising the Post-Transaction Pro Forma Financial Information, insofar as such information does not give effect to the Numericable Acquisition and the ODO Acquisition. |
| **Pricing Statement** | refers to the pricing statement setting out the Offer Price and the exact number of Offer Shares. |
| **Pro Forma Financial Information** | refers to the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information, together. |
| **prospective investors** | refers to persons considering buying the Offer Shares and include retail and institutional investors in the Netherlands and eligible institutional investors in various other jurisdictions including in the United States. |
| **Prospectus Law** | refers to the Luxembourg law of July 10, 2005 relating to prospectuses for securities (as amended). |
| **QIB** | means Qualified Institutional Buyer within the meaning given by Rule 144A. |
| **Qualified Institutional Buyer or QIB** | means Qualified Institutional Buyer within the meaning given by Rule 144A. |
| **Regulation S** | means Regulation S under the U.S. Securities Act. |
| **Regulation S** | means Regulation S under the U.S. Securities Act. |
| **Relevant Member State** | means an EU Member State of the European Economic Area that has implemented the EU Prospectus Directive. |
| **Relevant Opportunity** | means (a) any businesses, services or activities (including marketing) engaged in by Altice or any of its subsidiaries on the IPO Date, (b) broadcast television, broadband and fixed and mobile telephony businesses, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services and other services and equipment in relation thereto and (c) any businesses, services and activities (including marketing) engaged in by Altice or any of its subsidiaries that are (i) related, complementary, incidental, ancillary or similar to any of the foregoing or (ii) are reasonable extensions or developments of any thereof, in each case, in Western Europe, Israel, Africa and the Caribbean Basin. |
| **Revolving Credit Facilities** | refers to, collectively, the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility. |

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| **Revolving Credit Facility Agreements** | refers to, collectively, to the 2012 Revolving Credit Facility Agreement and the 2013 Revolving Credit Facility Agreement. |
| **Rule 144A** | Rule 144A under the U.S. Securities Act. |
| **Selling Shareholder** | means Next Limited Partnership Incorporated, a limited partnership, having its registered office at 11 New Street, St Peter Port, Guernsey, GY1 2PF, registered with Registrar of Limited Partnerships of the island of Guernsey under number 1350, duly represented by its general partner, Next General Partner Limited, having its registered office at 11 New Street, St Peter Port, Guernsey, GY1 2PF, registered with the Registrar of Companies of the island of Guernsey under number 52145, itself duly represented by Jérémie Bonnin. |
| **Senior Notes Guarantors** | refers the Company and certain of its subsidiaries ,including Altice Financing, Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S. Onitelecom and Knewon. |
| **Senior Secured Debt** | refers to the 2013 Senior Secured Notes, the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility and the 2013 Guarantee Facility. |
| **Senior Secured Guarantors** | refers the Company and certain of its subsidiaries, including Cool Holding, SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S. Onitelecom and Knewon. |
| **Settlement Date** | refers to the date delivery of the Offer Shares is expected to take place. |
| **Shares** | means the Ordinary Shares and the Class B Shares (if any issued). |
| **Shareholders** | means holders of Ordinary Shares. |
| **SPV1** | refers to H. Hadaros 2012 Ltd. |
| **Stabilisation Agent** | means Morgan Stanley. |
| **Supplement to the Prospectus** | means by supplement to the prospectus prepared in accordance with Article 13 paragraph 2 of the Prospectus Law. |
| **Take-Private Transaction** | refers to the acquisition by Cool Holding and SPV1 of all the outstanding shares of HOT (other than certain share options) and the subsequent delisting from the Tel Aviv Stock Exchange of the shares of HOT, which was completed on the 2012 Transaction Completion Date. |
| **Tricom Acquisition** | refers to the pending acquisition of a controlling equity stake in each of Tricom S.A. and Global Interlinks Ltd. by Altice Caribbean (a wholly owned indirect subsidiary of the Company) as described in Part XII of this Prospectus (*Operating and Financial Review of the Group—Post Balance Sheet Date Events—Tricom Acquisition*). |
| **U.S. Exchange Act** | refers to the U.S. Securities Exchange Act of 1934, as amended. |
| **U.S. or United States** | refers to the United States of America. |
| **U.S. Securities Act** | refers to the U.S. Securities Act of 1933, as amended. |
| **U.S.$ or $** | means U.S. dollar. |

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| **Underwriters** | each of Goldman Sachs, Morgan Stanley, Credit Suisse, Deutsche Bank, HSBC, Crédit Agricole CIB and ING. |
| **Underwriting Agreement** | means the underwriting agreement to be entered into between the Company, the Directors, the Banks, the Underwriters and the Selling Shareholder on or around January 31, 2013 and described in Part XXIII (*General Information*). |
| **United States or U.S.** | means the United States of America, its territories and possession, any state of the United States of American and the District of Columbia. |
| **Valemi** | refers to Valemi Corp S.A., a public limited company (société anonyme) incorporated under the laws of Luxembourg, with its registered office at 1, rue Joseph Hackin, L-1746 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 164.021. |
| **Warrant Instrument** | means the warrant instrument issued by the Company on January 16, 2014. |
| **Warrant Issue Date** | means January 16, 2014 |
| **Warrant Shares** | means the Class B Shares issued on an exercise of the Warrant. |
| **Warrant** | means the warrant over Class B Shares issued by the Company pursuant to the Warrant Instrument. |
| **Winreason** | refers to Winreason, S.A., a public limited liability company (sociedade anónima) incorporated under the laws of Portugal. |

## PART XXVI—INDEX OF FINANCIAL INFORMATION

**Historical Financial Information**

### ALTICE S.A.


| | Page |
|---|---|
| Report of the Réviseur d'entreprises agréé | F-3 |
| Balance Sheet as at January 3, 2014 (incorporation date) | F-5 |
| Notes to the opening balance sheet | F-6 |


### ALTICE S.A.


| | Page |
|---|---|
| **SEPTEMBER 30, 2013 CONDENSED COMBINED FINANCIAL STATEMENTS** | F-8 |
| Condensed Combined Income Statement for the nine months ended September 30, 2013 | F-10 |
| Consolidated Combined Statement of Comprehensive Income for the nine months ended September 30, 2013 | F-11 |
| Condensed Combined Statement of Financial Position as of September 30, 2013 | F-12 |
| Condensed Statement of Changes in Equity for the nine months ended September 30, 2013 | F-13 |
| Condensed Combined Statement of Cash Flows for the nine months ended September 30, 2013 | F-14 |
| Notes to the Condensed Combined Financial Statements | F-15 |
| Review Report of the Réviseur d'entreprises agréé | F-37 |
| **DECEMBER 31, 2012, 2011 AND 2010 COMBINED FINANCIAL STATEMENTS** | F-38 |
| Audit Report of the Réviseur d'entreprises agréé | F-40 |
| Combined Statements of Income for the years ended December 31, 2012, 2011 and 2010 | F-42 |
| Combined Statements of Other Comprehensive Income for the years ended December 31, 2012, 2011 and 2010 | F-43 |
| Combined Statement of Financial Position as of December 31, 2012 and 2011 | F-44 |
| Combined Statement of Changes in Equity for the years ended December 31, 2012, 2011 and 2010 | F-45 |
| Combined Statement of Cash Flows for the years ended December 31, 2012, 2011 and 2010 | F-46 |
| Notes to the Combined Financial Statements | F-47 |


### NUMERICABLE GROUP


| | Page |
|---|---|
| **SEPTEMBER 30, 2013 INTERIM CONDENSED COMBINED FINANCIAL STATEMENTS** | F-132 |
| Condensed Combined Statements of Income for the nine months ended September 30 2013 and 2012 | F-133 |
| Condensed Combined Statements of Other Comprehensive Income for the nine months ended September 30 2013 and 2012 | F-134 |
| Condensed Combined Statements of Financial Position as of September 30, 2013 and December 31, 2012 | F-135 |
| Condensed Combined Statements of Changes in Equity for the nine months ended September 30, 2013 and 2012 | F-136 |
| Condensed Combined Statements of Cash Flow for the nine months ended September 30, 2013 and 2012 | F-137 |
| Notes to the Interim Condensed Combined Financial Statements | F-139 |
| Statutory Auditors Review Report on the Group Interim Condensed Combined Financial Statements for the nine-month period ended September 30, 2013 | F-157 |
| **DECEMBER 31, 2012, 2011 AND 2010 COMBINED FINANCIAL STATEMENTS** | F-158 |
| Statutory Auditor's Report on the Group Combined Financial Statements for each of the three years ended December 31, 2010, 2011 and 2012 | F-159 |
| Combined Statements of Income for the years ended December 31, 2012, 2011 and 2010 | F-160 |

| | Page |
|---|---|
| Combined Statements of Other Comprehensive Income for the years ended December 31, 2012, 2011 and 2010 | F-161 |
| Combined Statements of Financial Position as of December 31, 2012, 2011 and 2010 | F-162 |
| Combined Statements of Changes in Equity for the years ended December 31, 2012, 2011 and 2010 | F-163 |
| Combined Statements of Cash Flow for the years ended December 31, 2012, 2011 and 2010 | F-164 |
| Notes to the Combined Financial Statements | F-166 |

**ORANGE DOMINICANA, S.A.**

| | |
|---|---|
| **SEPTEMBER 30, 2013 CONSOLIDATED INTERIM FINANCIAL STATEMENTS** | F-226 |
| Independent Auditors' Review Report | F-227 |
| Interim Income Statement for the nine months ended September 30, 2013 and 2012 | F-229 |
| Interim Statement of Financial Position as of September 30, 2013 and December 31, 2012 | F-230 |
| Interim Statement of Cash Flows for the nine months ended September 30, 2013 and 2012 | F-231 |
| Statements of Changes in Equity for the nine months ended September 30, 2013 | F-232 |
| Notes to the Financial Statements | F-233 |
| **DECEMBER 31, 2012 STANDALONE FINANCIAL STATEMENTS** | F-240 |
| Independent Auditors' Report | F-241 |
| Income Statement for the years ended December 31, 2012 and 2011 | F-243 |
| Statement of Financial Position as of December 31, 2012 and 2011 | F-244 |
| Statement of Cash Flows for the years ended December 31, 2012 and 2011 | F-245 |
| Statements of Changes in Equity for the years ended December 31, 2012 and 2011 | F-246 |
| Notes to the Standalone Financial Statements | F-247 |

**Unaudited Illustrative Aggregated Selected Combined Financial Information**

**ALTICE S.A.**

| | Page |
|---|---|
| **DECEMBER 31, 2012 AND 2011 FINANCIAL INFORMATION** | F-262 |
| Assurance Report of the Réviseur d'entreprises agréé | F-263 |
| Unaudited Illustrative Aggregated Selected Financial Information | F-265 |
| Notes to the Unaudited Illustrative Aggregated Selected Financial Information | F-266 |

**Unaudited Pro Forma Condensed Combined Financial Information**

**ALTICE S.A.**

| | Page |
|---|---|
| Report of the Réviseur d'entreprises agréé | F-277 |
| Unaudited Pro Forma Condensed Combined Statement of Income for the twelve-month period ended December 31, 2012 | F-279 |
| Unaudited Pro Forma Condensed Combined Statement of Income for the nine months ended September 30, 2013 | F-280 |
| Unaudited Pro Forma Statement of Financial Position as of September 30, 2013 | F-281 |
| Notes to the Unaudited Pro Forma Condensed Combined Financial Information | F-282 |

**ALTICE S.A.**
**Société Anonyme**

Opening balance sheet at incorporation date on

January 3, 2014 and report of the réviseur d'entreprises agréé

3, boulevard Royal
L- 2449 Luxembourg
**RCS Luxembourg : ongoing registration**

**ALTICE S.A.**
**Société Anonyme**

**INDEX**


| | Page |
|---|---|
| Report of the reviseur d'entreprise agree | F-3 |
| Opening balance sheet | F-5 |
| Notes to the opening balance sheet | F-6 |

Deloitte.

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## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Board of Directors of
Altice S.A.
3, Boulevard Royal
L-2449 Luxembourg

We have audited the accompanying opening balance sheet of Altice S.A. as of January 3, 2014 and a summary of significant accounting policies and other explanatory information (together "the opening balance sheet"). The opening balance sheet has been prepared under the responsibility of the Board of Directors using the basis of preparation described in Note 2.

*Board of Directors responsibility for the opening balance sheet*

The Board of Directors is responsible for the preparation and fair presentation of this opening balance sheet in accordance with the basis of preparation described in Note 2. This includes determining that the basis of preparation is an acceptable basis for the preparation of the opening balance sheet in the circumstances, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the opening balance sheet that is free from material misstatement, whether due to fraud or error.

*Responsibility of the réviseur d'entreprises agréé*

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

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement : 10022179

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the opening balance sheet. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé,* including the assessment of the risks of material misstatement of the opening balance sheet, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the opening balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the opening balance sheet. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the opening balance sheet presents fairly, in all material respects, the financial position of Altice S.A. as at incorporation on January 3, 2014 in accordance with the basis of preparation described in Note 2.

*Basis of accounting*

Without modifying our opinion, we draw attention to Note 2 to the opening balance sheet, which describes the basis of preparation. The opening balance sheet is prepared solely for the purpose of inclusion in a prospectus to be issued by Altice S.A. on or around January 31, 2014 in relation to the proposed public offering of its shares and is not suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 8, 2014

**ALTICE S.A.**
**Société Anonyme**

## Opening balance sheet

## at incorporation on January 3, 2014

| | Notes | January 3, 2014 (EUR) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 5 | 31 000,00 |
| **Total assets** | | **31 000,00** |
| **EQUITY AND LIABILITIES** | | |
| **Shareholder's Equity** | | |
| Issued capital | 3 | 31 000,00 |
| Loss at incorporation | | (1 664,58) |
| **Total equity** | | 29 335,42 |
| **Current liabilities** | | |
| Trade and other payables | 4 | 1 664,58 |
| **Total equity and liabilities** | | **31 000,00** |

The accompanying notes form an integral part of this opening balance sheet.

**Altice S.A.**
**Société Anonyme**
**Notes to the opening balance sheet at incorporation**
**as of January 3, 2014**

## Note 1—*Corporate information*

ALTICE S.A. (hereafter ''the Company'') is a Luxembourg holding company incorporated on January 3, 2014 as a ''Société Anonyme'' for an unlimited period of time, subject to general company law. Its registered office is established at 3, boulevard Royal, L-2449 Luxembourg.

The Company's financial year begins on January 1 and ends on December 31 of each year with the exception of the first financial year which began on January 3, 2014 (date of incorporation) and will end on December 31, 2014.

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

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

The Company may borrow in any form except by way of public offer (to the extent prohibited by any applicable law). It may issue by way of private placement only, notes, bonds and debentures and any kind of debt, whether convertible or not, and/or equity securities.

In general, the Company may likewise carry out any financial, commercial, industrial, movable or real estate transactions, take any measures to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose or which are liable to promote their development.

## Note 2—Summary of significant accounting policies

### *2.1. Basis of preparation*

The opening balance sheet of the Company has been prepared in accordance with IAS 1, IAS 12 and IAS 32 of the International Financial Reporting Standards as adopted in the European Union.

The opening balance sheet has been prepared on the historical cost basis. Historical costs are usually based on the fair value of the consideration given in exchange for assets.

The measurement and recognition criteria of the International Financial Reporting Standards applicable to the account balances are included in the opening balance sheet.

The principal accounting policies are set below:

#### 2.1.1. Cash and cash equivalents

Cash and cash equivalents include cash at bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

#### 2.1.2. Trade and other payables

Trade and other payables are stated at their nominal value.

**Note 2—Summary of significant accounting policies (Continued)**

**2.1.3. Taxation**

Income tax expenses represent the sum of the tax currently payable and deferred tax. Taxable profit may differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Note 3—Issued capital**

The Company's equity is composed of ordinary shares as follows:

| | January 3, 2014 |
|---|---|
| | (EUR) |
| **Issued capital:** | |
| 31 000 ordinary shares of EUR 1 each | 31 000,00 |

**Note 4—Trade and other payables**

This item is composed of amounts due to the notary in connection with expenses incurred at incorporation for an amount of EUR 1 664,58.

**Note 5—Cash and cash equivalents**

Cash and cash equivalents consist of the current account with the bank of the company.

**Note 6—Taxation**

In the context of the opening balance sheet, no deferred tax asset has been recorded in relation to the loss incurred at incorporation since the Company's ability to crystallise the deferred tax asset amounting to EUR 486 is contingent upon the success of all contemplated funding operations.

**Note 7—Related Party Disclosure**

***Board of Directors***

The Company is managed by a Board of Directors invested with the broadest powers to perform all acts of administration and disposition in compliance with the corporate objects of the Company.

**Note 8—Subsequent events**

On January 7, 2014, the Company has published a press release where it announces its intention to float its shares. The success of such a floating would result in the Company being the holding company of its ultimate shareholders' interest in Altice VII S.à r.l. and Altice Six S.A.

**Altice S.A.**
**(“Altice Group”)**

Condensed Combined Financial Statements

as of and for the nine month period ended September 30, 2013

**Altice S.A.**
**(“Altice Group”)**

**INDEX**


| | Page |
|---|---|
| Condensed combined income statement | F-10 |
| Condensed combined statement of comprehensive income | F-11 |
| Condensed combined statement of financial position | F-12 |
| Condensed combined statement of changes in equity | F-13 |
| Condensed combined statement of cash flows | F-14 |
| Notes to the condensed combined financial statements | F-15 |
| Review report of the réviseur d’entreprises agréé | F-37 |

**Altice Group**

**Condensed combined income statement**

**for the period ended September 30, 2013**

| | Notes | Nine months ended September 30, 2013 | 2012 |
|---|---|---|---|
| | | (in millions of euros) | |
| **Revenue** | 8 | **928.4** | **813.0** |
| Purchases and subcontracting services | | (262.2) | (216.6) |
| Other operating expenses | | (192.3) | (189.1) |
| Other sales and marketing expenses | | (53.3) | (60.8) |
| General and administrative expenses | | (43.7) | (41.8) |
| **Operating profit before depreciation and amortization(*)** | | **376.9** | **304.7** |
| Depreciation and amortization | | (277.6) | (293.7) |
| Management fees | | (0.7) | (2.6) |
| Other expenses, net | | (8.9) | (14.4) |
| Restructuring and non-recurring costs | | (3.4) | (8.4) |
| **Operating profit/(loss)** | | **86.3** | **(14.4)** |
| Financial income | | 42.7 | 14.6 |
| Other financial expense | | (196.6) | (130.7) |
| **Finance costs, net** | | **(153.9)** | **(116.1)** |
| Share of profit in associates | 12 | 14.5 | 18.1 |
| **Loss before income tax expenses** | | **(53.1)** | **(112.4)** |
| Income tax expenses | 11 | (27.5) | (1.0) |
| **Loss from continuing operations** | | **(80.6)** | **(113.4)** |
| Net income from discontinued operations | | — | — |
| **Loss for the period** | | **(80.6)** | **(113.4)** |
| *Attributable to owners of the entity* | | (74.6) | (83.1) |
| *Attributable to non-controlling interests* | | *(6.0)* | *(30.3)* |

(*) Operating profit before depreciation and amortization is further referred to as ''EBITDA'' in these condensed combined financial statements.

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

**Altice Group**

**Condensed combined statement of comprehensive income**

**for the nine month period ended September 30, 2013**

| | Nine months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| | (in millions of euros) | |
| **Loss for the period** | **(80.6)** | **(113.4)** |
| Exchange differences on translation foreign operations | 0.6 | (3.6) |
| Net fair value gain on available-for-sale financial assets | 3.6 | 5.3 |
| **Total comprehensive income for the period** | **(76.4)** | **(111.7)** |
| *Attributable to owners of the entity* | (71.1) | (83.2) |
| *Attributable to non-controlling interests* | *(5.3)* | *(28.5)* |

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

**Altice Group**

**Condensed combined statement of financial position**

**As of September 30, 2013**

| | Notes | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (in millions of euros) | |
| ***ASSETS*** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 61.9 | 129.8 |
| Trade & other receivables | | 286.4 | 193.3 |
| Inventories | | 11.1 | 6.1 |
| Current tax assets | | 10.8 | 5.5 |
| **Total current assets** | | **370.2** | **334.7** |
| **Non-current assets** | | | |
| Restricted cash | 5 | 10.2 | 9.6 |
| Deferred tax assets | | 38.9 | 19.3 |
| Loans to investments in associates | 5 | 136.2 | 126.1 |
| Investments in associates | | 95.7 | 81.3 |
| Investments in financial assets held as available for sale | 5 | 39.2 | 6.1 |
| Trade & other receivables | | 37.8 | 43.3 |
| Property, Plant & Equipment | | 1,141.2 | 1,067.8 |
| Other Intangible assets | | 555.1 | 458.5 |
| Goodwill | 4 | 1,126.7 | 790.9 |
| **Total non-current assets** | | **3,181.0** | **2,602.9** |
| **Total assets** | | **3,551.2** | **2,937.6** |
| ***EQUITY AND LIABILITIES*** | | | |
| **Current liabilities** | | | |
| Borrowings from banking corporations and debentures | 7 | 47.6 | 120.6 |
| Trade and other payables | | 482.8 | 412.0 |
| Current loans from related parties | 7 | 13.5 | 14.3 |
| Current tax liabilities | | 19.9 | 10.7 |
| Provisions | | 2.2 | 0.0 |
| **Total current liabilities** | | **566.0** | **557.6** |
| **Non-current liabilities** | | | |
| Borrowings from banking corporations and debentures | 7 | 2,259.4 | 1,395.1 |
| Non-current loans from related parties | 7 | 329.6 | 322.4 |
| Other financial liabilities | 7 | 177.6 | 151.9 |
| Provisions | | 27.2 | 25.7 |
| Other non-current liabilities | | 49.8 | 49.5 |
| Retirement benefit obligations | | 9.0 | 9.1 |
| Deferred tax liabilities | | 219.6 | 148.2 |
| **Total non-current liabilities** | | **3,072.2** | **2,101.9** |
| **Equity** | | | |
| **Invested equity** | | **(77.2)** | **272.9** |
| **Non-controlling interests** | 6 | **(9.8)** | **5.2** |
| **Total equity** | | **(87.0)** | **278.1** |
| **Total equity and liabilities** | | **3,551.2** | **2,937.6** |

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

**Altice Group**

**Condensed combined statement of changes in equity**

**for the nine months ended September 30, 2013**

| | Invested equity | Non-controlling interests | Total equity |
|---|---|---|---|
| | | (in millions of euros) | |
| **Equity at January 1, 2012** | **367.2** | **349.2** | **716.4** |
| Loss for the period | (83.1) | (30.3) | **(113.4)** |
| Movement in Currency Translation Reserve | 1.5 | (5.1) | **(3.6)** |
| Increase or decrease of ownership interest | 14.1 | (50.9) | **(36.8)** |
| Change in method of consolidation | — | (26.1) | **(26.1)** |
| Other movements | (1.6) | 6.9 | **5.3** |
| **Equity at September 30, 2012** | **298.1** | **243.7** | **541.8** |
| **Equity at January 1, 2013** | **272.9** | **5.2** | **278.1** |
| Loss for the period | (74.6) | (6.0) | **(80.6)** |
| Variation in CPEC | 68.1 | — | **68.1** |
| Distribution to CPEC holders | (275.3) | — | **(275.3)** |
| Issuance of share premium | 5.4 | — | **5.4** |
| Movement in Currency Translation Reserve | — | 0.6 | **0.6** |
| Increase or decrease of ownership interest | (79.7) | (9.7) | **(89.4)** |
| Other movements | 6.0 | 0.1 | **6.1** |
| **Equity at September 30, 2013** | **(77.2)** | **(9.8)** | **(87.0)** |

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

**Altice Group**

**Condensed combined statement of cash flows**

**for the nine months ended September 30, 2013**

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in millions of euros) | |
| **Loss for the period** | **(80.6)** | (113.4) |
| Adjustments for : | | |
| Share of profit of associates | (14.5) | (18.1) |
| Depreciation and amortization | 277.6 | 293.7 |
| Gains and losses on disposals | (4.1) | 4.6 |
| Other non-cash operating gains and losses | 6.5 | 16.8 |
| **Net cash provided by operating activities before changes in working capital, finance costs and income tax** | **184.9** | 183.6 |
| Finance costs, net | 158.2 | 116.1 |
| Income tax expense recognised in profit and loss | 27.5 | (1.0) |
| Income tax paid | (4.8) | (1.6) |
| Changes in working capital | (77.0) | 26.4 |
| **Net cash provided by operating activities** | **288.8** | **323.5** |
| Purchases of tangible and intangible assets | (184.1) | (267.5) |
| Acquisitions of available for sale financial assets | (18.3) | — |
| Proceeds from disposal of tangible, intangible and financial assets | 1.9 | — |
| Increase/(Decrease) in loans and other non-current financial assets | 7.4 | (17.6) |
| (Decrease)/increase of restricted cash | (0.6) | 19.5 |
| Transactions with non-controlling interests | (105.0) | — |
| Net payments on acquisition of subsidiaries | (203.5) | (35.1) |
| **Net cash used in investing activities** | **(502.2)** | **(300.7)** |
| Proceeds from issuance of share premium | 1.8 | — |
| Dividends paid | — | (26.1) |
| Proceeds from debt issuance | 1,021.9 | 268.4 |
| Repayment of debt | (546.4) | (165.5) |
| Distribution to CPEC's holders | (212.5) | — |
| Interest paid | (119.4) | (91.3) |
| **Net cash provided by/(used in) financing activities** | **145.4** | **(14.5)** |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | — | 0.2 |
| **Net increase/(decrease) in cash and cash equivalents** | **(67.9)** | **8.5** |
| Cash and cash equivalents at the beginning of the period | 129.8 | 24.2 |
| Net (decrease)/increase in cash and cash equivalents | (67.9) | 8.5 |
| **Cash and cash equivalents at the end of the period** | **61.9** | **32.7** |

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

## 1—General Information

### Altice S.A.

Altice S.A. (the ''Company'') is a limited company incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company's shares on Euronext Amsterdam, the Company shall receive the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. and its subsidiaries are hereafter referred to as ''Altice Six'' and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as ''Altice VII'' or ''Altice VII Group''. The Company shall hence become the successor entity of Altice Six and Altice VII (collectively the ''Predecessor Entities'').

### Altice Six

As at approval date, Altice Six holds shares in Numericable Group, a French group listed on Euronext Paris. Numericable Group is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. They also provide French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

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

### Altice VII

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

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

### The Combined Group

Altice Six S.A. and Altice VII S.à r.l. (the ''Two Groups'') and the Company (together with the Two Groups, the ''Combined Group'' or the ''Altice Group'') are currently under common control. The Two Groups and the Company are ultimately controlled by Patrick Drahi. The purpose of the condensed combined financial statements is to present a fair depiction of the financial condition and the assets and liabilities of the Combined Group, using their historical bases, and results of operations and cash flows for each period presented in the condensed combined financial statements.

**1—General Information (Continued)**

Accordingly, the condensed combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows of the sub-groups, Altice Six and Altice VII, which historically were separate legal groups. Given that the Company was incorporated after the period covered by these condensed combined financial statements there is no contribution to such financial statements pertaining to the Company as a legal entity.

**2—Basis of preparation and summary of accounting policies**

**Basis of preparation of the condensed combined financial statements**

The condensed combined financial statements as of and for the nine month period ended September 30, 2013 were approved by the Board of Directors of Altice S.A. on January 5, 2014. The Two Groups and the Company are located in Luxembourg.

The condensed combined financial statements as of and for the nine month period ended September 30, 2013 includes Altice Six and its associates and Altice VII and its subsidiaries. They are presented in euros, the presentation currency chosen by the Combined Group.

The condensed combined financial statements as of September 30, 2013 were prepared in accordance with IAS 34 ''Interim Financial Reporting'' (''IAS 34''), as adopted by the European Union (EU) and published by the International Accounting Standards Board (IASB).

The condensed combined financial statements as of September 30, 2013 were prepared in accordance with Altice Group recognition, classification and measurement policies.

These condensed combined financial statements shall be read in conjunction with the Combined Group's Combined Financial Statements for the three years ended December 31, 2012, 2011, and 2010.

With the exception of the principles described below and the specific valuation methods applied for Interim Financial Reporting, the bases of preparation and the accounting policies for recognition and measurement used in preparing these condensed combined financial statements were the same as the ones used for the Combined Group's Combined Financial Statements for the three years ended December 31, 2012, 2011, and 2010, such as described in Note 1.4 (Basis of combination) and in Note 2 (Significant accounting policies).

As of September 30, 2013, accounting standards and interpretations adopted by the EU are similar to the standards and interpretations published by the IASB with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* which has only been partially adopted. This difference has no effect on the Combined Group's condensed combined financial statements. Consequently, the Combined Group's condensed combined financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the IASB.

**Applicable standards as of September 30, 2013**

There were no other significant effects on the Condensed Combined Financial Statements as a result of the adoption of any of the below mentioned standards or interpretations.

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Board of Directors reviews its estimates on an on-going basis using information available at that point in time. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

*IFRS 13: Fair value measurement*

The Combined Group has applied IFRS 13 for the first time in the current period. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both

**2—Basis of preparation and summary of accounting policies (Continued)**

financial instruments and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions which are within the scope of IFRS 2 Share based payment, leasing transactions, that are within the scope of IAS 17 leases and measurements that have some similarities to fair value but are not fair value.

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

IFRS 13 requires prospective application from January 1, 2013.

*Amendment to IFRS 7 disclosure—Offsetting Financial Assets and Financial Liabilities*

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

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

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

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

Amendments to IAS 16 *Property Plant and Equipment; and*

Amendments to IAS 32 *Financial Instruments: Presentation.*

*Amendments to IAS 16*

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

*Amendments to IAS 32*

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

**Main estimates and judgments made by the Board of Directors**

The preparation of the Combined Financial Statements in accordance with IFRS requires the Board of Directors and the management of the Combined Group to make estimates and assumptions that are deemed realistic and reasonable.

Thus, as discussed in Note 2 of the Combined Financial Statements as of December 31, 2010, 2011 and 2012, the application of accounting policies in preparing the Combined Financial Statements requires

**2—Basis of preparation and summary of accounting policies (Continued)**

the Board of Directors and management to use judgment and make estimates and assumptions that impact the reported amounts of assets, liabilities, income and expenses.

These estimates are prepared based on the going concern assumption, using currently available information and the actual economic environment. In the current economic environment, certain facts and circumstances could thus lead to changes in these estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Combined Group. The significant estimates made by the Board of Directors and management in preparing the condensed combined financial statements are similar to those described in the Combined Financial Statements as of December 31, 2012, 2011 and 2010.

**Seasonal nature of activity**

Revenues from the pay-TV for basic analog and premium cable television service and high-speed broadband Internet service are substantially based on a fixed monthly rate and therefore are not subject to seasonal variations. The Cable segment's growth in the number of new adds is typically highest from September to January, reflecting a greater tendency among households to equip themselves during the back-to-school period and at the end of the year. B2B segment new adds are typically higher in June and December, reflecting the timing of corporate and public sector budgets, while B2B voice service revenues tend to follow the vacation schedule, with a slight decrease during summer and winter vacations, as well as the May holidays, though this decrease is not significant.

**Accounting policies**

The Condensed Combined Financial Statements have been prepared on a historical cost basis, except for (i) available for sale financial assets, (ii) derivative financial instruments and (iii) inventories which are measured at the lower of net realizable value or cost. The accounting policies used to prepare the Condensed Combined Financial Statements are similar to those described in Note 2 to the combined financial statements as of and for the years ended December 31, 2012, 2011 and 2010.

**Going concern**

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net operating cash flows. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables.

Under these conditions and given the cash flow projections, the Board of Directors and management believe that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Interim Condensed Financial Statements as of and for the nine month period ended September 30, 2013 and meet its financial debt obligations during the period.

As a result, the interim condensed combined financial statements as at and for the nine month period ended September 30, 2013 have been prepared on a going concern basis.

## 3—Business combinations

### Outremer Telecom S.A. (“OMT”)

On July 5, 2013 the Combined Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 76.3% of the shares and voting interests in the company. This acquisition enables the Combined Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed €51.0 million to revenue and €8.3 million to operating profit to the Combined Group’s results for the nine months ended September 30, 2013.

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

Total consideration paid to the vendors for the shares of the acquired entity amounted to €228.6 million, including cash at closing of €33.6 million (used at closing to refinance existing debts). Additionally, the vendor has a put option to sell the minority stake of 23.7% starting in July 2016, currently valued at €53.2 million in the accounts of the Combined Group.

The total value of assets transferred in consideration for the values mentioned above amounted to €255.3 million, comprising mainly of intangible assets for a net value of €106.7 million, property, plant and equipment for a total value of €69.5 million and trade receivables for a total amount of €30.7 million. Other miscellaneous assets totalled €44.8 million. Total liabilities amounted to €320.7 million, comprising of €231.4 of non-current liabilities and €89.3 million of current liabilities. The residual value of €294.0 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the values derived from a third party valuation performed in 2013 and preliminary updated by an independent expert during 2013. The Combined Group is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

| | |
|---|---|
| Total consideration transferred | €228.6 million |
| Fair value of identifiable assets and liabilities | €(70.8) million |
| Goodwill | €294.0 million |

### Winreason S.A. (“ONI”)

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

Since August 8, 2013 ONI contributed €17.4 million in revenue and €1.2 million in operating loss to the Combined Group’s result for the nine months ended September 30, 2013.

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

Total consideration paid to the Vendors amounted to €22.3 million, of which €0.2 million was paid to minority controlling interests. This amount included cash at closing of €0.9 million. In addition, €47.5 was provided to the acquired entity to refinance existing financial debts.

The total value of assets transferred in consideration for the purchase price amounted to €93.5 million and was mainly comprised of intangible assets for €10.8 million, property plant and equipment for €51.9 million and trade receivables for €19.7 million. Other miscellaneous assets totalled €11.2 million.

Total liabilities totalled €154.5 million, including €75.6 million in non-current and €78.2 million in current liabilities. Both posts included debts towards the previous shareholder for €28.2 and €28.0 million

**3—Business combinations (Continued)**

respectively, which were considered at a zero value asset by the new buyers and hence excluded for the purpose of calculating the net acquired asset position. Thus, the adjusted net liability position stood at €97.8 million, hence leaving a net liability position of €4.2 million. Residual goodwill was provisionally recognised for an amount of €26.5 million.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Winreason S.A.. The Combined Group is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

| | |
|---|---|
| Total consideration transferred | €22.3 million |
| Fair value of identifiable assets, liabilities and contingent liabilities | €(4.2) million |
| Goodwill | €26.5 million |

The profit and loss of these two new subsidiaries for the period from January 1, 2013 to the date of their consolidation into the Combined Group's accounts is given below:

| | OMT | ONI |
|---|---|---|
| | (in millions of euros) | |
| **Revenues** | 96.5 | 59.0 |
| Purchases and subcontracting services | (30.1) | (31.2) |
| **Gross Profit** | **66.4** | **27.8** |
| Other operating expenses | (19.8) | (11.2) |
| General and administrative expenses | (6.1) | (5.9) |
| Other sales and marketing expenses | (7.3) | (1.3) |
| **Operating profit before depreciation and amortization** | **33.2** | **9.4** |
| Depreciation and amortization | (11.4) | (9.9) |
| Other expenses, net | (2.0) | (1.7) |
| Management fees | (0.4) | — |
| Reorganization and non-recurring costs | — | (0.5) |
| **Operating profit** | **19.4** | **(2.7)** |
| **Profit/(loss) for the period (including non-controlling interests)** | **10.9** | **(8.8)** |

**4—Goodwill**

Goodwill is tested at the cash-generating units (''CGU'') level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Combined Group extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1,5%-2%. This rate does not exceed the average long-term growth rate for the relevant markets.

The Board of Directors estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

The Board of Directors has determined that there have not been any changes in circumstances indicating that the carrying amount of goodwill may not be recoverable and therefore no updated impairment model analysis has been carried out nor any impairment recorded for the period ended September 30, 2013.

## 5—Financial assets

A brief description of the financial assets held by the combined Group is given below. The investments mainly relate to the loans and receivables towards Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in millions of euros) | |
| Assets available for sale | 39.2 | 6.1 |
| Loans and receivables towards associates | 136.2 | 126.1 |
| Restricted cash | 10.2 | 9.6 |
| **Total Gross Value** | **185.6** | **141.8** |
| Assets available for sale | — | — |
| Long term trade receivables | — | — |
| Loan term trade receivables towards associates | — | — |
| Restricted cash | — | — |
| **Total Cumulative amortization and depreciation** | **—** | **—** |
| Assets available for sale | 39.2 | 6.1 |
| Long term trade receivables | 0.0 | 18.7 |
| Loans and receivables towards associates | 136.2 | 126.1 |
| Restricted cash | 10.2 | 9.6 |
| **Total Net book value** | **185.6** | **160.5** |

## 6—Transactions with minority shareholders

On April 23, 2013, the Combined Group proceeded to the buy-out of the minority interests held by APAX Partners in its Portuguese subsidiary Cabovisao. The total amount of the consideration paid amounted to €105.0 million, of which €90.1 million was attributable to the equity buy-out and €15.0 million corresponded to the repayment of a shareholder loan.

## 7—Borrowings and other financial liabilities

The total borrowings and other financial liabilities are broken down as follows:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in millions of euros) | |
| Bonds | 1,333.2 | 1,108.6 |
| Loans from related parties | 329.6 | 322.4 |
| Bank credit facilities | 897.0 | 257.2 |
| Finance leases | 29.2 | 29.3 |
| Other financial liabilities | 90.3 | 89.4 |
| Financial instruments | 87.3 | 62.5 |
| **Non-current financial liabilities[1]** | **2,766.6** | **1,869.4** |
| Bonds | 40.6 | 25.4 |
| Bank credit facilities | 0.7 | 86.5 |
| Finance leases | 2.8 | 8.7 |
| Bank overdraft | 0.1 | — |
| Other financial liabilities | 5.4 | — |
| Accrued interests | 13.5 | 14.3 |
| **Current financial liabilities[2]** | **63.1** | **134.9** |

(1) Non-current financial liabilities are contained in the condensed combined statement of financial position under the line items, 'Non-current borrowings from banking corporations and debentures', 'Non-current loans from related parties', and 'other financial liabilities'

(2) Current financial liabilities are contained in the condensed combined statement of financial position under the line items, 'Current borrowings from banking corporations and debentures' and 'current loans from related parties'.

The decrease in current bank credit facilities is mainly explained by the repayment of the Altice Blue One loan, for a total amount of €65.9 million on July 2, 2013.

## 7—Borrowings and other financial liabilities (Continued)

### Bonds and Loans from related parties

| | Effective interest rate | Year of maturity | Carrying amount September 30, 2013 | Carrying amount December 31, 2012 |
|---|---|---|---|---|
| ***Bonds*** | | | | |
| —Debentures | Variable (3.9% and 6.9% + Consumer Price Index) | 2018 | 295.1 | 294.6 |
| —Senior Secured Notes | between 7.9% and 9.9% | 2019/2020 | 506.0 | 516.7 |
| —Senior Secured Notes | between 7.9% and 9.9% | 2019/2020 | 572.7 | 322.7 |
| **Total bonds** | | | **1,373.8** | **1,134.0** |
| ***Related party loans*** | | | | |
| —Alpecs | Variable | 2057 to 2061 | 91.9 | 104.6 |
| —Yfpecs | 4.76% | 2058 to 2061 | 8.3 | 4.4 |
| —PECs | 7,3786% | 2037 | 61.9 | 57.6 |
| —Super PECs | Variable | 2058 | 48.0 | 43.8 |
| —Super PECs | 20.0% | 2059 | 17.9 | 14.9 |
| —IFPECs | 6.38% | 2037 | 90.5 | 86.5 |
| —IFPECs | 6.38% | 2037 | 4.4 | 4.2 |
| —Tracking IFPECs | 6.38% | 2037 | 6.0 | 5.7 |
| —YFPECs | 6.38% | 2059 | 0.7 | 0.7 |
| **Total related party loans** | | | **329.6** | **322.4** |
| **Nominal value of bonds and loans from related parties loans** | | | **1,703.4** | **1,456.4** |
| Of which due within one year | | | 40.6 | 25.4 |
| Of which due after one year | | | **1,662.8** | **1,431.0** |

For the period ended September 30, 2013, the Combined Group's long term financial liabilities were mainly comprised of debentures issued in Israel by HOT (the ''HOT bond) and in Luxembourg by Altice Financing S.A. and Altice Finco S.A. and of the Term Loan B issued by Altice Financing S.A. during June 2013.

The details of the HOT bond are given below:

- The Series A debentures—€167.0 million, are linked to the Consumer Prices Index for the month of February, 2011, and bear interest at a rate of 3.9% a year. The Series A debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and ending on September 30, 2018; and
- The Series B debentures—€137.0 million bear interest at a fixed rate of 6.9% a year. Series B debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and ending on September 30, 2018.

Bonds also include Senior Notes and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

- The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of $425.0 million (€322.0 million) mature on December 15, 2020 and bear coupons of 9,875% annually
- The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of $460 million (€348.5 million) mature on December 15, 2019 and bear coupons of 7,875% annually.
- The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of €210.0 million mature on December 15, 2019 and bear coupons of 8% annually.

**7—Borrowings and other financial liabilities (Continued)**

Altice Finco S.A. issued €250.0 million Senior Notes during the period ended September 30, 2013 bearing an annual interest rate of 9% and maturing in 2023. The Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on its Euro MTF Market.

In addition, Altice Financing S.A. obtained a covenant lite term loan (the Term Loan B) in USD, for a Euro equivalent of €795.0 million ($1,034 million), maturing on July 2, 2019 and bearing interest at 3 month USD LIBOR + 4.5%. To date, the Combined Group has drawn €714.0 million of these available amounts. Interest payments on the term loan B are due every quarter, starting on July 31, 2013.

**Financial instruments**

Subordinated financial instruments have been issued by Altice VII Group and consist mainly of:

- Master YFPECs: Yield Free Preferred Equity Certificates; and
- Master ALPECs: Asset Linked Preferred Equity Certificate
- YFPECs: Yield Free Preferred Equity Certificates;
- IFPECs: Interest Free Preferred Equity Certificate;
- PECs: Preferred Equity Certificates;
- Super PECs: Super Preferred Equity Certificates; and
- Tracking IFPECs: Tracking Interest Free Preferred Equity Certificate

In 2013, all categories of ALPECs (letters A to J) and YFPECs (letters C to K) issued from 2009 to 2012 have been transferred in a master ALPECs and master YFPECs. Following this transfer, main characteristics of ALPEC and YFPEC instruments remain unchanged (specifically, maturity date and conditions of redemption).

**Classification and fair value of financial assets and liabilities**

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

The financial instruments that are presented in the condensed combined statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

**7—Borrowings and other financial liabilities (Continued)**

As of September 30, 2013, the classification of financial instruments is summarized below:

| For the nine month period ended September 30, 2013 | Recorded Value in Condensed Combined Statement of Financial Position | Level 1 Quoted Prices in active markets for identical assets/liabilities | Level 2 Significant other observable inputs | Level 3 Inputs that are not based on observable market data |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| **Recurring Fair Value Measurements** | | | | |
| *Financial assets* | | | | |
| —Wananchi Group | 31.9 | — | — | 31.9 |
| —Partner Communications Co. | 7.3 | 7.3 | — | — |
| *Financial liabilities* | | | | |
| —Derivatives financial liabilities at FVTPL | 87.3 | — | 87.3 | — |

As of September 30, 2013, the level 3 classification has been based on the latest capital increase that occurred of the Wananchi Group level.

| For the year ended December 31, 2012 | Recorded Value in Condensed Combined Statement of Financial Position | Level 1 Quoted Prices in active markets for identical assets/liabilities | Level 2 Significant other observable inputs | Level 3 Inputs that are not based on observable market data |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| **Recurring Fair Value Measurements** | | | | |
| *Financial assets* | | | | |
| —Partner Communication Co. | 5.7 | 5.7 | — | — |
| *Financial liabilities* | | | | |
| —Derivatives financial liabilities at FVTPL | 62.5 | — | 62.5 | — |

The swap contracts exchange Shekel and Euros into Dollars.

Except as detailed in the following table, the Board of Directors considers that the carrying amount of financial assets and liabilities recorded at amortized cost in the condensed combined financial statements are approximately equal to fair values, except as follows:

| | Nominal amount | | Fair value | |
|---|---|---|---|---|
| | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 |
| | | | (in millions of euros) | |
| *Financial assets* | | | | |
| —YFPECs (Ypso) | 15.5 | 15.5 | 1,2 | 1.2 |
| —IFPECs | 24.0 | 24.0 | 1.6 | 1.6 |
| —CPECs | 205.6 | 205.6 | 22.2 | 13.5 |
| —YFPECs (Completel) | 29.3 | 29.3 | 4.3 | 1.6 |
| *Financial liabilities* | | | | |
| —YFPECs | 37.7 | 36.3 | 8.3 | 4.4 |
| —IFL | 3.9 | — | 0.2 | — |
| —IFPECs | 386.4 | 386.4 | 90.5 | 86.5 |
| —IFPECs | 19.4 | 19.4 | 4.4 | 4.2 |
| —Tracking IFPECs | 26.9 | 26.9 | 6.0 | 5.7 |
| —YFPECs | 12.3 | 12.3 | 0.7 | 0.7 |

## 8—Segmental analysis

### Definitions of segments

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

- Israel
- Belgium and Luxembourg (Western Europe)
- France (Western Europe)
- Portugal (Western Europe)
- French Overseas Territories (Antilles and Indian Ocean)
- Other (Switzerland, others)

Activities have been split as follows:

- Cable
- Mobile
- Others (B2B/Content/others)

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

## 8—Segmental analysis (Continued)

### Segment information

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

| | Nine months ended September 30, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Israel | France | Belgium & Luxembourg | Portugal | French Overseas Territories | Others | Total |
| | (in millions of euros) | | | | | | |
| **Cable** | | | | | | | |
| Revenue | 527.0 | — | 45.7 | 83.4 | 37.1 | 1.3 | 694.5 |
| Costs of sales | (101.6) | — | (7.2) | (26.2) | (8.7) | (0.3) | (143.9) |
| **Gross Profit** | **425.4** | **—** | **38.5** | **57.2** | **28.3** | **1.0** | **550.6** |
| **Mobile** | | — | | | | | |
| Revenue | 142.4 | — | 0.8 | — | 32.7 | — | 175.9 |
| Costs of sales | (82.8) | — | (0.7) | — | (10.3) | — | (93.8) |
| **Gross Profit** | **59.6** | **—** | **0.1** | **—** | **22.4** | **—** | **82.1** |
| **Other** | | **—** | | | | | |
| Revenue | — | — | 6.7 | 17.5 | — | 33.9 | 58.0 |
| Costs of sales | — | — | (1.3) | (10.2) | — | (12.9) | (31.0) |
| **Gross Profit** | **—** | **—** | **5.4** | **7.2** | **—** | **20.9** | **27.0** |
| **Total Revenue** | **669.4** | **—** | **53.2** | **100.9** | **69.8** | **35.1** | **928.4** |
| **Total Costs of sales** | **(184.4)** | **—** | **(9.1)** | **(36.4)** | **(19.1)** | **(13.2)** | **(262.2)** |
| **Total Gross Profit** | **485.0** | **—** | **44.1** | **64.5** | **50.7** | **21.9** | **666.2** |
| Operating expenses | (215.1) | (0.1) | (8.6) | (28.7) | (22.3) | (14.3) | (289.1) |
| **Operating income before depreciation and amortisation** | **269.9** | **(0.1)** | **35.5** | **35.8** | **28.4** | **7.6** | **377.1** |
| Depreciation and Amortisation | (200.5) | — | (12.3) | (44.4) | (12.8) | (7.6) | (277.6) |
| Other expenses* | (8.7) | — | (4.2) | (4.0) | (3.6) | 7.5 | (13.0) |
| **Operating income** | **60.7** | **(0.1)** | **19.0** | **(12.6)** | **12.0** | **7.5** | **86.5** |
| Financial result | (33.9) | (5.8) | (10.6) | (6.1) | (10.8) | (86.7) | (153.9) |
| **Share in profit of associates** | | **14.4** | | | | | **14.4** |
| **Profit/(Loss) before tax** | **26.9** | **8.5** | **8.4** | **(18.7)** | **1.2** | **(79.2)** | **(53.1)** |

* The line item, 'other expenses' corresponds to the sum of the line items 'other expenses, net', 'Management fees' and 'restructuring and non-recurring costs', in the condensed combined income statement

## 8—Segmental analysis (Continued)

| | Nine months ended September 30, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Israel | France | Belgium & Luxembourg | Portugal | French Overseas Territories | Others | Total |
| | (€ in millions) | | | | | | |
| **Cable** | | | | | | | |
| Revenue | 509.6 | — | 45.2 | 68.8 | 19.2 | 1.8 | 644.7 |
| Costs of sales | (120.2) | — | (8.0) | (27.3) | (3.0) | (0.4) | (158.9) |
| **Gross Profit** | **389.4** | **—** | **37.2** | **41.5** | **16.2** | **1.4** | **485.8** |
| **Mobile** | | | | | | | |
| Revenue | 125.3 | — | 0.0 | — | — | — | 125.3 |
| Costs of sales | (43.1) | — | (0.0) | — | — | — | (43.1) |
| **Gross Profit** | **82.2** | **—** | **0.0** | **—** | **—** | **—** | **82.2** |
| **Other** | | | | | | | |
| Revenue | — | — | 7.6 | — | — | 35.4 | 43.0 |
| Costs of sales | — | — | (0.5) | — | — | (14.1) | (14.6) |
| **Gross Profit** | **—** | **—** | **7.1** | **—** | **—** | **21.3** | **28.4** |
| **Total Revenue** | **634.9** | **—** | **52.8** | **68.8** | **19.2** | **37.2** | **813.0** |
| **Total Costs of sales** | **(163.4)** | **—** | **(8.5)** | **(27.3)** | **(3.0)** | **(14.5)** | **(216.6)** |
| **Total Gross Profit** | **471.5** | **—** | **44.3** | **41.5** | **16.2** | **22.7** | **596.4** |
| Operating expenses | (242.3) | — | (9.0) | (21.8) | (6.2) | (12.3) | (291.6) |
| **Operating income before depreciation and amortisation** | **229.2** | **—** | **35.3** | **19.7** | **10.0** | **10.4** | **304.8** |
| Depreciation and Amortisation | (164.0) | (2.8) | (11.6) | 16.5 | — | (9.8) | (171.7) |
| Goodwill impairment | (121.9) | — | — | — | — | — | (121.9) |
| Other expenses* | (11.1) | — | (4.0) | (7.6) | (1.7) | (1.0) | (25.4) |
| **Operating income** | **(67.8)** | **(2.8)** | **19.7** | **28.6** | **8.3** | **(122.3)** | **(14.3)** |
| Financial result | (45.5) | (6.0) | (10.6) | (1.6) | (0.8) | (51.5) | (116.1) |
| **Share in profit of associates** | **—** | **18.1** | **—** | **—** | **—** | **—** | **18.1** |
| **Profit/(Loss) before tax** | **(133.3)** | **9.3** | **9.1** | **27.0** | **7.5** | **(51.9)** | **(112.4)** |

* The line item, 'other expenses' corresponds to the sum of the line items 'other expenses, net', 'Management fees' and 'restructuring and non-recurring costs', in the condensed combined income statement

## 9—Related party transactions

### Trading and financial transactions

| | Revenue | | Operating expenses | | Financial expenses | |
|---|---|---|---|---|---|---|
| | | | September 30, | | | |
| Combined Income and expenses | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (in millions of euros) | | | | | |
| Shareholders | — | — | — | (9.1) | — | — |
| Executive directors | — | — | — | — | — | — |
| Remuneration and benefits in kind | — | — | (2.4) | (1.8) | — | — |
| Associated companies | — | — | — | — | (6.4) | (6.0) |
| **Total** | **—** | **—** | **(2.4)** | **(10.9)** | **(6.4)** | **(6.0)** |

## 9—Related party transactions (Continued)

| Assets | Loans and receivables | | Trade accounts receivable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2013 |
| | (in millions of euros) | | | | | |
| Shareholders | — | — | — | — | — | — |
| Executive directors | 2.7 | 2.7 | — | — | — | — |
| Associated companies | 126.1 | 136.2 | 9.3 | 5.6 | 0.7 | 0.9 |
| **Total** | **128.8** | **138.8** | **9.3** | **5.6** | **0.7** | **0.9** |

| Liabilities | Other financial liabilities | | Trade accounts payable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2013 |
| | (in millions of euros) | | | | | |
| Shareholders | — | 16.8 | — | — | — | 0.6 |
| Executive directors | — | — | — | — | — | — |
| Associated companies | — | 14.4 | — | — | — | — |
| **Total** | **—** | **31.2** | **—** | **—** | **—** | **0.6** |

The related party Altice IV S.A. acquired in January 2013 an amount of $13.0 million of bonds with a coupon interest of 7.875% with a maturity date on December 15, 2019 and an amount of $6.5 million of bonds with a coupon interest of 9.875% with a maturity date on December 15, 2020 issued during the year ended December 31, 2012 by Altice Financing S.A..

## 10—Compensation of key management personnel

The compensation given to the key management personnel, in respect of their duties as Chairman of the Board or member of the Board of Altice VII, for the 9 months period ended September 30, 2013, was €1.7 million and €1.8 million for the 9 month period ended September 30, 2013.

## 11—Income tax

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 51.8% (Tax rate for the nine month period ended September 30, 2012: 0.9%). This change in the effective tax rate can be explained by higher profit before tax at the operating companies level (especially at HOT) together with new companies in the scope of consolidation which resulted in a higher income tax expense in P&L for the period ended September 30, 2013 as compared to December 31, 2012.

## 12—Share of profit in associates

The breakdown of the Combined Group's share of profits of associates as at September 30, 2013 is detailed as follows:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | Combined Group's share of profits of associates | Combined Group's share of profits of associates |
| | (in millions of euros) | |
| Altice B2B Lux Holding S.à r.l. | 5.2 | 6.5 |
| Ypso Holding S.à r.l. | 9.3 | 11.6 |
| **Total** | **14.5** | **18.1** |

## 13—Commitments and contingent liabilities

### HOT Telecom

During the routine course of business, lawsuits have been filed against the companies in the Combined Group and various legal proceedings are outstanding against it (hereinafter, ''The Legal Claims'').

In the opinion of the Board of Directors and the management of the Combined Group and each of its subsidiaries, based, inter alia, on legal opinions in respect of legal proceedings being initiated against them, a fair provision of NIS 69 million (€14.5 million) has been recorded in the financial statements as of September 30, 2013, where provisions are required, to provide for the exposure to lawsuits.

In the opinion of the Board of Directors and the management of the Combined Group and each of its subsidiaries, the amount of the additional exposure, in an amount of approximately NIS 3 billion (€628.5 million) (over and above the provisions that have been recorded in these financial statements), as of September 30, 2013, as a result of the legal proceedings that have been filed against Altice VII's Subsidiaries on various matters, is as follows:

a. An amount of approximately NIS1.7 billion (€356.1 million) in respect of claims, in respect of which in the assessment of the Combined Group's Board of Directors and management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

b. An amount of approximately NIS0.1 billion (€20.9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements.

c. An amount of approximately NIS1.42 billion (€297.5 million) in respect of claims which, in the assessment of the Combined Group's Board of Directors and management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded for in accordance with the assessments of the managements of the Combined Group's Subsidiaries and the opinion of the legal advisors, as aforesaid.

The following is an abbreviated summary of the Combined Group's contingent liabilities effective as of September 30, 2013, in accordance with groupings having similar characteristics:

| The nature of the lawsuit | The amount of the additional exposure in excess of the provision recorded as of September 30, 2013 | The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions) | Provisions recorded in the financial statements as of September 30, 2013 | Provisions recorded in the financial statements as of December 31, 2012 | Updating of the expense (income), net in the reporting period |
|---|---|---|---|---|---|
| | | | | (in millions of euros) | |
| Customers | 574 | 21 | 4 | 4 | — |
| Lawsuits after the balance sheet date in respect of customers | 34 | 34 | — | — | — |
| Copyrights | — | — | 10 | 11 | (2) |
| Suppliers | 13 | 5 | 1 | 1 | (0) |
| Employees | 1 | — | — | — | — |
| The merger transaction[1] | 50 | — | — | — | — |
| **Total** | **638** | **26** | **15** | **16** | **(2)** |

(1) Refers to the 'take-private' operation of HOT consummated in December 2012. As of September 30, 2013, Hot's guarantee commitments amounted to €265.4 million.

**13—Commitments and contingent liabilities (Continued)**

HOT's obligation under operating leases outstanding as of September 30, 2013 are given below:

| | NIS | € |
|---|---|---|
| | (in millions) | |
| 2013 | 7.0 | 1.5 |
| 2014 | 30.0 | 6.3 |
| 2015 | 26.0 | 5.5 |
| 2016 | 18.0 | 3.4 |
| 2017 or later | 23.0 | 5.1 |
| **Total** | **104.0** | **21.8** |

**Cabovisao**

Cabovisao's total commitments amounted to €1.4 million for the nine months ended September 30, 2013 and were related to the purchase of property plant and equipment in the financial year that shall end in 2014.

***Real Guarantees***

On September 28, 2012, Cabovisao issued a bond in the amount of €25 million which was fully underwritten by Goldman Sachs International. A collateralized financial first degree pledge of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and of the shares representing Cabovisao's share capital and shareholders' rights was provided by Cabovisao for this offering.

This bond was repaid and refinanced by an intercompany loan on April 23, 2013, following the acquisition of minority interests in Cabovisao. The total amount paid was €23.7 million, and impacted the line item, 'repayment of debts' in the condensed combined statements of cash flows and the line item 'bonds' in the condensed combined statement of financial position.

***Other contingent liabilities***

As a result of Cabovisao challenging a decision by the municipality of Almada requesting the payment of municipality taxes referred to above effective since September 2010, enforcement procedures for payment of fees from 2006 to 2009, amounting to approximately €0.7 million. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the probability of the claim being upheld is limited.

Additionally, there are several legal proceedings, initiated by third parties, in particular, claims by several suppliers, with responsibilities related to the supplies of equipment and services to Cabovisao, amounting to approximately €0.4 million in total. Cabovisao has not recorded any provisions for these claims, as it is the understanding of the Board of Directors that the outcome of any such claim will be favourable to Cabovisao.

***Contingent assets***

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was €3.6 million as of the nine months ended September 30, 2013, of which €0.1 million have been received from seven municipalities, while recovery is on-going with others.

**13—Commitments and contingent liabilities (Continued)**

**French overseas Territories**

| | Period ending December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 or later | Total |
| | (in millions of euros) | | | | | |
| Long-term debt obligations | 0.5 | 3.8 | 1 | 0.3 | — | **5.6** |
| Finance leases | 0.2 | 0.2 | 0.1 | — | — | **0.5** |
| Purchase of property, plant and equipment | 7.1 | 16.6 | 2.1 | 1.1 | 0.7 | **27.6** |
| Operating leases | 1.9 | 6.4 | 4.4 | 2.8 | 6.3 | **21.8** |
| **Total** | **9.7** | **27** | **7.6** | **4.2** | **7** | **55.5** |

**Agreements signed with ZTE Corporation**

Outremer Telecom SAS continues to build a denser network and to migrate its networks to 3.5 G. As part of this drive, it has signed a contract for the supply of telecommunications equipment and associated services with ZTE Corporation (''ZTE'').

Under this agreement, ZTE granted Outremer Telecom SAS a renewable credit line of maximum €20 million, which was partly drawn down in several tranches in 2011, 2012 and 2013. The remainder of this financing amounted to €5.4 million on September 30, 2013.

To guarantee payment of all sums owed under this vendor financing arrangement, ZTE is entitled to:

- a pledge on the equipment supplied,
- a joint guarantee of the commitments accepted by the subsidiary Outremer Telecom SAS, issued by Groupe Outremer Telecom SA, and
- a commitment by Outremer Telecom SAS to deposit, in an escrow account, the revenue from marketing prepaid cards and from billing roaming services for mobile telephone networks in Guadeloupe and Guyana.

**Agreements with Alcatel Lucent**

As part of the agreements signed in July 2012 between Outremer Telecom SAS and Alcatel-Lucent France in order to deploy a microwave-links transmission network, Electro-Banque granted Outremer Telecom SAS a credit of €2.8 million, to be repaid over a period of 3 years.

On 30 September 2013, the outstanding liabilities remaining of this credit amounted to €1.1 million.

To guarantee payment of all sums owed by virtue of this credit facility, the lender has a joint lien on the commitments accepted by Outremer Telecom SAS, granted by Groupe Outremer Telecom S.A..

**Others**

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Combined Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

## 13—Commitments and contingent liabilities (Continued)

**ONI Telecom**

| | Period ending December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 or later | Total |
| | (in millions of euros) | | | | | |
| Long-term debt obligations | 2.5 | 1.8 | 1.8 | 1.9 | 3.3 | **11.3** |
| Finance leases | 0.2 | 1.0 | 0.5 | — | — | **1.7** |
| Operating Leases | 0.2 | 0.6 | 0.4 | 0.9 | — | **2.0** |
| **Total** | **2.9** | **3.4** | **2.7** | **2.8** | **3.4** | **15.0** |

## 14—Subsequent events

### Reduction of Guarantees to the State of Israel

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11.3%, constituting an addition of 9.52% on HOT Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695.0 (€144.6 million) million to an amount of NIS 80 (€16.6 million) million. This was in addition to an amount of NIS 10.0 (€2.0 million) million that it paid upon the receipt of the license.

As of November 21, 2013, the response of the Ministry of Communications has been received and they approved the reduction of Hot Mobile guarantee from NIS 695 Million to NIS 80 Million.

### Acquisition of Ma Chaîne Sport and Sportv

On October 4, 2013, Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of approximately 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 32%, respectively) in Ma Chaîne Sport S.A.S to Altice VII. In addition, on October 10, 2013, the general shareholders' meeting of Ma Chaîne Sport S.A.S decided on a capital decrease of €5.0 million by way of a share buy-back of the remaining shares in Ma Chaîne Sport S.A.S held by Valemi Corp which was not sold under the sale and purchase agreement. This capital decrease has been completed on November 8, 2013. As a result of this transaction, Altice VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S which in turn holds 100% of Sportv S.A.. In 2012, Ma Chaîne Sport S.A.S. and Sportv S.A. generated EBITDA of €9.0 million and €0.8 million respectively and had an EBITDA margin of 56.7% and 62.5% respectively.

As this is a common control transaction, the requirements of IFRS 3 in relation to acquisition accounting shall not be applicable and it is expect that the Combined Group shall elect to utilise the pooling-of-interest method to record this acquisition.

### Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the ''Mobius Acquisition''). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the ''Mobius Technology'' brand and double and triple play services based on xDSL technology to residential customers under the ''IZI'' brand. The consummation of the Mobius Acquisition is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary

**14—Subsequent events (Continued)**

closing conditions, including regulatory approval. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two will be reduced to approximately 75%.

The consideration paid, net of reinvestment of the Managers of Mobius, amounts approximately €21.0 million.

**Network Sharing Agreement**

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the ''Network Sharing Agreement'') with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Combined Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Combined Group will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Combined Group. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with the existing service provider, Pelephone, will be phased out until the contractual end of the agreement in 2014.

**Tricom Dominican Republic Acquisitions**

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice VII) 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 has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the ''ODO Sellers''), and the ODO Sellers have agreed to sell to Altice Bahamas, on completion of the ODO Acquisition, all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is $1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel and is expected to occur in the first quarter of 2014.

On October 31, 2013, Altice Caribbean (a wholly owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the ''Tricom Sellers''), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the ''Tricom Purchase Agreements'') pursuant to which Altice Caribbean or one of its subsidiaries (the ''Tricom Purchaser'') is expected to purchase 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 is $405 million. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican Republic regulatory authority Indotel.

**14—Subsequent events (Continued)**

The purchase price for the ODO Acquisition and the Tricom Acquisition is expected to be financed from (i) the proceeds received pursuant to the issuance of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes which are currently being held in escrow and (ii) a portion of the proceeds from the Offering if regulatory approval for the pending acquisitions is received after the Admission, or, to the extent regulatory approval for the pending acquisitions is granted prior to the Admission, an equity contribution to the Altice VII restricted group by a subsidiary of the Company which has obtained committed third party financing to fund such equity contribution. To the extent such regulatory approval for the pending acquisitions is granted prior to the Admission and third party financing is used to complete such acquisitions, a portion of the proceeds from the Offering will be used by the Company to repay such third party financing.

**Issuance of New Senior Notes and New Senior Secured Notes**

Altice VII announced on December 2, 2013 that (i) its subsidiary Altice Finco S.A. would launch an offering of $400 million in aggregate principal amount of senior notes (the ''Senior Notes'') and (ii) its subsidiary Altice Financing S.A. would launch an offering of $1,309 million equivalent in aggregate principal amount of dollar and euro senior secured notes (the ''Senior Secured Notes'' and, together with the Senior Notes, the ''Notes''). Proceeds of the Notes are expected to be used to finance (i) its previously announced acquisition of 88% of Tricom S.A. and Global Interlinks Ltd. (together, ''Tricom''), which Altice entered into an agreement to acquire on October 31, 2013, and (ii) its previously announced acquisition of a majority ownership in Orange Dominicana S.A. (''ODO''), which Altice entered into an agreement to acquire on November 26, 2013.

ODO provides mobile telephony and wireless broadband services to residential customers in the Dominican Republic and fixed and mobile voice and data services to business customers. Tricom provides pay television, broadband Internet and fixed-line telephony services as well as mobile telephony services in the Dominican Republic.

**Restructuring of Altice Six holding structure**

In anticipation of the increase in shareholding of the newly listed Numericable Group S.A., Altice Six S.A. has performed a restructuring of its subsidiaries to simplify its holding structure. Thus, with effect from November 11, 2013, Altice B2B Lux Holding S.à r.l. was merged with Ypso Holding S.à r.l..

Altice B2B Lux Holding S.à r.l., helds Altice B2B Lux S.à r.l., through which Altice Six S.A. has invested in Completel, the B2B arm of Numericable Group. On December 18, 2013, the final step of this restructuring was consummated, with the merger of the Altice B2B Lux Holding S.à r.l. with Ypso Holding S.à r.l., thus creating a common company: Ypso Holding S.à r.l. which would directly control the French investment vehicles.

**Numericable IPO**

On November 7, 2013, Numericable Group, the sole cable operator in France and a leading provider of television and broadband Internet services in its network area (''Numericable'' and together with its subsidiaries, the ''Numericable Group''), announced that it had successfully completed its initial public offering on the regulated market of NYSE Euronext in Paris (Compartment A).

The Global Offering amounted to approximately €652.2 million, consisting of a capital increase of approximately €250 million and a sale of existing shares by Carlyle Cable Investment SC (''Carlyle'') and CCI (F3) S.à.r.l. (''Cinven'') amounting to approximately €402.2 million. An over-allocation option was also offered, which when fully exercised increased the Global Offering to approximately €750 million. The Employee Offering was subscribed for approximately €1 million at €19.84 per share. Trading of the Numericable Group's shares began on November 8, 2013.

**14—Subsequent events (Continued)**

Following the Global Offering and the Employee Offering and after the completion of all concurrent share transfers, and once the over-allotment option was exercised in full, Numericable Group's share capital was as follows: Altice 30%, Carlyle 26%, Cinven 18% and a public float of 24%.

**Issuance of new margin loan**

On November 7, 2013, Altice Six S.A. entered into a financing agreement for a total amount of EUR 300 million with ING Bank N.V as the agent and Deutsche Bank, HSBC, Credit Agricole, Goldman Sachs and Morgan Stanley as lenders. The purpose of this new debt issuance was to purchase an additional 10% holding stake in Numericable Group S.A. and thus increase Altice Six S.A's total stake up to 40% in Numericable Group S.A. thus giving it a controlling stake and allowing full integration of Numericable Group into the accounts of Altice S.A..

As a condition to financing, Altice Six has entered into a pledge agreement with the security agent and bank, following the terms of which it has pledged all the security assets (pertaining to cash and book entries) to an account held at ING Bank Luxembourg to be blocked from immediate effect, post signing of the debt agreement.

**Increase in shareholding in Numericable Group**

Altice Six announced on November 18, 2013 that it has entered into an agreement with certain funds affiliated with Cinven Ltd. (''Cinven'') and an entity affiliated with Carlyle Group (''Carlyle'') to acquire additional shares in Numericable Group, from Cinven and Carlyle (the ''Acquisition''). Altice will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice by certain existing shareholders) and will have the majority of votes in the board of directors. The Acquisition is subject to (i) antitrust approval and (ii) waiver granted by the French regulator, Autorité des marchés financiers (AMF) to file a mandatory tender offer and is expected to be completed in the first quarter of 2014.

**2013 Coditel Acquisition**

As of September 30, 2013, Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, was the owner of 60% of the outstanding shares of Coditel Holding and various funds advised by Apax Partners MidMarket SAS (the ''Coditel Minority Shareholder'') was the owner of the remaining outstanding shares of Coditel Holding. On March 7, 2013, Altice VII and the Coditel Minority Shareholder entered into a purchase and sale agreement (the ''Coditel Purchase Agreement'') pursuant to which Altice VII, through a wholly owned subsidiary, agreed to purchase all of the outstanding shares of Coditel Holding held by the Coditel Minority Shareholder (the ''2013 Coditel Acquisition''). The 2013 Coditel Acquisition was consummated on November 29, 2013 and was funded in part by using the remaining amounts available under the 2013 Term Loan.

**Other Transactions**

The Combined Group intends to designate Green Datacenter and Auberimmo as unrestricted subsidiaries in accordance with the terms of our debt instruments and upon such designation these entities will not be subject to the covenants under the terms of our debt instruments.

The Combined Group is in talks with the minority stakeholders in Outremer Telecom, to study the possibility of exchanging the minority interests currently held by the Management and Managers of Outremer Telecom in Altice Blue Two S.A.S against shares to be issued by the listed entity, Altice S.A..

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

## REVIEW REPORT OF THE REVISEUR D'ENTREPRISES AGREE

*Introduction*

At your request, and in our capacity as *réviseur d'entreprises agréé* of Altice S.A. (the ''Company''); the successor entity of Altice Six S.A. and Altice VII S.à r.l. (collectively the ''Combined Group'') in the context of the contemplated initial public offering of the shares of the Company; we have reviewed the accompanying condensed combined statement of financial position of the Combined Group as of September 30, 2013 and the related condensed combined statements of income, comprehensive income, cash flows and changes in equity for the nine month period then ended and the other explanatory notes (collectively the ''Condensed Combined Financial Statements''). The Board of Directors is responsible for the preparation and fair presentation of the Condensed Combined Financial Statements in accordance with the basis of preparation described in note 2 thereto. Our responsibility is to express a conclusion on these Condensed Combined Financial Statements based on our review.

*Scope of Review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Combined Financial Statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

*Basis of accounting*

Without modifying our conclusion, we draw your attention to the disclosures provided in note 2 to the Condensed Combined Financial Statements which describe the basis of preparation utilized in preparing the Condensed Combined Financial Statements and references note 1 to the combined financial statements of the Combined Group as of and for each of the years ended on December 31, 2012, 2011 and 2010, which in turn provides a description of the accounting method utilized for the purposes of combining the individual elements of the Combined Group. The Combined Financial Statements are prepared for the purposes of meeting the requirements of EU Regulation (EC) 809/2004 that relate to the inclusion of historical financial information within a prospectus, and may not be suitable for any other purpose. We also draw attention to note 2 to the Condensed Combined Financial Statements which provides a description of the accounting method utilized for the purposes of combining the individual elements of the Combined Group; these being under common control; in the absence of specific guidance within International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 8, 2014

**Altice S.A.**
**(“Altice Group”)**

Combined Financial Statements

as of December 31, 2012, 2011 and 2010 and for each of the three years then ended

**Altice S.A.**
**(“Altice Group”)**

**INDEX**


| | Page |
|---|---|
| Report of the réviseur d’entreprises agréé | F-40 |
| **Consolidated financial statements** | |
| Combined statement of income for the year ended December 31, 2012 | F-42 |
| Combined statement of comprehensive income for the year ended December 31, 2012 | F-43 |
| Combined statement of financial position for the year ended December 31, 2012 | F-44 |
| Combined statement of changes in equity for the year ended December 31, 2012 | F-45 |
| Combined statement of cash flows for the year ended December 31, 2012 | F-46 |
| Notes to the combined financial statements | F-47 |

To the Board of Directors of
Altice S.A.
3, boulevard Royal
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## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

We have audited the accompanying combined financial statements of Altice S.A. (the ''Company''); the successor entity of Altice Six S.A. and Altice VII S.à r.l. (collectively the ''Combined Group'') in the context of the contemplated initial public offering of the shares of the Company, which comprise the combined statements of financial position as at December 31, 2012, 2011 and 2010, the combined statements of income, comprehensive income, changes in equity and cash flows for each of the three years then ended, and a summary of significant accounting policies and other explanatory information (collectively the ''Combined Financial Statements''). The Combined Financial Statements have been prepared by the Board of Directors in accordance with the basis of preparation as described in the note 1 thereto, for the purposes of meeting the requirements of EU Regulation (EC) 809/2004 that relate to the inclusion of historical financial information within a prospectus.

*Responsibility of the Board of Directors for the Combined Financial Statements*

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

*Responsibility of the réviseur d'entreprises agréé*

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

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

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

*Opinion*

In our opinion, the Combined Financial Statements give a true and fair view of the combined financial position of the Combined Group as of December 31, 2012, 2011 and 2010, and of its combined financial performance and combined cash flows for each of the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Basis of accounting*

Without modifying our opinion, we draw attention to the disclosures in note 1 to the Combined Financial Statements, which describes the basis of preparation utilized in preparing the Condensed Combined Financial Statements. The Combined Financial Statements are prepared for the purposes of meeting the requirements of EU Regulation (EC) 809/2004 that relate to the inclusion of historical financial information within a prospectus, and may not be suitable for any other purpose. We also draw attention

to note 1 to the Combined Financial Statements which provides a description of the accounting method utilized for the purposes of combining the individual elements of the Combined Group; these being under common control; in the absence of specific guidance within International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 9, 2014

## Altice Group

## Combined statements of income

| | Note | Year ended December 31, 2012 | Year ended December 31, 2011 | Year ended December 31, 2010 |
|---|---|---|---|---|
| | | | (in millions of euros) | |
| **Revenue** | 22 | 1 092,4 | 784,2 | 167,2 |
| Purchases and subcontracting services | 22 | (302,1) | (175,4) | (54,0) |
| Other operating expenses | 22 | (248,9) | (195,4) | (21,9) |
| Other sales and marketing expenses | 22 | (80,1) | (64,4) | (11,6) |
| General and administrative expenses | 22 | (58,2) | (51,3) | (31,7) |
| **Operating profit before depreciation and amortisation** | 22 | **403,1** | **297,7** | **48,0** |
| Depreciation and amortization | | (266,4) | (176,0) | (26,2) |
| Goodwill impairment | | (121,9) | — | — |
| Management fees | | (6,2) | (3,6) | (0,8) |
| Other expenses, net | 24 | (29,8) | (5,6) | (7,4) |
| Restructuring and non-recurring costs | 24 | (20,8) | (7,6) | (3,9) |
| **Operating (loss)/Income** | | **(42,0)** | **104,9** | **9,7** |
| Gain arising on step acquisitions | 24 | — | 134,8 | 1,0 |
| Financial income | 25 | 40,7 | 26,8 | 51,1 |
| Other financial expense | 25 | (225,4) | (130,6) | (30,9) |
| **Finance (costs)/income, net** | 25 | **(184,7)** | **(103,8)** | **20,2** |
| Share in net income of associates | 7 | 20,4 | 58,6 | 20,7 |
| **(Loss)/profit before income tax expenses** | | **(206,2)** | **194,5** | **51,6** |
| Income tax expense | 20 | 26,0 | (32,5) | (2,2) |
| **Net (loss)/income from continuing operations** | | **(180,2)** | **162,0** | **49,4** |
| Net income from discontinued operations | | — | — | — |
| **(Loss)/profit for the year** | | **(180,2)** | **162,0** | **49,4** |
| *Attributable to owners of the combined group* | | *(139,3)* | *156,5* | *49,4* |
| *Attributable to non-controlling interests* | | *(40,9)* | *5,5* | — |

(*) Operating profit before depreciation and amortization is further referred to as ''EBITDA'' in these combined financial statements.

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

## Altice Group

## Combined statements of other comprehensive income

| | Notes | Year ended December 31, 2012 | Year ended December 31, 2011 | Year ended December 31, 2010 |
|---|---|---|---|---|
| | | | (in millions of euros) | |
| **(Loss)/profit for the year** | | **(180,2)** | **162,0** | **49,4** |
| Other comprehensive (loss)/income | | | | |
| Exchange differences on translation foreign operations | | (5,1) | 0,4 | (1,6) |
| Net fair value gain on available-for-sale financial assets | | — | 0,3 | — |
| **Total comprehensive (loss)/income for the year** | | **(185,3)** | **162,7** | **47,8** |
| *Attributable to owners of the combined group* | | *(143,1)* | *155,3* | *47,7* |
| *Attributable to non-controlling interests* | | *(42,2)* | *7,4* | *0,1* |

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

## Altice Group

## Combined statements of financial position

| | Notes | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|---|
| | | | (in millions of euros) | |
| ***ASSETS*** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | 12 | 129,8 | 24,2 | 26,9 |
| Trade receivables | 11 | 151,6 | 103,4 | 51,0 |
| Other receivables | 11 | 41,7 | 26,3 | 19,2 |
| Inventories | 10 | 6,1 | 6,1 | 7,5 |
| Current tax assets | 11 | 5,5 | 5,1 | 2,6 |
| **Total Current assets** | | **334,7** | **165,1** | **107,2** |
| **Non-current assets** | | | | |
| Restricted cash | 8 | 9,6 | 41,4 | 0,2 |
| Deferred tax assets | | 19,3 | 0,3 | — |
| Loans to investment in associates | 8 | 126,1 | 116,0 | 112,3 |
| Investment in associates | 7 | 83,2 | 62,8 | 298,9 |
| Investments in financial assets available for sale | 8 | 6,1 | 8,5 | — |
| Long term trade receivables | | 18,7 | 2,4 | 3,0 |
| Other long-term trade receivables | 9 | 24,6 | 28,4 | — |
| Property, Plant & Equipment | 6 | 1.067,8 | 901,7 | 149,7 |
| Other Intangible assets | 5 | 458,5 | 458,3 | 90,1 |
| Goodwill | 4 | 790,9 | 911,9 | 17,8 |
| **Total non-current assets** | | **2 604,8** | **2 531,7** | **672,0** |
| **Total assets** | | **2 939,5** | **2 696,8** | **779,2** |
| ***EQUITY AND LIABILITIES*** | | | | |
| **Current liabilities** | | | | |
| Borrowings from banking corporations and debentures | 16 | 120,6 | 242,5 | 81,7 |
| Trade payables | 18 | 311,4 | 208,1 | 53,0 |
| Others payables | 18 | 100,6 | 98,4 | 46,6 |
| Current loans from related parties | 16 | 14,3 | 13,3 | 7,9 |
| Provisions | | — | — | 0,2 |
| Current tax liabilities | 18 | 10,7 | 7,2 | 2,4 |
| **Total current liabilities** | | **557,6** | **569,5** | **191,8** |
| **Non-current liabilities** | | | | |
| Borrowings from banking corporations and debentures | 16 | 1 395,1 | 856,6 | 71,4 |
| Non-current loans from related parties | 16 | 322,4 | 271,6 | 246,6 |
| Other financial liabilities | 16 | 151,9 | 85,1 | 5,5 |
| Provisions | 14 | 25,7 | 40,5 | 1,5 |
| Other non-current liabilities | 19 | 49,5 | 24,7 | 0,7 |
| Retirement benefit obligations | 15 | 9,1 | 6,9 | 1,2 |
| Deferred tax liabilities | | 148,2 | 123,7 | 26,2 |
| **Total non-current liabilities** | | **2 101,9** | **1 409,1** | **353,1** |
| **Equity** | | | | |
| **Invested equity** | 13 | **274,8** | **369,1** | **233,9** |
| **Non-controlling interests** | | **5,2** | **349,2** | **0,4** |
| **Total equity** | | **280,0** | **718,3** | **234,3** |
| **Total equity and liabilities** | | **2 939,5** | **2 696,8** | **779,2** |

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

## Altice Group

## Combined statements of changes in equity

| | Total equity attributable to shareholders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|
| | (in millions of euros) | | |
| **Equity at January 1, 2010** | **161,7** | **0,2** | **161,9** |
| Profit for the year | 49,4 | — | **49,4** |
| Variation in CPEC | 19,1 | — | **19,1** |
| Employee benefits | 0,1 | — | **0,1** |
| Increase in share capital | 7,8 | — | **7,8** |
| Variation in Currency Translation Reserve | (1,6) | — | **(1,6)** |
| Increase or decrease of ownership interest | (0,7) | 0,2 | **(0,5)** |
| Other variations | (1,9) | — | **(1,9)** |
| **Equity at December 31, 2010** | **233,9** | **0,4** | **234,3** |
| Profit for the year | 156,5 | 5,5 | **162,0** |
| Variation in CPEC | (22,7) | — | **(22,7)** |
| Employee benefits | 0,1 | 0,3 | **0,4** |
| Decrease in share capital | (0,4) | — | **(0,4)** |
| Variation in Currency Translation Reserve | (1,4) | 1,8 | **0,4** |
| Increase or decrease of ownership interest | 4,5 | (2,5) | **2,0** |
| Step acquisition | (3,7) | 343,5 | **339,8** |
| Other variations | 0,4 | 0,2 | **0,6** |
| **Equity at December 31, 2011** | **369,1** | **349,2** | **718,3** |
| Profit for the year | (139,3) | (40,9) | (180,2) |
| Variation in CPEC | 0,1 | 0,4 | 0,5 |
| Variation in Currency Translation Reserve | (3,7) | (1,3) | (5,0) |
| Increase or decrease of ownership interest | (16,2) | 21,6 | 5,4 |
| Dividends paid | — | (26,0) | (26,0) |
| Option warrants | (3,9) | — | (3,9) |
| Purchase of minority interest | 68,3 | (298,4) | (230,1) |
| Other variations | 0,4 | 0,6 | 1,0 |
| **Equity at December 31, 2012** | **274,8** | **5,2** | **280,0** |

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

**Altice Group**

**Combined statements of cash flows**

| | Notes | December 31. 2012 | December 31. 2011 | December 31. 2010 |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| **Net (loss)/income, including non-controlling interests** | | **(180,2)** | **162,0** | **49,4** |
| Adjustments for : | | | | |
| Share of profit of associates | 8 | (20,4) | (58,6) | (20,7) |
| Depreciation and amortization | | 391,0 | 176,0 | 26,5 |
| Gains and losses on disposals | | 4,8 | 6,0 | (0,8) |
| Other non-cash operating gains and losses | | 53,6 | (168,5) | 3,1 |
| **Net cash provided by operating activities after changes in working capital, finance costs and income tax** | | **248,8** | **116,9** | **57,4** |
| Finance costs recognized in profit and loss | | 181,9 | 103,8 | (20,4) |
| Income tax (benefit)/expense recognized in profit and loss | | (26,0) | 32,5 | 2,2 |
| Income tax received/(paid) | | 1,6 | (1,9) | (1,4) |
| Changes in working capital | | 58,2 | 54,8 | (81,5) |
| **Net cash provided by operating activities** | | **464,5** | **306,1** | **(43,7)** |
| Purchases of tangible and intangible assets | | (347,0) | (189,8) | (49,9) |
| Acquisitions of Financial Assets | | (35,8) | (0,1) | — |
| Proceeds from disposal of tangible, intangible and financial assets | | 0,1 | 0,8 | 8,4 |
| (Decrease)/increase in loans and other non-current financial assets | | (16,1) | 0,6 | (7,2) |
| Use of restricted cash | | 32,6 | (40,8) | — |
| Net cash (outflow)/inflow on acquisition of subsidiaries | | (35,1) | (347,3) | 9,0 |
| Transactions with non-controlling interests | | (172,9) | — | — |
| **Net cash provided used by investing activities** | | **(574,2)** | **(576,6)** | **(39,7)** |
| Proceeds from issue of equity instruments | | — | (0,4) | 7,8 |
| Dividends paid to non-controlling-interests | | (26,0) | — | |
| Proceeds from issue of debts | 16 | 891,5 | 823,0 | 196,7 |
| Repayment of debt | 16 | (532,6) | (484,9) | (98,3) |
| Interest paid | | (117,8) | (69,0) | (7,3) |
| **Net cash provided in financing activities** | | **215,1** | **268,7** | **98,9** |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | 0,2 | (0,9) | 2,4 |
| **Net increase in cash and cash equivalents** | | **105,6** | **(2,7)** | **17,9** |
| Cash and cash equivalents at beginning of year | 12 | 24,2 | 26,9 | 9,0 |
| Net increase in cash and cash equivalents | | 105,6 | (2,7) | 17,9 |
| **Cash and cash equivalents at end of year** | 12 | **129,8** | **24,2** | **26,9** |

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

## 1—Basis of preparation of the combined financial statements

### *1.1 Presentation of the Two Groups forming Altice Group*

**Altice S.A.**

Altice S.A. (the ''Company'') is a limited company incorporated in the Grand Duchy of Luxembourg whose head office is in Luxemburg and has been formed on January 3, 2014. Upon admission of the Company's shares on Euronext Amsterdam, the Company shall receive the contribution of two entities incorporated in the Grand Duchy of Luxembourg: Altice Six S.A. and Altice VII S.à r.l.. Altice Six S.A. and its subsidiaries are hereafter referred to as ''Altice Six'' and Altice VII S.à r.l. and its subsidiaries are hereafter referred to as ''Altice VII'' or ''Altice VII Group''. The Company shall hence become the successor entity of Altice Six and Altice VII (collectively the ''Predecessor Entities'').

**Altice Six**

As at approval date, Altice Six holds shares in Numericable Group, a French group listed on Euronext Paris. Numericable Group is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. They also provide French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

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

**Altice VII**

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

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

### *1.2 Description of the context*

Altice Six and Altice VII (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by Patrick Drahi. The purpose of the combined financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the combined financial statements.

**1—Basis of preparation of the combined financial statements (Continued)**

Accordingly, the combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice Six and Altice VII, which are separate legal groups at December 31, 2012, 2011 and 2010.

The combined financial statements have been prepared for the three-year period ended December 31, 2012, 2011 and 2010 (collectively the ''Combined Financial Statements'') in conjunction with the contemplated initial public offering of the shares of Altice S.A. (the **''Offering''**). It is expected that Altice S.A. will acquire 100% of the share capital of Altice VII and Altice Six (the **''Combination''**) in order to reflect the combination of the Two Groups.

***1.3 Statement of compliance***

The combined financial statements of Altice Group include a combined statement of financial position as of December 31, 2012, 2011 and 2010, a combined statement of income, a combined statement of comprehensive income, a combined statement of cash flows and a combined statement of changes in equity for each of the three years in the period ended December 31, 2012 and the underlying Notes. The combined financial statements have been prepared in compliance with International Financial Reporting Standards (**''IFRS''**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union at December 31, 2012.

***1.4 Basis of presentation of the Combined Financial Statements***

**1.4.1 IFRS financial statements**

For the purpose of preparing the Combined Financial Statements, accounting principles effective as of December 31, 2012 have been applied to all years presented in these Combined Financial Statements. Altice Six prepares financial statements in accordance with the accounting rules and principles generally accepted in Luxemburg (''**Luxemburg GAAP**''), in application of the Law of December 19, 2012, as amended.

Altice VII prepares consolidated financial statements in accordance with the International Financial Reporting Standards as adopted in the European Union.

In preparing the Combined Financial Statements, Altice Six prepared financial statements in accordance with Luxemburg GAAP and converted them to IFRS which resulted in the following adjustments:

- Equity accounting of its investments in Altice B2B Luxembourg S.à r.l., Altice B2B Lux. Holding S.à r.l., Ypso Holding S.à r.l., in accordance with IAS 28 *Investments in Associates*;
- Under IFRS, transactions that are not carried at a market rate should be discounted over the life of the financial instruments and carried at amortized cost (as opposed to the cost less impairment under Luxemburg GAAP);
- Certain non-recurring income and expenses have been reclassified to EBITDA and/or financial income in the combined statements of income under IFRS.

**1.4.2 Subsequent events**

The Combined Financial Statements of Altice Group were prepared under the responsibility of the Board of Directors of Altice S.A. and approved by the Board of Directors of Altice S.A. on January 6, 2014. The preparation of the Combined Financial Statements is consistent with estimates reflected in the financial statements of Altice Six and Altice VII as of December 31, 2012, which were respectively authorized for issue on October 17, 2013 and November 12, 2013 by respectively the Board of Directors and Board of Managers. With the exception of the adjustments made in connection with the conversion of the financial statements of Altice Six from Luxemburg GAAP to IFRS, no adjustment has been reflected in the Combined Financial Statements for any subsequent events since November 12, 2013 to reflect exactly the position that was presented in the financial statements of Altice Six and Altice VII for which the Combined Financial Statements are being prepared as disclosed hereafter with the exception of the

**1—Basis of preparation of the combined financial statements (Continued)**

adjustments made in connection with the conversion in IFRS of the Financial Statements of Altice Six prepared initially in accordance with Luxemburg GAAP.

#### 1.4.3 Basis of combination

The Combined Financial Statements were prepared using the accounting records that were used to prepare the financial statements of the Altice Six and Altice VII sub-groups for the year ended December 31, 2012, 2011 and 2010.

All intra-group balances and transactions have been eliminated in preparing the Combined Financial Statements, including the transactions between Altice Six and Altice VII and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Patrick Drahi and the Combined Financial Statements reflects the combination of Altice Six and Altice VII using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Combined Financial Statements.
- Likewise, the Combined Financial Statements were prepared by aggregating the separate financial statements of Altice Six and Altice VII at their historical book value:
    - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Altice Six and Altice VII sub-groups and fully aggregated at their historical book value without being revalued;
    - The combined equity has been determined by aggregating the consolidated equity of the subgroups Altice Six and Altice VII;
    - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Combined Financial Statements;
    - The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated except for the operations that relate to associates which are not eliminated.

**2—Significant accounting policies**

***2.1 Accounting principles governing the preparation of the Combined Financial Statements***

#### 2.1.1 Standards and interpretations applied by the Combined Group as of December 31, 2012

With the exception of the principles used for the combination, as disclosed in Note 1, the accounting policies for recognition and measurement used in preparing the Combined Financial Statements at December 31, 2012 are the same as those used in the previous consolidated financial statements of

**2—Significant accounting policies (Continued)**

Altice VII under IFRS. Adjustments have been recognized to convert the consolidated financial statements of Altice Six (prepared under Luxemburg GAAP) to IFRS (see Note 1.4).

As mentioned in Note 1, the Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted in the European Union (''**EU**'') with mandatory application as of December 31, 2012. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the Combined Financial Statements.

#### 2.1.2 Standards issued but not yet effective

In its combined financial statements, the Combined Group has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2011. Their impact on the Combined Group's financial statements is estimated not to be significant and/or not applicable. This essentially relates to:

- IFRIC 20 ''Overdraft expenses''.
- IFRS 1 amended ''First application of IFRS'' concerning serious hyperinflation and the abolition of dates set for the first adopters, published by the IASB on December 20, 2010 and adopted by the European Union on December 29, 2012. Application of this standard is obligatory from January 1, 2013.
- IAS 19 ''Revised Employee Benefits''.

The combined financial statements have been prepared on the historical cost basis, except for the liability in respect of share based payment transaction, derivatives and financial instruments at fair value through profit and loss and available for sale financial assets. The principal accounting policies are set out below.

### *2.2 Functional currency*

The combined financial statements are presented in millions of euros. Euro is the functional of Altice Six and Altice VII and the presentation currency of the Two Groups.

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

### *2.3 Foreign currency translation*

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

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

## 2—Significant accounting policies (Continued)

### *2.4 Subsidiaries and associates*

#### 2.4.1 Subsidiaries

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

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

#### 2.4.2 Associates

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

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

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

### *2.5 Operating profit before depreciation and amortization*

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

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

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

### *2.6 Revenue recognition*

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

**2—Significant accounting policies (Continued)**

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

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

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

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

***2.7 Finance costs***

Finance costs primarily comprise:

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

***2.8 Income taxes***

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

**2.8.1 Current taxes**

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

**2—Significant accounting policies (Continued)**

**2.8.2 Deferred taxes**

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

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

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

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

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

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

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

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

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

**2—Significant accounting policies (Continued)**

***2.9 Goodwill and business combinations***

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 ''Business combinations'' are recognized at their fair value at acquisition date.

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

*a) The aggregate of:*

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

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

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

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

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

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

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

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

***2.10 Other intangible assets***

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

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

Assets with definite useful lives are amortized over their useful lives and assessed for impairment signs which would indicate impairment in value. The amortization period and the amortization method for an

**2—Significant accounting policies (Continued)**

intangible asset with a finite useful life are reviewed at least once a year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits that are expected to derive from the asset are treated as a change in an accounting estimate which is treated prospectively. The amortization expenses regarding intangible assets with finite useful lives are recognized in the income statement.

The useful lives of the intangible assets are as follows:

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

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

***2.11 Impairment of tangible and intangible assets***

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

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

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

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

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

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

***2.12 Property, plant and equipment***

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

**2—Significant accounting policies (Continued)**

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

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

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

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

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

***2.13 Leasing***

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

**2.13.1 The Combined Group as lessor**

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

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

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

**2.13.2 The Combined Group as lessee**

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

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

**2—Significant accounting policies (Continued)**

note 2.11 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

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

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

***2.14 Borrowing costs***

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

***2.15 Government grants***

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

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

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

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

***2.16 Financial assets***

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

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

**2.16.1 Available-for-sale financial assets**

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

Available-for-sale financial assets consist mainly of shares in non-consolidated companies. Fair value corresponds to quote price for listed securities. For non-listed securities, and when a reliable estimate of

**2—Significant accounting policies (Continued)**

fair value cannot be made using valuation techniques, the group values financial assets at historical cost, less any impairment losses.

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

#### 2.16.2 Loans and receivables

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

This category mainly includes trade receivables.

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

#### 2.16.3 Held-to-maturity financial assets

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

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

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

#### 2.16.4 Financial assets measured at fair value through profit or loss

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

This category mainly includes:

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

### *2.17 Inventories*

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

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

**2—Significant accounting policies (Continued)**

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

***2.18 Cash and cash equivalents***

Cash consists of cash in banks and deposits.

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

***2.19 Restricted cash***

Restricted cash is considered to be cash that is dedicated to the repayment of the Combined Group's liabilities to banking entities in accordance with the Group's credit agreement.

***2.20 Derivatives***

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

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

***2.21 Share based payment arrangements***

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

***2.22 Financial liabilities***

Financial liabilities other than derivative instruments include:

**2.22.1 Financial liabilities at amortized cost**

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

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

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

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

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or

**2—Significant accounting policies (Continued)**

more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

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

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

#### 2.22.3 Classification as debt or equity

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

#### 2.22.4 Equity instruments

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

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

The Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 16.2.

### *2.23 Other liabilities*

#### 2.23.1 Provisions

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

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

##### *2.23.1.1 Legal claims*

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

**2—Significant accounting policies (Continued)**

***2.23.1.2 Warranty***

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

***2.23.1.3 Onerous contracts***

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

***2.23.1.4 Restructuring***

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

**2.23.2 Liabilities for employment benefits**

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

***2.23.2.1 Short-term benefits for employees***

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

***2.23.2.2 Post-retirement benefits***

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

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

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

**2—Significant accounting policies (Continued)**

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

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

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

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

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

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

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

#### 2.24.1 Judgments

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

#### 2.24.2 Estimates and assumptions

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

#### 2.24.3 Impairment of goodwill

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

**2—Significant accounting policies (Continued)**

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Directors. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1,5-2%. This rate does not exceed the average long-term growth rate for the relevant markets. Discount rates have been computed using WACC approach and range from 7% to 7,5%.

The carrying amount of goodwill as at December 31, 2012 was EUR 790,9 million (December 31, 2011 was EUR 911,9 million ; December 31, 2010: EUR 17,8 million). No impairment loss has been accounted for in 2010 and 2011 respectively.

### 2.24.4 Legal claims

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

### 2.24.5 Post-employment benefits

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

### 2.24.6 Deferred tax asset

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

As of December 31, 2012, 2011 and 2010, in evaluating whether deferred tax assets should be recognized, management considered the weight of one form of negative evidence being a significant amount of cumulative losses in recent years and concluded that it is not probable that future taxable profit will be available against which the unused tax loss carry forward can be utilized.

### 2.24.7 Discounting of Yield Free Preferred Equity Certificates (YFPEC)

The Combined Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4,76% has been used for YFPECs issued by Altice VII and 6,38% for YFPECs issued by Altice Six.

## 3—Scope of combination

### *3.1 Entities comprised in the scope of combination*

| Name of subsidiary | Country | Method of consolidation | | | Proportion of ownership interest and voting power held by the group | | |
|---|---|---|---|---|---|---|---|
| | | December 31, 2012 | December 31, 2011 | December 31, 2010 | December 31, 2012 | December 31, 2011 | December 31, 2010 |
| Altice VII S.à r.l. | Luxembourg | Parent company | Parent company | — | — | — | — |
| Altice Six S.A. | Luxembourg | Parent Company | Parent Company | — | | | — |
| Cool Holding LTD | Israel | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| Hot Telecom Limited Partnership | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Mobile LTD | Israel | FC(*) | FC(*) | FC(*) | 100% | 64,70% | 100% |
| Hot Cable Telecommunications Systems LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD) | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Properties LTD(1) | Israel | — | FC(*) | Equity Method | — | 64,70% | 44,77% |
| Hot Vision LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Nonstop Ventures LTD | Israel | Equity method | Equity method | Equity Method | 50% | 32,35% | 22,39% |
| South Saron Communications LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Iscarable LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot TLM Subscription Television LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Red LTD(1) | Israel | — | FC(*) | Equity Method | — | 64,70% | 44,77% |
| Hot Eden Cables Systems LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Israel Cables Systems LTD | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot Gold LTD(1) | Israel | — | FC(*) | Equity Method | — | 64,70% | 44,77% |
| Hot Net Limited Partnership | Israel | FC(*) | FC(*) | Equity Method | 100% | 64,70% | 44,77% |
| Hot EDOM LTD | Israel | FC(*) | — | Equity Method | 100% | — | |
| Zira (Copyrights on the Internet) LTD | Israel | Equity method | — | Equity Method | 25% | — | |
| Altice Securities S.à r.l. | Luxembourg | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| Altice Africa S.à r.l. | Luxembourg | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| Altice Blue One S.A.S. | France | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| MTVC S.A. | France | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| WSG S.A. | France | FC(*) | FC(*) | FC(*) | 99,95% | 99,95% | 99,95% |
| Green ch. | Switzerland | FC(*) | FC(*) | FC(*) | 99,12% | 99,12% | 99,12% |
| Valvision S.A.S. | France | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| Auberimmo S.A.S. | France | FC(*) | FC(*) | FC(*) | 100% | 100% | 100% |
| Green Datacenter AG | Switzerland | FC(*) | FC(*) | FC(*) | 97% | 97% | 97% |
| Coditel Holding Lux II S.à r.l. | Luxembourg | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Deficom Telecom S.à r.l. | Luxembourg | FC(*) | FC(*) | | 74% | 74% | |
| Coditel Holding Lux S.à r.l. | Luxembourg | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Coditel Holding S.A. | Luxembourg | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Coditel Brabant S.p.r.l. | Belgium | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Coditel S.à r.l. | Luxembourg | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Coditel Management S.à r.l. | Luxembourg | FC(*) | FC(*) | | 44,39% | 44,39% | |
| Altice Caribbean S.à r.l. | Luxembourg | FC(*) | — | | 100% | — | |
| Altice Portugal S.A. | Portugal | FC(*) | — | | 60% | — | |
| Cabovisao S.A. | Portugal | FC(*) | — | | 60% | — | |
| Altice Finco S.A. | Luxembourg | FC(*) | — | | 100% | — | |
| Altice Financing S.A. | Luxembourg | FC(*) | — | | 100% | — | |
| Ypso Holding S.à r.l. | Luxembourg | Equity method | Equity method | Equity method | 24,06% | 24,06% | 24,06% |
| Altice B2B Lux S.à r.l. | Luxembourg | Equity method | Equity method | Equity method | 24,06% | 24,06% | 24,06% |

(1) Solutions 25 changed its name to Green ch as the result of the merger of Green ch by Solutions 25 in 2010

(2) Everido was merged into Altice VII in 2010

(3) The Combined Group acquired in January 2012 the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Combined Group owned 95% of Sequalum Participation.

(4) The entities Altitude Telecom, B3G SA and B3G Online were merged in 2011 in Completel SAS.

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

#### 3.2.1 Main acquisitions in 2010

##### *3.2.1.1 Hot Mobile (ex MIRS Communications Ltd)*

In 2010, Altice Securities S.à r.l. decided to incorporate Altice Acquisition Ltd, a company incorporated under the laws of Israel. On December 9, 2009, the company entered into an acquisition agreement which was amended on February 4, 2010, pursuant to which, the company acquired all the shares held in MIRS Communications Ltd (''Hot Mobile''), by way of a merger with and into Hot Mobile of the shares held in Altice Acquisition Ltd. This merger became effective on May 27, 2010.

## 3—Scope of combination (Continued)

### 3.2.2 Main acquisitions in 2011

#### *3.2.2.1 The HOT group*

On October 26, 2010, the Combined Group entered into two acquisition agreements with the HOT Telecommunications equity holders, the Fishman Group and the Yediot Communications Ltd. Group, which as of the date of the above mentioned agreements held about 12,61% and 16,79% of HOT shares, respectively. On November 28, 2011 the transaction was consummated.

On March 16, 2011, Hot Telecommunications completed a private placement for approximately 2% of HOT issued share capital which was entirely subscribed by the Combined Group. At completion of this placement, the Combined Group held approximately 64,7% of HOT's shares.

Until March 16, 2011, the Combined Group held about 44,7% of HOT shares which until that date had been accounted for as an investment in associate using the equity method.

Since March 16, 2011, the Combined Group consolidates HOT and the Combined Group elected to measure the non-controlling interests in the acquiree at fair value at the date when control had been achieved.

The Combined Group has recognized the fair value of the assets that were acquired and the liabilities that were taken on within the framework of the business combination in accordance with an evaluation by an independent external expert. As of the time of the approval of the financial statements a final evaluation from an external expert has been received in relation to the fair value of the identified assets that were acquired and the liabilities that have been taken up. The amount of the investment prior to achieving control, in accordance with the equity method of accounting, as aforesaid, has been revalued in accordance with the share price as of the said time (approximately EUR 12,14), such that the financial statements as of March 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company, in an amount of approximately EUR 133,0 million.

*a) Customer relations*

The customer relations were valued on the basis of the fair value of the existing customers in accordance with the contracts with them, through the excess earnings method for multiple periods. The amortization period for customer contracts ranges from 7 to 14 years under the straight line method.

*b) Customer relations with a defined contractual term*

This intangible asset was estimated based on the cash flows expected from existing orders or signed agreements of existing customers according to the surplus earning method for multiple periods. The amortization period for this asset is 3 years according to the existing agreements data.

*c) Brand name*

The ''HOT'' brand and ''Mirs'' brand were valued within the framework of the business combination in accordance with the ''relief from royalties'' method.

*d) Backlog of contracts*

The backlog of contracts was valued within the framework of the business combination on the basis of the cash flows that were expected as a result of the acquisition, which derived from orders associated with signed contracts, with the addition of an appropriate profit margin, in accordance with the excess earnings method for multiple periods.

*e) Subscriber purchase costs*

The HOT Group has an intangible asset that was created in respect of the costs associated with the purchase of subscribers. The additional direct sales commissions that are paid in respect of sales to

**3—Scope of combination (Continued)**

subscribers that have signed on a commitment to remain customers of the Combined Group are recognized as an intangible asset up to the maximum fine that exists according to their contractor obligation. The expenses relating to the amortization of the purchase of the subscribers are recorded in the income statement over the period of the subscribers' average contractual commitment.

*f) Software*

The Combined Group's assets include computer systems that contain both software and hardware. Software that constitutes an integral part of the hardware, which cannot operate without the software that is installed therein, are classified as fixed assets. On the contrary, licenses from stand-alone software which add additional functionalities for the hardware are classified as intangible assets.

#### *3.2.2.2 Coditel Brabant S.p.r.l. and Coditel S.à r.l.:*

The Coditel reporting entity, Coditel Holding S.A. (''Coditel Holding'') was incorporated on May 12, 2011 for the purpose of acquiring Coditel Brabant S.p.r.l. (''Coditel Belgium'') and Coditel S.à r.l. (''Coditel Luxembourg''), which acquisition was completed on July 31, 2011.

As at the end of 2011, Altice VII holds an indirect interest of 44,4% in Coditel Brabant S.p.r.l. and Coditel S.à r.l.. Through various holding vehicles, Altice VII controls Coditel Brabant and Coditel S.à r.l.. Control is obtained via the majority position on the board of these entities by the Altice VII representatives.

### 3.2.3 Main acquisitions in 2012

Altice Portugal S.A. acquired 100% of Cabovisao as at February 29, 2012, from Cogeco Cable Luxembourg Holding S.A.. The consideration amounted to EUR 45 million, of which 40% was subsequently sold to Apax Partners in April 2013.

### *3.3 Acquisitions of businesses*

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

**3—Scope of combination (Continued)**

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

| | Total Business Combinations | Cabovisao | Hot Telecom | Coditel Brabant S.p.r.l. | Coditel S.à r.l. |
|---|---|---|---|---|---|
| | | (in millions of euros) | | | |
| Cost of acquisition | 1 337,2 | 45,0 | 941,1 | 244,3 | 106,8 |
| **ASSET** | | | | | |
| Intangible assets | 452,8 | 37,8 | 367,8 | 40,0 | 7,2 |
| Property, plant and equipment | 886,3 | 123,0 | 718,8 | 25,1 | 19,4 |
| Deferred tax assets | 21,7 | 0,9 | 20,8 | — | — |
| Other non-current assets | 23,1 | — | 21,5 | 1,6 | — |
| Inventories | 7,3 | 6,5 | — | 0,3 | 0,4 |
| Trade and other receivables | 43,4 | 0,2 | 30,3 | 10,4 | 2,5 |
| Cash and cash equivalents | 18,2 | 9,0 | 8,3 | 0,6 | 0,3 |
| Other current assets | 5,4 | 1,6 | 3,4 | 0,3 | — |
| **Total assets** | **1 458** | **178,9** | **1 170,8** | **78,4** | **30,0** |
| **EQUITY AND LIABILITIES** | | | | | |
| Non-current liabilities | 682,5 | 37,7 | 625,3 | 17,2 | 2,2 |
| Current liabilities | 300,7 | 33,2 | 234,1 | 26,1 | 7,3 |
| **Total liabilities** | **983,2** | **70,9** | **859,4** | **43,3** | **9,5** |
| **Net assets** | **474,9** | **108,0** | **311,3** | **35,1** | **20,5** |
| **Residual goodwill/(badwill)** | **862,2** | **(63,0)** | **629,8** | **209,2** | **86,4** |
| *Including impact of non controlling interests on goodwill/(badwill)* | *139,1* | *(25,2)* | — | *116,3* | *48,0* |

The net cash outflow in 2012 on the acquisition of Cabovisao amounted to EUR 35.1 million.

The net cash outflow in 2011 for the acquisitions mentioned above is of EUR 347,3 million and consists of the following:

—acquisition of Coditel Brabant S.p.r.l. and Coditel S.à r.l. . . . . EUR 159,4 million
—acquisition of Hot Telecom . . . . . EUR 197,1 million
—Cash used . . . . . EUR −9,2 million

**3—Scope of combination (Continued)**

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

| | Cabovisao | Coditel Brabant S.p.r.l. | Coditel S.à r.l. | Hot Telecom |
|---|---|---|---|---|
| | January 1, 2012 to February 28, 2012 | January 1, 2011 to June 30, 2011 | January 1, 2011 to June 30, 2011 | January 1, 2011 to March 16, 2011 |
| | (in millions of euros) | | | |
| **Revenues** | **19,8** | **24,4** | **7,9** | **165,2** |
| Cost of sales | (8,8) | (3,6) | (1,4) | (48,0) |
| **Gross Profit** | **11,0** | **20,7** | **6,5** | **117,1** |
| Other operating expenses | (4,6) | (2,8) | (0,9) | (38,6) |
| General and administrative expenses | (1,4) | (3,0) | (0,9) | (5,4) |
| Other sales and marketing expenses | (2,4) | (1,3) | (0,1) | (9,8) |
| **Operating profit before depreciation and amortization** | **2,6** | **13,6** | **4,5** | **63,3** |
| Depreciation and amortization | (0,8) | (6,2) | (1,7) | (32,1) |
| Other expenses, net | (0,3) | — | — | (0,2) |
| Reorganization and non-recurring costs | — | (0,5) | — | — |
| **Operating profit** | **1,5** | **7,0** | **2,9** | **30,9** |
| **Profit for the period (including non-controlling interests)** | **1,4** | **2,4** | **0,6** | **30,5** |

**4—Goodwill**

| | December 31, 2011 | Business combinations | Impairment losses | Changes in foreign currency translation | December 31, 2012 |
|---|---|---|---|---|---|
| | (in millions of euros) | | | | |
| WSG | 4,6 | — | — | — | 4,6 |
| Valvision | 1,4 | — | — | — | 1,4 |
| Solutions 25/Green ch/Everido | 17,8 | — | — | — | 17,8 |
| Coditel Brabant | 209,2 | — | — | — | 209,2 |
| Coditel S.à r.l. | 86,4 | — | — | — | 86,4 |
| Hot Telecom | 600,2 | — | — | 1,6 | 601,8 |
| **Total Gross Value** | **919,4** | **—** | **—** | **1,6** | **921,0** |
| WSG | (4,6) | — | — | — | (4,6) |
| Valvision | (1,4) | — | — | — | (1,4) |
| Solutions 25/Green ch/Everido | — | — | — | — | — |
| Coditel Brabant | — | — | — | — | — |
| Coditel S.à r.l. | — | — | — | — | — |
| Hot Telecom | (1,6) | — | (121,9) | (0,7) | (124,2) |
| **Total Cumulative impairment** | **(7,5)** | **—** | **(121,9)** | **(0,7)** | **(130,1)** |
| WSG | — | — | — | — | — |
| Valvision | — | — | — | — | — |
| Solutions 25/Green ch/Everido | 17,8 | — | — | — | 17,8 |
| Coditel Brabant | 209,2 | — | — | — | 209,2 |
| Coditel S.à r.l. | 86,4 | — | — | — | 86,4 |
| Hot Telecom | 598,6 | — | (121,9) | 0,9 | 477,6 |
| **Total Net book value** | **911,9** | **—** | **(121,9)** | **0,9** | **790,9** |

**4—Goodwill (Continued)**

| | December 31, 2010 | Business combinations | Impairment losses | Changes in foreign currency translation | December 31, 2011 |
|---|---|---|---|---|---|
| | | | (in millions of euros) | | |
| WSG | 4,6 | — | — | — | 4,6 |
| Valvision | 1,4 | — | — | — | 1,4 |
| Everido | 17,8 | — | — | — | 17,8 |
| Coditel Brabant | — | 209,2 | — | — | 209,2 |
| Coditel S.à r.l. | — | 86,4 | — | — | 86,4 |
| Hot Telecom | — | 629,8 | — | (29,6) | 600,2 |
| **Total Gross Value** | **23,8** | **925,3** | **—** | **(29,6)** | **919,5** |
| WSG | (4,6) | — | — | — | (4,6) |
| Valvision | (1,4) | — | — | — | (1,4) |
| Everido | — | — | — | — | — |
| Coditel Brabant | — | — | — | — | — |
| Coditel S.à r.l. | — | — | — | — | — |
| Hot Telecom | — | (1,6) | — | 0,1 | (1,6) |
| **Total Cumulative impairment** | **(6,0)** | **(1,6)** | **—** | **0,1** | **(7,6)** |
| WSG | — | — | — | — | — |
| Valvision | — | — | — | — | — |
| Everido | 17,8 | — | — | — | 17,8 |
| Coditel Brabant | — | 209,2 | — | — | 209,2 |
| Coditel S.à r.l. | — | 86,4 | — | — | 86,4 |
| Hot Telecom | — | 628,1 | — | (29,5) | 598,6 |
| **Total Net book value** | **17,8** | **923,7** | **—** | **(29,5)** | **911,9** |

| | January 1, 2010 | Business combinations | Impairment losses | Changes in foreign currency translation | December 31, 2010 |
|---|---|---|---|---|---|
| | (unaudited) | | (in millions of euros) | | |
| WSG | 4,6 | — | — | — | 4,6 |
| Valvision | 1,4 | — | — | — | 1,4 |
| Everido | 17,8 | — | — | — | 17,8 |
| **Total Gross Value** | **23,8** | **—** | **—** | **—** | **23,8** |
| WSG | (4,6) | — | — | — | (4,6) |
| Valvision | (1,4) | — | — | — | (1,4) |
| Everido | — | — | — | — | — |
| **Total Cumulative impairment** | **(6,0)** | **—** | **—** | **—** | **(6,0)** |
| WSG | — | — | — | — | — |
| Valvision | — | — | — | — | — |
| Everido | 17,8 | — | — | — | 17,8 |
| **Total Net book value** | **17,8** | **—** | **—** | **—** | **17,8** |

Management monitors its different businesses by geography. The businesses are split into different geographies as mentioned below:

- Israel
- Belgium and Luxembourg

**4—Goodwill (Continued)**

- France
- French overseas Territories
- Switzerland
- Others

In addition to this geographical split, for the purpose of the testing for impairment of goodwill and intangible assets with an indefinite useful life, the goodwill, brand name and customer relationships have been allocated to the local businesses that represent cash-generating units (CGU) as follows:

- WSG
- Valvision
- Everido
- Coditel Brabant
- Coditel S.à r.l.
- Hot Telecom

Goodwill is tested at the cash-generating units (''CGU'') level for impairment annually, as of December 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the CGU represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the CGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to telecom prices and direct costs during the period.

The Board of Directors estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital.

For the year ended December 31, 2012, the Board of Directors has determined the value in use of each cash generating unit, with the assistance of an external appraiser, and as a result of this valuation the Group concluded that the recoverable amount of the Israeli in-country fixed line is lower than its carrying amount and accordingly recorded in the reporting period an impairment of approximately EUR 121,9 million which was recorded as part of section ''depreciation and amortization''

The Board of Directors has performed an impairment analysis for the purpose of issuing these combined financial statements and determined that no impairment should be recorded for the years ended December 31, 2011 and 2010.

## 5—Other intangible assets

| | December 31, 2011 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2012 |
|---|---|---|---|---|---|---|---|
| | | | | (in millions of euros) | | | |
| Software | 37,1 | 27,3 | — | — | 0,3 | (0.1) | 64,6 |
| Brand name | 50,0 | — | — | 29,6 | 0,2 | — | 79,8 |
| Customer relations[1] | 316,4 | — | — | 8,2 | 1,0 | — | 325,6 |
| Licenses | 19,2 | 13,2 | (0,6) | — | — | 0.1 | 32,0 |
| Subscriber purchase costs[2] | 152,1 | 21,2 | — | — | 0,6 | — | 173,9 |
| Intangible assets under construction | 0,0 | 0,3 | — | — | — | (0,3) | 0,0 |
| Other intangible assets | 95,3 | 23,1 | — | 0,1 | 0,4 | — | 118,8 |
| **Total Gross Value** | **670,3** | **85,1** | **(0,6)** | **37,9** | **2,6** | **(0.2)** | **794,9** |
| Software | (10,8) | (17,2) | 0,2 | — | (0,2) | 0.1 | (27,9) |
| Brand name | (1,1) | (1,5) | 0.0 | — | — | — | (2,7) |
| Customer relations[1] | (21,6) | (31.0) | — | — | (0,3) | — | (53,0) |
| Licenses | (7,1) | (2,9) | 0,2 | — | — | (0.1) | (9,9) |
| Subscriber purchase costs[2] | (140,4) | (25,3) | | — | (0,6) | — | (166,3) |
| Intangible assets under construction | — | — | — | — | — | — | — |
| Other intangible assets | (30,9) | (46,1) | — | — | (0,3) | 0.6 | (76,7) |
| **Total Cumulative amortization and depreciation** | **(211,9)** | **(124,4)** | **0,4** | **0,0** | **(1,4)** | **(0.6)** | **(336,5)** |
| Software | 26,3 | 10,1 | 0,2 | — | 0,1 | — | 36,7 |
| Brand name | 48,9 | (1,5) | — | 29,6 | 0,2 | — | 77,2 |
| Customer relations[1] | 294,8 | (31,0) | — | 8,2 | 0,7 | — | 272,7 |
| Licenses | 12,1 | 10,3 | (0,4) | — | — | — | 22,0 |
| Subscriber purchase costs[2] | 11,7 | (4,1) | — | — | — | — | 7,6 |
| Intangible assets under construction | 0,0 | 0,3 | — | — | — | (0,3) | 0,1 |
| Other intangible assets | 64,4 | (23.1) | — | 0,1 | 0,1 | 0,7 | 42.2 |
| **Total Net book value** | **458,3** | **(39)** | **(0.2)** | **37,9** | **1,2** | **0,5** | **458.5** |

**5—Other intangible assets (Continued)**

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination.

| | December 31, 2010 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2011 |
|---|---|---|---|---|---|---|---|
| | | | | (in millions of euros) | | | |
| Software | 6,0 | 19,8 | (0,1) | 13,7 | (2,3) | — | 37,1 |
| Brand name | 16,4 | 0,1 | — | 34,6 | (1,0) | — | 50,0 |
| Customer relations[1] | 38,9 | — | — | 290,5 | (13,0) | — | 316,4 |
| Licenses | 8,9 | 9,2 | — | 1,3 | (0,1) | — | 19,2 |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | 145,4 | 7,3 | — | 7,7 | (8,4) | — | 152,1 |
| Intangible assets under construction | 0,2 | — | — | — | — | (0,2) | — |
| Other intangible assets | 7,3 | 23,0 | — | 67,2 | (2,3) | 0,1 | 95,3 |
| **Total Gross Value** | **223,2** | **59,4** | **(0,1)** | **414,9** | **(27,1)** | **(0,1)** | **670,3** |
| Software | (2,5) | (9,9) | 0,1 | — | 1,6 | — | (10,8) |
| Brand name | — | (0,7) | (0,6) | — | 0,2 | — | (1,1) |
| Customer relations[1] | (2,3) | (17,9) | (3,4) | — | 1,9 | — | (21,6) |
| Licenses | (6,1) | (1,1) | — | — | 0,1 | — | (7,1) |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | (118,4) | (28,6) | — | — | 6,6 | — | (140,4) |
| Intangible assets under construction | — | — | — | — | — | — | — |
| Other intangible assets | (3,8) | (12,4) | (14,5) | — | (0,3) | — | (30,9) |
| **Total Cumulative amortization and depreciation** | **(133,1)** | **(70,6)** | **(18,4)** | **—** | **10,2** | **—** | **(211,9)** |
| Software | 3,5 | 9,8 | | 13,7 | (0,7) | — | 26,3 |
| Brand name | 16,4 | (0,6) | (0,6) | 34,6 | (0,8) | — | 48,9 |
| Customer relations[1] | 36,6 | (17,9) | (3,4) | 290,5 | (11,1) | — | 294,8 |
| Licenses | 2,7 | 8,1 | — | 1,3 | — | — | 12,1 |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | 27,1 | (21,3) | — | 7,7 | (1,8) | — | 11,7 |
| Intangible assets under construction | 0,2 | — | — | — | — | (0,2) | — |
| Other intangible assets | 3,5 | 10,6 | (14,5) | 67,2 | (2,6) | 0,1 | 64,4 |
| **Total Net book value** | **90,1** | **(11,2)** | **(18,5)** | **414,9** | **(16,9)** | **(0,1)** | **458,3** |

## 5—Other intangible assets (Continued)

| | January 1, 2010 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | (in millions of euros) | | | |
| Software | 1,9 | 1,1 | — | 2,3 | 0,7 | — | 6,0 |
| Brand name | 13,8 | — | — | — | 2,6 | — | 16,4 |
| Customer relations[1] | 32,8 | — | — | — | 6,1 | — | 38,9 |
| Licenses | 7,3 | — | — | 1,1 | 0,5 | — | 8,9 |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | 91,5 | 8,2 | — | 26,9 | 18,9 | — | 145,4 |
| Intangible assets under construction | — | 0,2 | — | — | — | — | 0,2 |
| Other intangible assets | 4,1 | 2,2 | — | — | 1,0 | — | 7,3 |
| **Total Gross Value** | **151,4** | **11,7** | **—** | **30,4** | **29,8** | **—** | **223,2** |
| Software | (1,6) | (0,7) | — | — | (0,2) | — | (2,5) |
| Brand name | — | — | — | — | — | — | — |
| Customer relations[1] | — | (2,1) | — | — | (0,2) | — | (2,3) |
| Licenses | (5,8) | (0,2) | — | — | (0,3) | — | (6,1) |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | (91,5) | (12,0) | — | — | (14,9) | — | (118,4) |
| Intangible assets under construction | — | — | — | — | — | — | — |
| Other intangible assets | (1,4) | (2,0) | — | — | (0,4) | 0,1 | (3,8) |
| **Total Cumulative amortization and depreciation** | **(100,3)** | **(17,0)** | **—** | **—** | **(16,1)** | **0,1** | **(133,3)** |
| Software | 0,3 | 0,4 | — | 2,3 | 0,4 | — | 3,5 |
| Brand name | 13,8 | — | — | — | 2,6 | — | 16,4 |
| Customer relations[1] | 32,8 | (2,1) | — | — | 5,9 | — | 36,6 |
| Licenses | 1,6 | (0,2) | — | 1,1 | 0,2 | — | 2,7 |
| Start up costs | — | — | — | — | — | — | — |
| Research and development costs | — | — | — | — | — | — | — |
| Subscriber purchase costs[2] | — | (3,9) | — | 26,9 | 4,0 | — | 27,1 |
| Intangible assets under construction | — | 0,2 | — | — | — | — | 0,2 |
| Other intangible assets | 2,7 | 0,2 | — | — | 0,5 | 0,1 | 3,5 |
| **Total Net book value** | **51,3** | **(5,3)** | **—** | **30,4** | **13,7** | **0,1** | **90,1** |

(1) Customer relations have been valued on the basis of the fair value of the existing customers. The amortization expenses are in accordance with the benefits expected for each customers in each period.

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

The majority of the intangible assets movements for the year ended December 31, 2011 are related to the Hot Telecom, Coditel S.p.r.l. and Coditel S.à r.l. business combinations.

## 6—Property, Plant & Equipment

| | December 31, 2011 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2012 |
|---|---|---|---|---|---|---|---|
| | | | | (in millions of euros) | | | |
| Land | 2,6 | — | — | 0,3 | — | — | 2,9 |
| Buildings | 55,5 | 12,3 | — | 0,5 | 0,3 | — | 68,6 |
| Cable networks[1] | 480,3 | 58,3 | (0.9) | 110,4 | 3 | 10,7 | 661,8 |
| Call center (primarily electronic equipment)[2] | 68,3 | 25,8 | — | | 0,7 | — | 94,9 |
| Converters and modems | 161,8 | 70,4 | (3.2) | | 1,5 | — | 230,5 |
| Computers and ancillary equipment | 29,1 | 6,4 | — | 0,1 | 0,2 | 3,7 | 35,8 |
| Office furniture and equipment[3] | 97,7 | 12,2 | (0,5) | 0,7 | 0,2 | 0,4 | 113,9 |
| Communication network infrastructure[4] | 301,9 | 58 | (2.3) | 3,1 | 1 | — | 362,1 |
| Other data center equipment | 3 | (1,6) | — | — | — | 1,8 | 3,3 |
| Tangible assets under construction | 7,2 | 19,8 | (1,8) | 8,4 | — | (16,6) | 17,0 |
| Prepayments on tangible assets | 0,1 | 3,0 | — | — | — | — | 3,1 |
| Other tangible assets | 6,2 | 3,2 | — | 0,1 | — | | 9,6 |
| **Total Gross Value** | **1 213,7** | **267,9** | **(8,8)** | **123.6** | **6,9** | **0,1** | **1 603,4** |
| Buildings | (8,7) | (4) | — | — | (0,1) | — | (12,8) |
| Cable networks[1] | (24,7) | (110,6) | 0,8 | — | (1,8) | — | (136,3) |
| Call center (primarily electronic equipment)[2] | (5,8) | (19,6) | (0,8) | — | (0,5) | — | (26,7) |
| Converters and modems | (11) | (44,9) | 6,3 | — | (0,9) | — | (50,6) |
| Computers and ancillary equipment | (20,4) | (5) | (2,0) | — | (0,2) | — | (27,6) |
| Office furniture and equipment[3] | (23,7) | (15,2) | 1,9 | — | — | — | (37,0) |
| Communication network infrastructure[4] | (212,3) | (28,2) | 6,0 | — | (0,5) | — | (235,1) |
| Other data center equipment | (1,1) | (0,3) | — | — | — | — | (1,5) |
| Tangible assets under construction | (0,1) | (0,3) | — | — | — | 0,1 | (0,3) |
| Prepayments on tangible assets | — | — | — | — | — | — | |
| Other tangible assets | (4,1) | (2,9) | (0,6) | — | — | — | (7,7) |
| **Total Cumulative amortization and depreciation** | **(311,9)** | **(231,1)** | **11,5** | **—** | **(4,1)** | **0,1** | **(535,6)** |
| Land | 2,6 | — | — | 0,3 | — | — | 2,9 |
| Buildings | 46,8 | 8,2 | — | 0,5 | 0,2 | — | 55,8 |
| Cable networks[1] | 455,6 | (52,2) | (0,1) | 110,4 | 1,2 | 10,7 | 525,6 |
| Call center (primarily electronic equipment)[2] | 62,6 | 6,3 | (0,8) | — | 0,2 | — | 68,2 |
| Converters and modems | 150,8 | 25,5 | 3,0 | — | 0,6 | — | 179,9 |
| Computers and ancillary equipment | 8,7 | 1,4 | (2,0) | 0,1 | — | — | 8,2 |
| Office furniture and equipment[3] | 74 | (2,9) | 1,3 | 0,7 | 0,1 | 3,7 | 76,8 |
| Communication network infrastructure[4] | 89,6 | 29,7 | 3,6 | 3,1 | 0,5 | 0,4 | 127 |
| Leasehold contracts | 0 | — | — | — | — | — | — |
| Other data center equipment | 1,9 | (1,9) | — | — | — | 1,8 | 1,8 |
| Tangible assets under construction | 7,1 | 19,5 | (1,8) | 8,4 | — | (16,4) | 16,7 |
| Prepayments on tangible assets | 0,1 | 3,0 | — | — | — | — | 3,1 |
| Other tangible assets | 2,0 | 0,3 | (0,6) | 0,1 | — | — | 1,9 |
| **Total Net book value** | **901,7** | **36,8** | **2,6** | **123,6** | **2,8** | **0,2** | **1 067,8** |

Most of the tangible assets increases as of December 31, 2012 are related to the Cabovisao business combination (see Note 3.3). The additions in capital expenditures come mainly from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 69,4 million for the year ended December 31, 2012, as compared to EUR 29,3 million for the year ended December 31, 2011. The increase in converters and modems related capital expenditures resulted from capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT

## 6—Property, Plant & Equipment (Continued)

Magic HD) for which delivery was delayed and which we had expected to incur during the second quarter of 2011 and did not received until the last quarter of 2011.

- Cable network related (including centers) capital expenditures represented EUR 84 million for the year ended December 31, 2012, as compared to EUR 51.6 million for the year ended December 31, 2011. The increase in our total cable network related (including centers) capital expenditure was as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fibre roll out in certain areas in 2012.

| | December 31, 2010 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2011 |
|---|---|---|---|---|---|---|---|
| | | | | (in millions of euros) | | | |
| Land | 2,5 | — | — | 0,1 | — | — | 2,6 |
| Buildings | 17,9 | 13,0 | — | 14,6 | (1,7) | 11,7 | 55,5 |
| Cable networks[1] | 13,0 | 31,3 | — | 481,9 | (45,9) | — | 480,3 |
| Call centers (primarily electronic equipment)[2] | — | 14,1 | — | 64,1 | (9,9) | — | 68,3 |
| Converters and modems | 0,7 | 30,1 | (2,0) | 151,7 | (18,6) | — | 161,8 |
| Computers and ancillary equipment | 22,4 | 4,8 | — | 4,6 | (2,6) | — | 29,1 |
| Office furniture and equipment[3] | 29,4 | 15,2 | (1,0) | 43,6 | 0,4 | 10,0 | 97,7 |
| Communication network infrastructure[4] | 288,3 | 24,9 | — | — | (11,4) | — | 301,9 |
| Other data center equipment | 2,2 | 0,7 | — | — | 0,1 | — | 3,0 |
| Tangible assets under construction | 21,8 | 6,4 | — | — | 0,3 | (21,3) | 7,2 |
| Prepayments on tangible assets | 0,5 | — | — | — | — | (0,4) | 0,1 |
| Other tangible assets | 3,6 | 0,5 | — | 2,8 | (0,7) | — | 6,2 |
| Total Gross Value | 402,3 | 141,1 | (3,1) | 763,3 | (89,9) | — | 1 213,7 |
| Buildings | (6,1) | (3,4) | — | — | 0,9 | — | (8,7) |
| Cable networks[1] | (1,4) | (46,6) | — | — | 23,3 | — | (24,7) |
| Call center (primarily electronic equipment)[2] | — | (12,7) | — | — | 6,9 | — | (5,8) |
| Converters and modems | (0,2) | (24,2) | 1,8 | — | 11,6 | — | (11,0) |
| Computers and ancillary equipment | (20,3) | (2,5) | — | — | 2,3 | — | (20,4) |
| Office furniture and equipment[3] | (15,8) | (8,6) | 0,9 | — | (0,1) | — | (23,7) |
| Communication network infrastructure[4] | (205,9) | (14,7) | — | — | 8,3 | — | (212,3) |
| Other data center equipment | (0,8) | (0,2) | — | — | — | — | (1,1) |
| Tangible assets under construction | — | (0,1) | — | — | — | — | (0,1) |
| Other tangible assets | (2,1) | (2,5) | — | — | 0,5 | — | (4,1) |
| Total Cumulative amortization and depreciation | (252,7) | (115,5) | 2,7 | — | 53,5 | — | (311,9) |
| Land | 2,5 | — | — | 0,1 | — | — | 2,6 |
| Buildings | 11,8 | 9,5 | — | 14,6 | (0,8) | 11,7 | 46,8 |
| Cable networks[1] | 11,6 | (15,2) | — | 481,9 | (22,6) | — | 455,6 |
| Call center (primarily electronic equipment)[2] | — | 1,4 | — | 64,2 | (3,0) | — | 62,6 |
| Converters and modems | 0,5 | 5,9 | (0,2) | 151,7 | (7,1) | — | 150,8 |
| Computers and ancillary equipment | 2,1 | 2,3 | — | 4,6 | (0,3) | — | 8,7 |
| Office furniture and equipment[3] | 13,5 | 6,6 | (0,1) | 43,6 | 0,3 | 10,0 | 74,0 |
| Communication network infrastructure[4] | 82,4 | 10,2 | — | — | (3,1) | — | 89,6 |
| Leasehold contracts | — | — | — | — | — | — | — |
| Other data center equipment | 1,4 | 0,4 | — | — | — | — | 1,9 |
| Tangible assets under construction | 21,8 | 6,3 | — | — | 0,3 | (21,3) | 7,1 |
| Prepayments on tangible assets | 0,5 | — | — | — | — | (0,4) | 0,1 |
| Other tangible assets | 1,5 | (2,1) | — | 2,8 | (0,2) | — | 2,0 |
| Total Net book value | 149,7 | 25,6 | (0,4) | 763,3 | (36,4) | — | 901,7 |

## 6—Property, Plant & Equipment (Continued)

| | January 1, 2010 | Additions and related depreciation and amortization | Disposals | Business Combinations | Changes in foreign currency translation adjustment | Other | December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | (in millions of euros) | | | |
| Land | 1,2 | 2,5 | (1,2) | — | — | — | 2,5 |
| Buildings | 7,5 | 3,3 | (4,1) | 5,0 | 2,1 | 4,1 | 17,9 |
| Cable networks[1] | 11,9 | — | — | — | 1,1 | — | 13,0 |
| Converters and modems | 0,4 | 0,5 | (0,2) | — | — | — | 0,7 |
| Computers and ancillary equipment | 0,1 | 0,8 | — | 1,6 | 2,9 | 17,0 | 22,4 |
| Office furniture and equipment[3] | 20,6 | 6,1 | — | 2,0 | 0,7 | — | 29,4 |
| Communication network infrastructure[4] | 43,8 | 6,5 | (0,2) | 57,3 | 32,9 | 147,9 | 288,3 |
| Leasehold contracts | — | — | — | — | — | — | 0,0 |
| Computer equipment | — | 0,6 | — | 1,4 | 0,2 | — | 2,2 |
| Tangible assets under construction | 0,3 | 19,6 | — | — | 1,9 | — | 21,8 |
| Prepayments on tangible assets | 1,8 | — | (1,3) | — | — | — | 0,5 |
| Other tangible assets | 1,4 | (1,7) | (0,2) | 3,3 | 0,2 | 0,5 | 3,6 |
| **Total Gross Value** | **89,2** | **38,3** | **(7,2)** | **70,6** | **41,9** | **169,5** | **402,3** |
| Land | | | | | | | |
| Buildings | (1,0) | (0,7) | 0,1 | — | (0,7) | (6,0) | (6,1) |
| Cable networks[1] | — | (1,2) | | | (0,1) | — | (1,4) |
| Converters and modems | (0,2) | (0,2) | — | — | — | (0,2) | (0,2) |
| Computers and ancillary equipment | (0,1) | (0,6) | — | — | (2,7) | (16,9) | (20,3) |
| Office furniture and equipment[3] | (11,8) | (2,2) | — | — | (0,3) | (1,6) | (15,8) |
| Communication network infrastructure[4] | (25,9) | (10,5) | 0,1 | — | (23,5) | (146,1) | (205,9) |
| Other data center equipment | — | (0,2) | — | — | (0,1) | (0,5) | (0,8) |
| Other tangible assets | (1,0) | (0,4) | — | — | (0,1) | (0,6) | (2,1) |
| **Total Cumulative amortization and depreciation** | **(40,0)** | **(15,9)** | **0,3** | **—** | **(27,5)** | **(169,5)** | **(252,7)** |
| Land | 1,2 | 2,5 | (1,2) | — | — | — | 2,5 |
| Buildings | 6,5 | 2,6 | (3,9) | 5,0 | 1,4 | 0,2 | 11,8 |
| Cable networks[1] | 11,9 | (1,2) | — | — | 0,9 | — | 11,6 |
| Converters and modems | 0,2 | 0,3 | (0,2) | — | — | 0,2 | 0,5 |
| Computers and ancillary equipment | 0,1 | 0,2 | — | 1,6 | 0,3 | — | 2,1 |
| Office furniture and equipment[3] | 8,9 | 4,0 | — | 2,0 | 0,3 | (1,6) | 13,5 |
| Communication network infrastructure[4] | 17,9 | (4,0) | (0,2) | 57,3 | 9,4 | 2,0 | 82,4 |
| Other data center equipment | — | 0,5 | — | 1,4 | 0,1 | (0,6) | 1,4 |
| Tangible assets under construction | 0,3 | 19,6 | — | — | 1,9 | — | 21,8 |
| Prepayments on tangible assets | 1,8 | — | (1,3) | — | — | — | 0,5 |
| Other tangible assets | 0,5 | (2,1) | (0,1) | 3,3 | 0,1 | (0,2) | 1,5 |
| **Total Net book value** | **49,2** | **22,4** | **(6,9)** | **70,6** | **14,4** | **(0,1)** | **149,7** |

(1) Cable networks: the Combined Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

Most of the tangible assets increases as of December 31, 2012 come from the Cabovisao business combinations (see Note 3.3).

Most of the tangible assets increases as of December 31, 2011 come from the Coditel and Hot Telecom business combinations (see Note 3.3).

**6—Property, Plant & Equipment (Continued)**

The additions in capital expenditures mainly come from Hot Telecom activity:

- Modems and converters related capital expenditures represented EUR 29,3 million for the year ended December 31, 2011.The weaker amount of modems and converters related capital expenditures resulted from a delay in the delivery of the HOT Magic HD set top boxes which the local management initially expected to receive during the second quarter of 2011 and ended up not receiving until the fourth quarter of 2011.
- Cable network related (including centers) capital expenditures represented EUR 43,4 million for the year ended December 31, 2011 and was related to investments in the Israeli UFI-channel in 2011.

**7—Investments in associates**

The breakdown of the investments in associates in 2010, 2011 and 2012 is detailed as follows:

| | December 31, 2012 | |
|---|---|---|
| | Combined Group's share of profits of associates | Combined Group's share of net assets of associates |
| | (in millions of euros) | |
| Altice B2B Lux Holding S.à r.l. | 11,4 | 39,1 |
| Ypso Holding S.à r.l. | 9,0 | (116,1) |
| **Total** | **20,4** | **(77,0)** |

| | December 31, 2011 | |
|---|---|---|
| | Combined Group's share of profits of associates | Combined Group's share of net assets of associates |
| | (in millions of euros) | |
| HOT TELECOM (and its subsidiaries) | 11,7 | — |
| Altice B2B Lux Holding S.à r.l. | 7,8 | 28,1 |
| Ypso Holding S.à r.l. | 39,1 | (129,1) |
| **Total** | **58,6** | **(101,0)** |

| | December 31, 2010 | |
|---|---|---|
| | Combined Group's share of profits of associates | Combined Group's share of net assets of associates |
| | (in millions of euros) | |
| HOT TELECOM (and its subsidiaries) | 6,8 | 284,9 |
| Altice B2B Lux Holding S.à r.l. | (1,9) | 137,2 |
| Ypso Holding S.à r.l. | 15,9 | (169,1) |
| **Total** | **20,7** | **253,0** |

**7—Investments in associates (Continued)**

Variation in the statement of financial position of investment in associates is shown below:

| | Balance on December 31, 2012 | Increase/ (Decrease) | Balance on December 31, 2011 | Increase/ (Decrease) | Balance on December 31, 2010 |
|---|---|---|---|---|---|
| | | | (in millions of euros) | | |
| Altice B2B Lux Holding S.à r.l. | **19,2** | **11,4** | **7,8** | **7,8** | **(1,9)** |
| Ypso Holding S.à r.l. | **64,0** | **9,0** | **55,0** | **39,1** | **15,9** |
| HOT Telecom | **—** | **—** | **—** | **(284,9)** | **284,9** |
| **Total** | **83,2** | **20,4** | **62,8** | **(238,1)** | **298,9** |

The Altice B2B Lux Holding S.à r.l. figures are detailed as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) (unaudited) | |
| Current assets | 222,5 | 213,8 | 643,0 |
| Non-current assets | 789,6 | 793,2 | 806,2 |
| Current liabilities | 395,4 | 357,0 | 294,4 |
| Non-current liabilities | 454,1 | 533,3 | 584,4 |
| **Total Equity** | **162,5** | **116,8** | **570,3** |
| **% of interest = 24,06%** | **39,1** | **28,1** | **137,2** |
| Revenue for the year | 464,1 | 473,3 | 382,2 |
| Profit for the year | 47,4 | 32,6 | (8,1) |

The Ypso Holding S.à r.l.figures are detailed as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) (unaudited) | |
| Current assets | 408,1 | 332,8 | 275,6 |
| Non-current assets | 2 409,6 | 2 380,0 | 2 654,8 |
| Current liabilities | 613,0 | 653,6 | 623,0 |
| Non-current liabilities | 2 687,4 | 2 595,8 | 3 010,0 |
| **Total Equity** | **(482,6)** | **(536,6)** | **(702,7)** |
| **% of interest = 24,06%** | **(116,1)** | **(129,1)** | **(169,1)** |
| Revenue for the year | 838,4 | 833,6 | 826,5 |
| Profit for the year | 37,5 | 162,5 | 65,9 |

## 7—Investments in associates (Continued)

The Hot Telecom Ltd figures are detailed as follows:

| | December 31, 2010 |
|---|---|
| | (in millions of euros) |
| Current assets | 70,2 |
| Non-current assets | 1 072,2 |
| Current liabilities | (279,2) |
| Non-current liabilities | (540,7) |
| **Total Equity** | **322,4** |
| Revenue for the year | 656,8 |
| Profit for the year | 21,4 |
| Other comprehensive income for the year | 20,6 |

## 8—Financial assets

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) | |
| Assets available for sale[1] | 6,1 | 8,5 | — |
| Loans to investment in associates | 126,1 | 116,0 | 112,3 |
| Restricted cash[2] | 9,6 | 41,4 | 0,2 |
| **Total Gross Value** | **141,8** | **165,9** | **112,5** |
| Assets available for sale[1] | — | — | — |
| Loans to investment in associates | — | — | — |
| Restricted cash[2] | — | — | — |
| **Total Cumulative amortization and depreciation** | **—** | **—** | **—** |
| Assets available for sale[1] | 6,1 | 8,5 | — |
| Loans to investment in associates | 126,1 | 116,0 | 112,3 |
| Restricted cash[2] | 9,6 | 41,4 | 0,2 |
| **Total Net book value** | **141,8** | **165,9** | **112,5** |

(1) Investment in available for sale financial asset:

A subsidiary company, operating through Hot Net Internet Services Ltd. (formerly Hot Properties) and Finance Ltd. (hereinafter—Hot Net) holds 1 454 663 regular shares in Partner Communications Ltd. (hereinafter—Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel. Partner's shares are subject to Israeli restrictions in accordance with the Radio Mobile Telephone license that was granted to Partner, in accordance with which the shares can only be sold to an Israeli buyer, as defined in the said license.

The subsidiary companies present the investment in Partner as an investment in an available for sale financial asset, which is measured at fair value.

(2) Restricted cash (see Note 2.19).

The restricted cash has been deposited in financial institutions and as of the statement of financial position date it bears interest based on the interest rate on daily bank deposits. It is restricted to repayment of certain interests on bank borrowings and debentures.

## 8—Financial assets (Continued)

Loans to associates as of December 31, 2012, 2011 and 2010 are summarised below:

### December 31, 2012

| Name of related party | Type of Financial instrument subscribed | Date of Maturity | Number of certificates held | Nominal value | Interest Rate | Nominal value | Fair Value |
|---|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | (in millions of euros) | |
| Ypso Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | February 28, 2057 | 620,597 | 25.0 | 0.00% | 15,5 | 1,2 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | February 28, 2057 | 109,623 | 25.0 | 0.00% | 2,7 | 0,2 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | March 12, 2057 | 365,378 | 25.0 | 0.00% | 9,1 | 0,6 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | July 17, 2057 | 486,000 | 25.0 | 0.00% | 12,2 | 0,8 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 628,835 | 25.0 | 0.00% | 17,9 | 1,2 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 3,559,968 | 45.7 | 0.00% | 174,7 | 11,3 |
| | Convertible preferred equity certificates (CPECs) | June 6, 2055 | 68,431 | 25.0 | 0.00% | 1,9 | 0,1 |
| | Convertible preferred equity certificates (CPECs) | November 14, 2054 | 387,401 | 25.0 | 0.00% | 11,1 | 0,8 |
| | Non-convertible preferred equity certificates (Super PECs) | December 9, 2058 | 32,237,358 | 1.0 | Variable rate | 42,9 | 40,1 |
| **Total Ypso Holding S.à r.l.** | | | | | | **288,0** | **56,3** |
| Altice B2B Lux Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | December 17, 2059 | 29,270,834 | 1.0 | 0.00% | 29,3 | 1,6 |
| | Convertible preferred equity certificates (CPECs) | December 17, 2059 | 63,553,410 | 1.0 | 7.38% | 68,2 | 68,2 |
| **Total Altice B2B Lux Holding S.à r.l.** | | | | | | **97,5** | **69,8** |
| **Total** | | | | | | **382,7** | **126,1** |

## 8—Financial assets (Continued)

### December 31, 2011

| Name of related party | Type of Financial instrument subscribed | Date of Maturity | Number of certificates held | Nominal value | Interest Rate | Nominal value | Fair Value |
|---|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | (in millions of euros) | |
| Ypso Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | February 28, 2057 | 620,597 | 25.0 | 0.00% | 15,5 | 0,9 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | February 28, 2057 | 109,623 | 25.0 | 0.00% | 2,7 | 0,2 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | March 12, 2057 | 365,378 | 25.0 | 0.00% | 9,1 | 0,5 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | July 17, 2057 | 486,000 | 25.0 | 0.00% | 12,2 | 0,6 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 628,835 | 25.0 | 0.00% | 17,9 | 1,0 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 3,559,968 | 45.7 | 0.00% | 174,7 | 9,3 |
| | Convertible preferred equity certificates (CPECs) | June 6, 2055 | 68,431 | 25.0 | 0.00% | 1,9 | 0,1 |
| | Convertible preferred equity certificates (CPECs) | November 14, 2054 | 387,401 | 25.0 | 0.00% | 11,1 | 0,6 |
| | Non-convertible preferred equity certificates (Super PECs) | December 9, 2058 | 32,237,358 | 1.0 | Variable rate | 38,3 | 38,3 |
| **Total Ypso Holding S.à r.l.** | | | | | | **283,5** | **51,4** |
| Altice B2B Lux Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | December 17, 2059 | 29,270,834 | 1.0 | 0.00% | 29,3 | 1,1 |
| | Convertible preferred equity certificates (CPECs) | December 17, 2059 | 63,553,410 | 1.0 | 7.38% | 63,6 | 63,5 |
| **Total Altice B2B Lux Holding S.à r.l.** | | | | | | **92,8** | **64,6** |
| **Total** | | | | | | **376,1** | **116,0** |

## 8—Financial assets (Continued)

### December 31, 2010

| Name of related party | Type of Financial instrument subscribed | Date of Maturity | Number of certificates held | Nominal value | Interest Rate | Nominal value | Fair Value |
|---|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | (in millions of euros) | |
| Ypso Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | February 28, 2057 | 620,597 | 25.0 | 0.00% | 15,5 | 0,8 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | February 28, 2057 | 109,623 | 25.0 | 0.00% | 2,7 | 0,2 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | March 12, 2057 | 365,378 | 25.0 | 0.00% | 9,1 | 0,4 |
| | Interest free non-convertible preferred equity certificates (IFPECs) | July 17, 2057 | 486,000 | 25.0 | 0.00% | 12,2 | 0.6 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 628,835 | 25.0 | 0.00% | 17,9 | 0,9 |
| | Convertible preferred equity certificates (CPECs) | February 28, 2057 | 3,559,968 | 45.7 | 0.00% | 174,7 | 9,0 |
| | Convertible preferred equity certificates (CPECs) | June 6, 2055 | 68,431 | 25.0 | 0.00% | 1,9 | 0.1 |
| | Convertible preferred equity certificates (CPECs) | November 14, 2054 | 387,401 | 25.0 | 0.00% | 11,1 | 0,5 |
| | Non-convertible preferred equity certificates (Super PECs) | December 9, 2058 | 32,237,358 | 1.0 | Variable rate | 35,3 | 35,3 |
| **Total Ypso Holding S.à r.l.** | | | | | | **280,4** | **47,8** |
| Altice B2B Lux Holding S.à r.l. | Yield free non-convertible preferred equity certificates (YFPECs) | December 17, 2059 | 29,270,834 | 1.0 | 0.00% | 29,3 | 1,0 |
| | Convertible preferred equity certificates (CPECs) | December 17, 2059 | 63,553,410 | 1.0 | 7.38% | 63,5 | 63,5 |
| **Total Altice B2B Lux Holding S.à r.l.** | | | | | | **92,8** | **64,5** |
| **Total** | | | | | | **373,2** | **112,3** |

As of December 31, 2012, the total amount of non-capitalised accrued interest, included in the nominal value of the Super PECs issued by Ypso Holdings S.à r.l. amounted to €4,2 million. Non-capitalised accrued interest on PECs issued by Altice B2B Lux Holdings S.à r.l. amounted to €5,0 million. These captions are recorded in the combined statements of income in the financial income line item. The interests as of December 31, 2011 amounted to €4,5 million and €4,6 million respectively and €2,9 million for the Ypso Holding Super PECs on December 31, 2010.

Fair values of the loans and receivables to related parties were calculated using a discounting rate of 6,38%.

## 9—Other long-term trade receivables

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Income taxes | — | — | — |
| Prepaid expenses | 0,8 | 5,9 | — |
| Other current receivables[1] | 23,7 | 22,5 | — |
| **Total Gross Value** | **24,6** | **28,4** | **—** |
| Income taxes | — | — | — |
| Prepaid expenses | — | — | — |
| Other current receivables[1] | — | — | — |
| **Total Cumulative amortization and depreciation** | — | — | — |
| Income taxes | — | — | — |
| Prepaid expenses | 0,8 | 5,9 | — |
| Other current receivables[1] | 23,7 | 22,5 | — |
| **Total Net book value** | **24,6** | **28,4** | **—** |

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

## 10—Inventories

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Work in progress | 0,1 | 0,1 | 0,1 |
| Finished/semi-finished goods | 7,1 | 7,9 | 7,9 |
| **Total Gross Value** | **7,2** | **8,0** | **8,1** |
| Work in progress | (0,1) | — | — |
| Finished/semi-finished goods | (1,0) | (1,9) | (0,6) |
| **Total Cumulative amortization and depreciation** | **(1,1)** | **(1,9)** | **(0,6)** |
| Work in progress | — | 0,1 | 0,1 |
| Finished/semi-finished goods | 6,2 | 6,1 | 7,3 |
| **Total Net book value** | **6,1** | **6,1** | **7,5** |

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

| | December 31, 2011 | Business Combinations | Reversal | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2012 |
|---|---|---|---|---|---|
| | (in millions of euros) | | | | |
| Work in progress (goods) | — | (0,1) | — | — | (0,1) |
| Finished/semi-finished goods | (1,9) | — | 0,9 | — | (1,0) |
| **Total Cumulative amortization and depreciation** | **(1,9)** | **(0,1)** | **0,9** | **—** | **(1,1)** |

## 10—Inventories (Continued)

| | December 31, 2010 | Business Combinations | Addition | Reversal | Divestitures, changes in foreign currency translation adjusments and other | December 31, 2011 |
|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | |
| Finished/semi-finished goods | (0,6) | (1,3) | — | — | — | (1,9) |
| **Total Cumulative amortization and depreciation** | **(0,6)** | **(1,3)** | **—** | **—** | **—** | **(1,9)** |

| | January 1, 2010 | Business Combinations | Addition | Reversal | Divestitures, changes in foreign currency translation adjusments and other | December 31, 2010 |
|---|---|---|---|---|---|---|
| | (unaudited) | | (in millions of euros) | | | |
| Finished/semi-finished goods | — | (0,6) | — | — | — | (0,6) |
| **Total Cumulative amortization and depreciation** | **—** | **(0,6)** | **—** | **—** | **—** | **(0,6)** |

## 11—Trade and other receivables

### *11.1 Trade receivables*

| | December 31, 2011 | Business Combinations | Addition | Reversal | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2012 |
|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | |
| Trade receivables | 129,8 | 5,9 | 40,6 | — | 0,1 | 16,4 |
| Allowance for doubtful debts | (26,4) | — | (3,0) | 4,4 | 0,2 | (24,8) |
| **Trade receivable, net** | **103,4** | **5,9** | **37,4** | **4,4** | **0,3** | **151,6** |

| | December 31, 2010 | Business Combinations | Addition | Reversal | Divestitures, changes in foreign currency translation adjusments and other | December 31, 2011 |
|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | |
| Trade receivables | 60,9 | 62,2 | 8,7 | — | (2,0) | 129,8 |
| Allowance for doubtful debts | (9,9) | (14,7) | (4,0) | 1,5 | 0,8 | (26,4) |
| **Trade receivable, net** | **51,0** | **47,5** | **4,1** | **1,5** | **(1,2)** | **103,4** |

## 11—Trade and other receivables (Continued)

| | January 1, 2010 | Business Combinations | Addition | Reversal | Divestitures, changes in foreign currency translation adjusments and other | December 31, 2010 |
|---|---|---|---|---|---|---|
| | (unaudited) | | (in millions of euros) | | | |
| Trade receivables | 9,1 | 36,6 | 8,0 | — | 7,2 | 60,9 |
| Allowance for doubtful debts | (2,3) | (5,1) | (1,7) | — | (0,9) | (9,9) |
| **Trade receivable, net** | **6,8** | **31,5** | **6,2** | **—** | **6,3** | **51,0** |

### 11.1.1 Age of receivables that are past due but not impaired

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| | (in millions of euros) | |
| 0–30 days | 116,7 | 78,3 |
| 30–90 days | 14,0 | 10,1 |
| 91–121 days | 20,2 | 14,3 |
| **Total** | **150,8** | **102,7** |

### *11.2 Other receivables*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) | |
| Loans to related party | 3,8 | 1,8 | 2,5 |
| Bank Guarantee | 14,0 | — | — |
| Accrued interest on loans and receivables to associates[2] | 9,3 | 9,3 | 2,9 |
| Tax and social security receivables | 5,5 | 5,1 | 2,6 |
| Income tax | 0,3 | — | — |
| Prepaid expenses | 6,1 | 4,3 | 1,0 |
| Other current receivables[1] | 8,1 | 10,9 | 12,8 |
| **Total** | **47,2** | **31,4** | **21,8** |

(1) The main contributions to the other current receivables in 2011 are:

- Derivative instruments: EUR 4,3 million
- Income receivable: EUR 1,6 million
- Advances to suppliers: EUR 1,8 million.

(2) Accrued interest on loans and receivables to associates correspond to interest accrued on the different debt instruments between Altice Six and its associates. As of December 31, 2012 this caption was composed mostly of interest due on Ypso Holdings and Altice B2B Super PECs for EUR 4,3 and 5,0 respectively As of December 31, 2011 this interest amounted to EUR 4,6 and EUR4,7 million respectively. For the period ended December 31, 2010, this amount totaled EUR 2,9 million.

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

## 12—Cash and cash equivalents

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Time deposits | 5,2 | 0,1 | — |
| Bank balances | 124,6 | 24,1 | 26,9 |
| **Cash equivalents** | **129,8** | **24,2** | **26,9** |
| Bank overdrafts | — | — | 0,4 |
| **Bank overdrafts** | **—** | **—** | **0,4** |
| **Cash and cash equivalents presented in the combined statements of cash flows** | **129,8** | **24,2** | **26,5** |

## 13—Invested equity

As of December 31, 2012, 2011, 2010 and January 1, 2010, the invested equity consisted of the sum of the individual share capital amounts and consolidated reserves of the Altice Six and Altice VII sub-groups.

## 14—Provisions

| | December 31, 2011 | Business Combinations | Addition | Utilization | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2012 |
|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | |
| Provision for retirement benefits | 6,9 | — | 2,0 | (0,8) | 1,0 | 9,1 |
| Litigations[1] | 38,8 | — | 1,9 | (24,0) | (0,9) | 15,8 |
| Other risks[2] | 1,7 | 5,0 | 1,4 | (0,1) | (0,1) | 8,0 |
| Provisions for other expenses | — | — | 1,8 | — | — | 1,8 |
| **Total** | **47,4** | **5,1** | **7,1** | **(24,9)** | **0,1** | **34,7** |

| | December 31, 2010 | Business Combinations | Addition | Utilization | Reversal | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2011 |
|---|---|---|---|---|---|---|---|
| | | | (in millions of euros) | | | | |
| Provision for retirement benefits | 1,2 | 5,4 | 0,4 | (2,5) | — | 2,4 | 6,9 |
| Litigations[1] | 0,7 | 67,4 | 0,7 | (26,6) | — | (3,4) | 38,8 |
| Other risks[2] | 0,8 | 0,9 | — | — | — | — | 1,7 |
| **Total** | **2,9** | **73,7** | **1,1** | **(29,3)** | **—** | **(0,9)** | **47,4** |

## 14—Provisions (Continued)

| | January 1, 2010 | Business Combinations | Addition | Utilization | Reversal | Divestitures, changes in foreign currency translation adjustments and other | December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | (unaudited) | | | (in millions of euros) | | | |
| Provision for retirement benefits | 0,9 | — | 0,2 | — | — | 0,1 | 1,2 |
| Litigations | 0,2 | — | 0,5 | — | — | — | 0,7 |
| Restructuring costs | 1,4 | — | — | (0,6) | — | (0,8) | — |
| Other risks | — | — | — | — | — | 0,8 | 0,8 |
| **Total** | **2,4** | **—** | **0,7** | **(0,6)** | **—** | **0,3** | **2,9** |

(1) Provisions for litigations and other risks decreased in FY12 compared to the previous period, mainly driven by a re-evaluation of the risk of pay-out on the various royalty and retransmission fees related lawsuits faced by HOT Telecom in Israel. The reversals on the three major litigations, namely TALI, AKUM and AGICOA, amounted to EUR 3, 13,5 and 3,5 million respectively. The total reversal on provision for litigation was EUR 20 million.

In 2012, HOT Telecom also recorded an additional provision of EUR 1,9 million to cover a contested withholding tax ruling. The increase in provisions for risks and litigation was mainly driven by the finalization of the acquisition of HOT Telecom on a fully consolidated basis from FY11 onwards. A large majority of provisions for litigations were recorded at HOT Telecom, arising from claims for royalty payments from the producers of audio-visual or musical content. The main litigations for the year ended December 31, 2011 were (i) Tali, a claim for royalties by a third party on behalf of writers and directors of audio-visual content, who are producers of their own local content. This claim was provisioned for a total amount of EUR 5,8 million; (ii) A claim by AKUM, provisioned for EUR 17,3 million, also relating to claims on royalties for musical writers, composers and publishers and (iii) a provision of EUR 8,6 million, brought forward by AGICOA, for the payment of fees to audio-visual producers for the retransmission of their locally produced content.

(2) In addition to the claims mentioned above, other provisions for risk mainly concerned legal claims made by former employees for wrongful dismissal in the French Caribbean subsidiaries (EUR 0,38 million), a provision for penalties stemming from an inspection by the labour department in Martinique (EUR 0,33 million) and a wrongful termination claim by a content provider (EUR 0,15 million).

## 15—Employee benefits

Breakdown of the employee benefits by entity:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 | Notes |
|---|---|---|---|---|
| | | (in millions of euros) | | |
| Coditel Brabant | 0,7 | 0,9 | — | |
| Hot Telecom | 6,5 | 4,7 | — | **15.1** |
| Green ch | 2 | 1,4 | 1,2 | |
| **Total** | **9,1** | **6,9** | **1,2** | |

### *15.1 Hot Telecom*

*a) Defined Benefit Plans:*

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

**15—Employee benefits (Continued)**

The Combined Group has defined contribution plans, in accordance with section 9 of the Israeli Severance Pay Law, in accordance with which the Combined Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

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

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

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Current service cost | 4,7 | 3,9 | — |
| Interest expenses in respect of the benefit obligations | 1,0 | 1,0 | — |
| Expected yield in the plan assets | (0,8) | (0,8) | — |
| Net actuarial loss (gain) which has been recognized in the year | 0,6 | 2,4 | — |
| **Total expenses in respect of employee benefit** | **5,5** | **6,5** | **—** |

*c) The plan assets (liabilities):*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Liabilities in respect of a defined benefit plan | 26,8 | 25,4 | — |
| Fair value of the plan assets | (20,3) | (20,7) | — |
| | | — | — |
| **Total net liabilities** | **6,5** | **4,7** | **—** |

Cumulative amounts in respect of the value of the liabilities and in respect of the value of the rights in the plan assets.

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

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| **Balance as of January 1** | **25,4** | **23,8** | **—** |
| Interest expenses | 1,0 | 1,0 | — |
| Current service cost | 4,7 | 3,9 | — |
| Benefits paid | (3,2) | (4,1) | — |
| Transfer of employees to section 14 | (1,6) | — | — |
| Net actuarial loss (profit) | 0,6 | 0,8 | — |
| **Balance as of December 31** | **26,8** | **25,4** | **—** |

*e) The plan assets:*

- The plan assets:

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

**15—Employee benefits (Continued)**

- The movement in the fair value of the plan assets:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| **Balance as of January 1** | **20,7** | **20,1** | **—** |
| Expected yield | 0,8 | 0,8 | — |
| Deposits by the employer into the plan | 4,1 | 3,9 | — |
| Benefits paid | (3,7) | (2,4) | — |
| Transfer of employees to section 14 | (1,6) | — | — |
| Net actuarial loss | — | (1,6) | — |
| **Balance as of December 31** | **20,3** | **20,7** | **—** |

*f) The principal assumptions:*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in %) | |
| Discount rate | 3,54 | 4,34 | — |
| Expected yield on the plan assets | 3,84 | 4,51 | — |
| Expected yield of salary increases | 2–4 | 2–4 | — |

**16—Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Bonds | 1 108,6 | 291,4 | — |
| Related party bonds | 322,4 | 271,6 | 246,6 |
| Bank credit facilities | 257,2 | 536,6 | 66,4 |
| Finance leases | 29,3 | 28,6 | 5,0 |
| Other financial liabilities | 89,4 | 85,1 | 5,5 |
| Financial instruments | 62,5 | — | — |
| **Non-current** | **1 869,4** | **1 213,3** | **323,5** |
| Bonds | 25,4 | 12,4 | — |
| Bank credit facilities | 86,5 | 228,8 | 80,5 |
| Finance leases | 8,7 | 0,6 | 0,4 |
| Bank overdraft | — | — | 0,4 |
| Other financial liabilities | — | 0,7 | 0,4 |
| Accrued interest | 14,3 | 13,3 | 7,9 |
| **Current** | **134,9** | **255,8** | **89,6** |

During the year ended December 31, 2012, bonds include the debentures in Hot Telecom:

- The Series A' debentures—EUR 167 million (NIS 825 million par value), linked to the Consumer Prices Index for the month of February, 2011, that bear interest at a rate of 3,9% a year. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.
- The Series B' debentures—EUR 137 million (NIS 675 million par value) that bear interest at a fixed rate of 6,9% a year. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

**16—Borrowings and other financial liabilities (Continued)**

Bonds also include Senior and Senior secured Notes in Altice Finco S.A. and Altice Financing S.A.:

- The Senior Notes in U.S. dollar, issued by Altice Finco S.A and with a face value of $ 425,0 million (EUR 322,0 million) mature on December 15, 2020 and bear coupons of 9,875% annually
- The Senior Secured Notes in U.S. dollars, issued by Altice Financing S.A. and with a face value of $460 (EUR 348,5 million) mature on December 15, 2019 and bear coupons of 7,875% annually,
- The Senior Secured Notes in Euro, issued by Altice Financing S.A and with a face value of EUR 210 million mature on December 15, 2019 and bear coupons of 8% annually.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange. The interest payment of the bonds is semi-annually on June 15 and on December 15 of each year and the first payment of the interest will be on June 15, 2013.

***16.1 Covenants***

**16.1.1 Hot**

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

- a debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- no distribution of a dividend at a time when Hot Telecom exceeds a debt to EBITDA ratio of 5,5.

As of December 31, 2011 and 2012, Hot Telecom was in compliance with all of the required financial covenants.

Financial covenants have been set for Hot Mobile, which include:

- the making available of a fixed charge on a Shekel deposit, in favor of the banks, in accordance with a formula that was detailed in the letter of undertaking;
- a minimal ratio between the amounts of the increase in the shareholders' equity and Mirs cumulative free cash flows; For the periods ended December 31, 2010 and December 31, 2011, HOT Mobile was in compliance of the covenants set forth in its debt contracts. This debt was refinanced at the end of 2012.

**16.1.2 Altice Blue One**

As part of the Altice Blue One (''ABO'') financing arranged in 2009, ABO was required to respect certain covenants calculated on the basis of its consolidated annual accounts. As of December 31, 2011, ABO was in default of its financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt contracts, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

ABO's management does not believe that these covenant defaults affect in any way the ability of the Group to effectively pursue its operations. This hypothesis was supported by advanced level talks with the lending parties, and based on the fact that none of the lenders ever demanded early repayment of the loan. Thus ABO's accounts for 2012 were closed and approved based on the hypothesis outlined above. On July 2, 2013, ABO refinanced the relevant facilities with funds granted by the Group, thereby solving any default situation

As a result, the whole amount of debt has been reclassified as current borrowings from banking corporations and debentures for the three years ended December 31, 2012, December 31, 2011 and December 31, 2010.

## 16—Borrowings and other financial liabilities (Continued)

### 16.1.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A..

As of December 31, 2012, Coditel Holding S.A. was in compliance with all of the required financial covenants.

As at December 31, 2012, there were no breaches of covenants for the senior and senior secured notes mentioned in the note above.

### *16.2 Bonds*

| Issuer | Effective interest rate | Year of maturity | Carrying amount December 31, 2012 | Carrying amount December 31, 2011 | Carrying amount December 31, 2010 |
|---|---|---|---|---|---|
| ***Bonds*** | | | | | |
| Hot Telecom —Debentures | Variable (3,9% and 6,9% + Consumer Price Index) | 2018 | 294,4 | 303,8 | — |
| —Senior Secured Notes | between 7,9% and 9,9% | 2019/2020 | 516,7 | — | — |
| —Senior Secured Notes | between 7,9% and 9,9% | 2019/2020 | 322,7 | — | — |
| ***Related party bonds*** | | | | | |
| —Alpecs | Variable | 2057 to 2061 | 104,6 | 69,8 | 58,0 |
| —Yfpecs | 4,76% | 2058 to 2061 | 4,4 | 4,1 | 3,9 |
| —PECs | 7,3786% | 2037 | 57,6 | 53,6 | 49,9 |
| —Super PECs | Variable | 2058 | 43,8 | 39,2 | 36,3 |
| —Super PECs | 20,0% | 2059 | 14,9 | 12,4 | 11,2 |
| —IFPECs | 6,38% | 2037 | 86,5 | 82,7 | 77,8 |
| —IFPECs | 6,38% | 2037 | 4,2 | 3,9 | 3,7 |
| —Tracking IFPECs | 6,38% | 2037 | 5,7 | 5,3 | 5,0 |
| —YFPECs | 6,38% | 2059 | 0,7 | 0,6 | 0,6 |
| **Nominal value of bonds** | | | **1 456,2** | **575,4** | **246,6** |
| Of which due within one year | | | 25,4 | 12,4 | — |
| Of which due after one year | | | 1 430,8 | 563,0 | 246,6 |

The carrying amount of bonds amounted to EUR 1 431,0 million (2011: EUR 563,0 million). This value includes accrued interest of EUR 3,3 million on Alpecs (Altice VII) and EUR 8,6 million on Pecs (Coditel holding).

As at the end of 2011, fair value of PECs issued by Coditel Holding is assumed not to be significantly different from their book value, as far as interest rate of 12,98% result from contracts signed in December 2011.

### *16.3 Subordinated financial instruments*

Subordinated financial instruments have been issued by the following companies :

*a) Altice VII*

Subordinated financial instruments consists of:

- YFPECs: Yield Free Preferred Equity Certificates;
- ALPECs: Asset Linked Preferred Equity Certificate;
- ALN: Asset Linked Notes

**16—Borrowings and other financial liabilities (Continued)**

Different categories of subordinated financial instruments are summarized in the table below (YFPECs are presented before impact of discounting):

| Name | Maturity date | Interest rate | Convertible | Principal amount as at the end 2011 | Principal amount as at the end 2012 |
|---|---|---|---|---|---|
| | | | | (in millions of euros) | |
| ALPECs A | 14/05/2058 | Loan Auberimmo—25 bp | No | 1,0 | 1,0 |
| ALPECs B1 | 31/12/2057 | Loan ABO—25 bp | No | 4,5 | 4,5 |
| ALPECs B3 | 31/07/2058 | Loan ICC France—25 bp | No | 1,0 | — |
| ALPECS F (US dollar) | 27/05/2059 | Loan Mirs—25 bp | No | — | — |
| ALPECS H | 16/11/2060 | Business Unit—25 bp | No | 59,0 | 68,9 |
| ALPECS I | 28/02/2061 | 0% | No | — | 11,3 |
| ALPECS J | 03/08/2061 | Business unit yield | No | — | 4,0 |
| ALPECS J | 02/10/2061 | Business unit yield | No | — | 7,7 |
| ALPECS J | 13/11/2061 | Business unit yield | No | — | 3,9 |
| **Total** | | | | **65,5** | **101,3** |

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

- ALPECs instruments (about EUR 101,3 Million as at the end of 2012);
- YFPECs instruments (about EUR 36,3 Million as at the end of 2012).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,4 million as at December 31, 2012.

| Name | Maturity date | Interest rate | Convertible | Amount as at the end 2010 (including interests) |
|---|---|---|---|---|
| | | | | (in millions of euros) |
| ALPECs A | 14/05/2058 | Loan Auberimmo—25 bp | No | 4,6 |
| ALPECs B1 | 31/12/2057 | Loan ABO—25 bp | No | 4,5 |
| ALPECs B3 | 31/07/2058 | Loan ICC France—25 bp | No | 1,0 |
| ALPECS F (US dollar) | 27/05/2059 | Loan Mirs—25 bp | No | 46,4 |
| ALPECS H | 16/11/2060 | Business Unit[(1)]—25 bp | No | |
| **Total** | | | | **56,5** |

(1) As per the agreements, Business Unit means any interests and proceeds received by the Issuer by virtue of the Subsidiary's PECs. Each instrument is linked to a specific acquisition and hence to a specific asset.

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

- ALPECs instruments (about EUR 65,5 million nominal value as at the end of 2011);
- YFPECs instruments (about EUR 35,2 million nominal value as at the end of 2011).

The YFPECs have been valued using a discount rate of 4,76% given its preferred interest rate which therefore values the liabilities at EUR 4,1 million as at December 31, 2011.

**16—Borrowings and other financial liabilities (Continued)**

*b) Altice Six*

Subordinated financial instruments consists of:

- YFPECs: Yield Free Preferred Equity Certificates;
- IFPECs: Interest Free Preferred Equity Certificate;
- PECs: Preferred Equity Certificates
- Super PECs: Super Preferred Equity Certificates
- Tracking IFPECs: Tracking Interest Free Preferred Equity Certificate;

The IFPECs, YFPECs and certain non bearing interests PECs at Altice Six have been valued using a discount rate of 6,38% given its preferred interest rate which therefore values the debt at EUR 97,0 million for the year ended December 31, 2012 (EUR 92,5 million for the year ended December 31, 2011 and EUR 87,2 million for the year ended December 31, 2010). As all the subordinated financial instruments mentioned above are non-convertible instruments, they are classified as debt in the local accounts of Altice Six and no reclassification was required in the combined accounts prepared as per the IFRS standards.

*c) Coditel Holding*

Subordinated financial instruments in Coditel Holding S.A. consist of PECs (Preferred Equity Certificates). Each PEC bears a yield and shall have a maturity of 49 years.

As at the end of 2012, the total of PECs instruments amounts to EUR 61,8 million (including interests):

| Name | Issuing date | Maturity date | Number of instruments | Nominal value per instrument | Interest rate | Convertible? | Amount as at the end of 2011 | Amount as at the end of 2012 |
|---|---|---|---|---|---|---|---|---|
| | | | (in millions) | (in euro) | | | (in millions of euros)—including interests | |
| PECs C . . . | 30/06/2011 | 30/06/2060 | 44,2 | 1 | 12,98% | No | 44,2 | 51,4 |
| PECs C . . . | 02/12/2011 | 02/12/2060 | 9 | 1 | 12,98% | No | 9 | 10,5 |
| ***Total*** . . . . . | | | ***53,2*** | | | | ***53,2*** | ***61,8*** |

***16.4 Maturity of financial liabilities***

| | December 31, 2012 | < 1 year | Between 1 and 5 years | > 5 years |
|---|---|---|---|---|
| | (in millions of euros) | | | |
| Bonds . . . . . | 1 133,9 | 25,4 | 77,3 | 1 031,2 |
| Related party bonds . . . . . | 322,4 | — | — | 322,4 |
| Bank credit facilities . . . . . | 343,7 | 86,5 | 27,5 | 229,7 |
| Finance leases . . . . . | 38,0 | 8,7 | 3,4 | 25,9 |
| Accrued interest . . . . . | 14,3 | 14,3 | — | — |
| Bank overdraft . . . . . | — | — | — | — |
| Other financial liabilities . . . . . | 89,4 | — | 7,8 | 81,6 |
| Financial instruments . . . . . | 62,5 | — | — | 62,5 |
| **Nominal value of borrowings** . . . . . | **2 004,2** | **134,9** | **116,0** | **1 753,3** |

**16—Borrowings and other financial liabilities (Continued)**

| | December 31, 2011 | < 1 year | Between 1 and 5 years | > 5 years |
|---|---|---|---|---|
| | (in millions of euros) | | | |
| Bonds | 303,8 | 12,4 | 102,0 | 189,4 |
| Related party bonds | 271,6 | — | — | 271,6 |
| Bank credit facilities | 765,4 | 228,3 | 161,5 | 375,6 |
| Finance leases | 29,2 | 0,6 | 1,3 | 27,3 |
| Accrued interest | 13,3 | 13,3 | — | — |
| Bank overdraft | — | — | — | — |
| Other financial liabilities | 85,8 | 0,7 | 2,8 | 82,3 |
| Financial instruments | — | — | — | — |
| **Nominal value of borrowings** | **1 469,1** | **255,3** | **267,6** | **946,2** |

| | Total December 31, 2010 | < 1 year | Between 1 and 5 years | > 5 years |
|---|---|---|---|---|
| | (in millions of euros) | | | |
| Bonds | — | — | — | — |
| Related party bonds | 246,6 | — | — | 246,6 |
| Bank credit facilities | 146,9 | 80,5 | 35,5 | 30,9 |
| Finance leases | 5,4 | 0,4 | 1,4 | 3,6 |
| Accrued interest | 7,9 | 7,9 | — | — |
| Bank overdraft | 0,4 | 0,4 | — | — |
| Other financial liabilities | 5,9 | 0,4 | 2,9 | 2,6 |
| Financial instruments | — | — | — | — |
| **Total nominal value of borrowings** | **413,1** | **89,6** | **39,8** | **283,7** |

***16.5 Currency of financial liabilities***

| | December 31, 2012 | Euro (EUR) | US Dollar (USD) | Israeli Shekel | Swiss Franc |
|---|---|---|---|---|---|
| | | (in millions of euros) | | | |
| Bonds | 1 133,9 | — | 839,3 | 294,6 | — |
| Related party bonds | 322,4 | 322,4 | — | — | — |
| Bank credit facilities | 343,7 | 319,7 | — | — | 24 |
| Finance leases | 38,0 | 6,2 | — | 29,2 | 2,6 |
| Accrued interest | 14,3 | 12,5 | 1,6 | — | 0,2 |
| Other financial liabilities | 89,4 | 86,5 | — | 2,7 | 0,2 |
| Financial instruments | 62,5 | — | 62,5 | — | — |
| **Total** | **2 004,2** | **747,4** | **903,4** | **326,5** | **27,0** |

| | December 31, 2011 | Euro (EUR) | US Dollar (USD) | Israeli Shekel | Swiss Franc |
|---|---|---|---|---|---|
| | | (in millions of euros) | | | |
| Bonds | 303,8 | — | — | 303,8 | — |
| Related party bonds | 271,6 | 271,6 | — | — | — |
| Bank credit facilities | 765,4 | 293,1 | — | 450,9 | 21,4 |
| Finance leases | 29,2 | 6,5 | — | 20,8 | 1,9 |
| Accrued interest | 13,3 | 13,2 | — | 0,1 | — |
| Other financial liabilities | 85,8 | 82,2 | — | 3,1 | 0,5 |
| **Total** | **1 469,1** | **666,6** | **—** | **778,7** | **23,8** |

## 16—Borrowings and other financial liabilities (Continued)

| | Total December 31, 2010 | Euro (EUR) | US Dollar (USD) | Israeli Shekel | Swiss Franc |
|---|---|---|---|---|---|
| | | (in millions of euros) | | | |
| Bonds | — | — | — | — | — |
| Related party bonds | 246,6 | 200,2 | 46,4 | — | — |
| Bank credit facilities | 146,9 | 78,4 | — | 62,9 | 5,6 |
| Finance leases | 5,4 | 3,6 | — | — | 1,8 |
| Accrued interest | 7,9 | 7,9 | — | — | — |
| Bank overdraft | 0,4 | 0,4 | — | — | — |
| Other financial liabilities | 5,9 | 1,8 | — | 3,6 | 0,5 |
| **Total** | **413,1** | **292,3** | **46,4** | **66,5** | **7,9** |

### *16.6 Nature of interest rate*

| | December 31, 2012 | Fixed interest rate | Floating interest rate |
|---|---|---|---|
| | | (in millions of euros) | |
| Bonds | 1 133,9 | 969,7 | 164,2 |
| Related party bonds | 322,4 | 278,6 | 43,8 |
| Bank credit facilities | 343,7 | 229,9 | 113,8 |
| Finance leases | 38,0 | 31,8 | 6,2 |
| Accrued interest | 14,3 | 11,8 | 2,5 |
| Other financial liabilities | 89,4 | 86,5 | 2,9 |
| Financial instruments | 62,5 | 62,5 | — |
| **Total** | **2 004,2** | **1 670,8** | **333,4** |

| | December 31, 2011 | Fixed interest rate | Floating interest rate |
|---|---|---|---|
| | | (in millions of euros) | |
| Bonds | 303,8 | — | 303,8 |
| Related party bonds | 271,6 | 271,6 | — |
| Bank credit facilities | 765,4 | 245,7 | 519,7 |
| Finance leases | 29,2 | 22,7 | 6,5 |
| Accrued interest | 13,3 | 8,5 | 4,8 |
| Other financial liabilities | 85,8 | 83,3 | 2,5 |
| **Total** | **1 469,1** | **631,8** | **837,3** |

| | December 31, 2010 | Fixed interest rate | Floating interest rate |
|---|---|---|---|
| | | (in millions of euros) | |
| | — | — | — |
| Bonds | — | — | — |
| Related party bonds | 246,6 | 246,6 | — |
| Bank credit facilities | 146,9 | 63,1 | 83,8 |
| Finance leases | 5,4 | 1,8 | 3,6 |
| Accrued interest | 7,9 | 7,9 | — |
| Bank overdraft | 0,4 | — | 0,4 |
| Other financial liabilities | 5,9 | 1,8 | 4,1 |
| **Total** | **413,1** | **321,2** | **91,9** |

## 17—Financial risk factors

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

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

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

### *17.1 Credit risk*

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

Qualities that could cause a concentration of risk include the significance of the activities that the debtors are involved in, such as the branch in which the geographical region in which they conduct their activities and the level of their financial stability.

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

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

### *17.2 Liquidity risk*

Ultimate responsibility for liquidity risk management rests with the management, which have established an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management requirements of the Combined Group. The Combined Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### *17.3 Market risks*

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

#### 17.3.1 Interest rate risk

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

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

**17—Financial risk factors (Continued)**

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

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) | |
| Financial debt at fixed rates | 1 698,3 | 655,3 | 316,8 |
| Financial debt at variable rates | 287,1 | 834,6 | 88,3 |
| **Total** | **1 985,4** | **1 489,9** | **405,1** |

Sensitivity tests for changes in interest rates are described as follows:

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| | (in millions of euros) | |
| Increase of 0.5% in the interest rate | 0,4 | (3,2) |
| Decrease of 0.5% in the interest rate | (0,4) | 1,0 |

### 17.3.2 Israeli CPI risk

The Combined Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Combined Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Combined Group is exposed to changes in the Israeli CPI amounted to approximately EUR 0,5 million (Hot Telecom) as of December 31, 2011.

The Combined Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Group is exposed to changes in the Israeli CPI amounted to approximately EUR 247 million as of December 31, 2012.

### 17.3.3 Foreign currency risk

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

Exchange differences recorded in the income statement represented a loss of EUR 14,0 million in 2011 (2010: gain of EUR 33,8 million). They are allocated to the appropriate headings of expenses by function.

The Combined Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the chart presented below allows

**17—Financial risk factors (Continued)**

assessing the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

| | December 31, 2012 | | |
|---|---|---|---|
| | Israeli Shekel | Swiss Franc | Total |
| | (in millions of euros) | | |
| **Profit for the year** | | | |
| Increase of 10% in exchange rate | (12,9) | (0,1) | (13,1) |
| Decrease of 10% in exchange rate | 12,9 | 0,1 | 13,1 |
| **Equity** | | | |
| Increase of 10% in exchange rate | 23,3 | 3,0 | 26,3 |
| Decrease of 10% in exchange rate | (23,3) | (3,0) | (26,3) |

| | December 31, 2011 | | |
|---|---|---|---|
| | Israeli Shekel | Swiss Franc | Total |
| | (in millions of euros) | | |
| **Profit for the year** | | | |
| Increase of 10% in exchange rate | (10,7) | (0,1) | (10,9) |
| Decrease of 10% in exchange rate | 10,7 | 0,1 | 10,9 |
| **Equity** | | | |
| Increase of 10% in exchange rate | (1,3) | (2,1) | (3,4) |
| Decrease of 10% in exchange rate | 1,3 | 2,1 | 3,4 |

| | December 31, 2010 | | |
|---|---|---|---|
| | Israeli Shekel | Swiss Franc | Total |
| | (in millions of euros) | | |
| **Profit for the year** | | | |
| Increase of 10% in exchange rate | (0,7) | (1,9) | (2,6) |
| Decrease of 10% in exchange rate | 0,7 | 1,9 | 2,6 |
| **Equity** | | | |
| Increase of 10% in exchange rate | (6,2) | (0,3) | (6,5) |
| Decrease of 10% in exchange rate | 6,2 | 0,3 | 6,5 |

### 17.3.4 Price risk

The Combined Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Combined Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price.

As of December 31, 2011, the carrying amount of these investments was EUR 8,5 million. An increase/decrease in the asset's market price of 10% would result in a change of EUR 0,850 million in the carrying amount of these investments.

As of December 31, 2012, the carrying amount of these investments was EUR 5,7 million. An increase/decrease in the asset's market price of 10% would result in a change of EUR 0,570 million in the carrying amount of these investments.

## 17—Financial risk factors (Continued)

### *17.4 Sensitivity tests in respect of a change in market factors*

The sensitivity analysis in respect of financial instruments was performed under the assumption that the amount that was in force as of the statement of financial position date was in force throughout the reporting period.

The changes that have been selected as variables for the relevant risk were determined in accordance with management's assessment in respect of the possible reasonable changes in those risk variables.

### *17.5 Gearing computation*

Gearing ratio (net debt/total invested equity) amounts is as follows:

| Combined statement of financial position | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) | |
| Net Debt (short term and long term) | 1 681,9 | 1 197,5 | 166,5 |
| Invested Equity | 272,9 | 367,2 | 233,9 |
| Non-controlling interests | 5,2 | 349,2 | 0,4 |
| Total equity | 278,1 | 716,4 | 234,3 |
| Total equity and liabilities | 2 937,7 | 2 695,0 | 779,2 |
| **Gearing** | **6,1** | **1,7** | **0,7** |

## 18—Trade and other payables

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | | (in millions of euros) | |
| Trade payable | 311,4 | 208,1 | 53,0 |
| Trade payables—acquisition of assets | 2,9 | 3,5 | 9,2 |
| Corporate and social security contributions | 24,5 | 26,2 | 4,7 |
| Corporate income tax payable | 10,7 | 7,2 | 2,4 |
| Current Deferred revenue | 34,1 | 31,3 | 17,7 |
| Other payables | 38,9 | 37,4 | 12,6 |
| Liabilities from related parties | 0,2 | — | 2,3 |
| **Total** | **422,7** | **306,5** | **101,9** |

Most of the trade payables' and other payables' increases as of December 31, 2011 is a result of the Coditel and Hot Telecom business combination and related to Cabovisao as of December 31, 2012.

## 19—Other non-current liabilities

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| Trade payables—acquisition of assets | 5,9 | — | — |
| Non-current Deferred revenue | — | 9,4 | 0,7 |
| Deferred revenue | 10,8 | — | — |
| Other payables | 32,9 | 15,3 | — |
| **Total** | **49,5** | **24,7** | **0,7** |

Other payables correspond to Israeli non-current payables: interest payable, royalties to the Israeli government, income in advance from customers (Hot Telecom Business combination).

## 20—Classification and fair value of financial assets and liabilities

On December 31, 2012 ,2011 and 2010, the principles for measuring financial instruments and their market value breaks down as follows:

| | December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | | | Fair Value | | | |
| | Book value | Amortized cost | Fair value through profit/loss | Assets available for sale | Loans & Receivables | Derivative instruments |
| | | | (in millions of euros) | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 129,7 | 129,7 | — | — | — | — |
| Trade receivables | 150,8 | 150,8 | — | — | — | — |
| Other receivables | 37,9 | 37,9 | — | — | — | — |
| **Non-current assets** | | | | | | |
| Restricted cash | 9,6 | 9,6 | — | — | — | — |
| Investments in financial assets available for sale | — | — | — | — | — | — |
| Available for Sale | 6,1 | — | — | 6,1 | — | — |
| Long term trade receivables | 18,7 | 18,7 | — | — | — | — |
| Other long-term trade receivables | 24,6 | 24,6 | — | — | — | — |
| | **377,4** | **371,3** | **—** | **6,1** | **—** | **—** |
| **Current liabilities** | | | | | | |
| Credit from banking corporations and debentures | 113,2 | 113,2 | — | — | — | — |
| Trade payables | 311,3 | 311,3 | — | — | — | — |
| Others payables | 118,8 | 118,8 | — | — | — | — |
| Short-term loans from related parties | 2,7 | 2,7 | — | — | — | — |
| **Non-current liabilities** | | | | — | — | — |
| Loans from banking corporations and debentures | 1 373,2 | 1 373,2 | — | — | — | — |
| Long-term loans from related parties | 322,5 | 322,5 | — | — | — | — |
| Other financial liabilities | 174,4 | 111,9 | — | — | 62,5 | — |
| Other non-current liabilities | 49,5 | 49,5 | — | — | — | — |
| | **2 465,6** | **2 403,1** | **—** | **—** | **62,5** | **—** |

## 20—Classification and fair value of financial assets and liabilities (Continued)

| | December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | | | Fair value | | |
| | Book value | Amortised cost | Fair value through profit/loss | Assets available for sale | Derivative instruments |
| | (in millions of euros) | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 19,8 | 19,8 | — | — | — |
| Trade receivables | 102,7 | 102,7 | — | — | — |
| Other receivables | 31,4 | 31,4 | — | — | — |
| **Non-current assets** | | | | | |
| Restricted cash | 41,4 | 41,4 | — | — | — |
| Investments in financial assets available for sale | — | — | — | — | — |
| Available for Sale | 8,5 | — | — | 8,5 | — |
| Long term trade receivables | 2,4 | 2,4 | — | — | — |
| Other long-term trade receivables | 28,4 | 24,2 | — | — | 4,3 |
| | **234,6** | **221,9** | **—** | **8,5** | **4,3** |
| **Current liabilities** | | | | | |
| Credit from banking corporations and debentures | 241,8 | 241,8 | — | — | — |
| Trade payables | 208,2 | 208,2 | — | — | — |
| Others payables | 98,4 | 98,4 | — | — | — |
| Short-term loans from related parties | 2,9 | 2,9 | — | — | — |
| **Non-current liabilities** | | | | | |
| Loans from banking corporations and debentures | 835,2 | 835,2 | — | — | |
| Long-term loans from related parties | 127,1 | 127,1 | — | — | — |
| Other financial liabilities | 32,1 | 28,3 | 3,8 | — | — |
| Other non-current liabilities | 46,1 | 46,1 | — | — | — |
| | **1 591,8** | **1 588** | **3,8** | **—** | **—** |

## 20—Classification and fair value of financial assets and liabilities (Continued)

| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | | | Fair value | | | |
| | Book value | Amortised cost | Fair value through profit/loss | Assets available for sale | Loans and receivables | Derivative instruments |
| | | | (in millions of euros) | | | |
| **Current assets** | | | | | | |
| Cash and cash equivalents | 18,6 | 18,6 | — | — | — | — |
| Trade receivables | 50,9 | 50,9 | — | — | — | — |
| Other receivables | 16,4 | 16,4 | — | — | — | — |
| **Non-current assets** | | | | | | |
| Restricted cash | 0,2 | 0,2 | — | | | |
| Investments in financial assets available for sale | — | — | — | — | — | — |
| Available for Sale | — | — | — | — | — | — |
| Long term trade receivables | 3,0 | 3,0 | — | — | — | — |
| Other long-term trade receivables | — | — | — | — | — | — |
| | **89,1** | **89,1** | **—** | **—** | **—** | **—** |
| **Current liabilities** | | | | | | |
| Credit from banking corporations and debentures | 81,3 | 81,3 | — | — | — | — |
| Trade payables | 52,8 | 52,8 | — | — | — | — |
| Others payables | 46,6 | 46,6 | — | — | — | — |
| Short-term loans from related parties | 0,4 | — | — | — | — | — |
| **Non-current liabilities** | | | | | | |
| Loans from banking corporations and debentures | 71,4 | 71,4 | — | — | — | — |
| Long-term loans from related parties | 61,9 | 61,9 | — | — | — | — |
| Other financial liabilities | 5,5 | — | — | — | — | — |
| Other non-current liabilities | 0,7 | 0,7 | — | — | — | — |
| | **320,6** | **320,6** | **—** | **—** | **—** | **—** |

The classification of financial instruments in accordance with hierarchical levels for fair values:

The financial instruments that are presented in the statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1—Quoted prices (without adjustments) in an active market for identical assets and liabilities. As of December 31, 2011 the Combined Group has no financial assets or liabilities that meet the definition of Level 1.
- Level 2—Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.
- Level 3—Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

**20—Classification and fair value of financial assets and liabilities (Continued)**

As result, as of December 31, 2012, classifications of financial instruments are as follows:

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in millions of euros) | | | |
| ***Financial liabilities at FVTPL*** | | | | |
| Other derivatives financial liabilities | — | 62,5 | — | 62,5 |
| ***AFS*** | | | | |
| AFS HOT Telecom (Level 1) | 6,1 | | — | 6,1 |
| | **6,1** | **62,5** | **—** | **68,6** |

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

FX Forward contract: USD 550 million, the maturity date will be on December 15, 2017 and swap to NIS at the aggregate rate of 4,1700, this contract relates to a hedge of the notional of the debt and also the rate accretes up to 4,17 in December 15, 2017;

FX Forward contract: USD 98,9 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

FX Forward contract: EUR 40,1 million, the maturity date is based on the interest date payment from June 17, 2013 to December 15, 2017 and swap to NIS at the aggregate rate of each interest payment period, this contract is related to interest rate hedging, exchanging fixed Euro and USD interest payments into fixed NIS payments.

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2012 as follows:

Cross currency swap: USD 200 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 7,7550%,

Cross currency swap: USD 225 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,6850%,

Cross currency swap: EUR 100 million, the maturity date will be on December 15, 2017 swap NIS at the aggregate rate of 5,7750%.

Those contracts are effectively fixed Euro and USD interest payments in NIS.

As of December 31, 2012, classification of financial instruments' issue are as follows:

| | For the year ended December 31, 2012 | | | |
|---|---|---|---|---|
| | Recorded Value in Condensed Combined Statement of Financial Position | Level 1 Quoted Prices in active markets for identical assets/liabilities | Level 2 Significant other observable inputs | Level 3 Inputs that are not based on observable market data |
| | | (in millions of euros) | | |
| **Recurring Fair Value Measurements** | | | | |
| *Financial assets* | | | | |
| —Partner Communication Co. | 5.7 | 5.7 | — | — |
| *Financial liabilities* | | | | |
| —Derivatives financial liabilities at FVTPL | 62.5 | — | 62.5 | — |

## 20—Classification and fair value of financial assets and liabilities (Continued)

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

**HOT Telecom**

| | As of December 31, 2011 | |
|---|---|---|
| | Level 2 | Level 3 |
| | (in millions of euros) | |
| Available for sale financial asset: | | |
| Shares | | 8,5 |
| Financial assets at fair value through profit or loss: | | |
| Forward contracts in foreign currency that are not defined as accounting hedges | 5,1 | |
| **Financial liabilities at fair value through profit or loss:** | | |
| Embedded derivatives | (0,4) | |
| Interest rate swap contract | (0,2) | |
| Liability to the Ministry of Communications | | (3,8) |
| | 4,5 | 4,7 |

## 21—Taxes income

### *21.1 Income tax expense*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Current income tax | 4,2 | 0,2 | (1,6) |
| Carry back | — | (0,2) | — |
| Deferred taxes on deductible temporary differences | 21,7 | (32,4) | (0,5) |
| **Total** | **26,0** | **(32,5)** | **(2,2)** |

### *21.2 Deferred tax assets and liabilities*

| | December 31, 2011 | Business combination | From equity | From profit and loss | December 31, 2012 |
|---|---|---|---|---|---|
| | (in millions of euros) | | | | |
| Other | 0,2 | — | — | 0,2 | 0,4 |
| IAS 16, Property, Plant and Equipment | 0,1 | — | — | 0,3 | 0,4 |
| IAS 36, Depreciable fixed assets | — | — | (0,6) | — | (0,6) |
| IAS 38, Intangible assets | — | — | — | — | — |
| IAS 39, Financial Instruments | — | — | — | 19,0 | 19,0 |
| **Total deferred taxes assets** | **0,3** | **—** | **(0,6)** | **19,5** | **19,3** |

**21—Taxes income (Continued)**

| | December 31, 2011 | Business combination | From equity | From profit and loss | December 31, 2012 |
|---|---|---|---|---|---|
| | | | (in millions of euros) | | |
| Customer relationships | 52,0 | 2,1 | — | (2,8) | 51,3 |
| Brand | 9,3 | 7,4 | — | — | 16,7 |
| Other Intangible assets | 23,9 | — | (4,7) | 2,1 | 21,3 |
| Reevaluation of Tangible assets | 11,0 | 23,2 | — | (4,1) | 30,1 |
| IAS 23, Borrowing Costs | 3,6 | — | — | (0,4) | 3,1 |
| IAS 36, Depreciable fixed assets | (11,1) | — | (1,4) | 3,6 | (8,8) |
| Present value of YFPECS financial instrument | 9,0 | — | — | 0,2 | 9,3 |
| Temporary differences | 22,8 | — | — | (0,5) | 22,3 |
| Other | 3,1 | — | 0,1 | (0,1) | 3,1 |
| **Total deferred taxes liabilities** | **123,7** | **32,7** | **(6,0)** | **(2,0)** | **148,4** |

| | December 31, 2010 | Business combination | From equity | From profit and loss | December 31, 2011 |
|---|---|---|---|---|---|
| | | | (in millions of euros) | | |
| Other | — | — | — | 0,2 | 0,2 |
| IAS 16, Property, Plant and Equipment | — | — | — | 0,1 | 0,1 |
| IAS 38, Intangible assets | — | — | — | — | — |
| **Total deferred taxes assets** | **—** | **—** | **—** | **0,3** | **0,3** |

| | December 31, 2010 | Business combination | From equity | From profit and loss | December 31, 2011 |
|---|---|---|---|---|---|
| | | | (in millions of euros) | | |
| Customer relationships | 6,9 | 44,0 | (1,1) | 2,3 | 52,0 |
| Brand | 3,1 | 6,0 | 0,1 | 0,1 | 9,3 |
| Other Intangible assets | — | 10,3 | (0,3) | 13,9 | 23,9 |
| Revaluation of Tangible assets | 1,0 | 10,6 | (0,4) | (0,3) | 11,0 |
| IAS 23, Borrowing Costs | — | — | — | 3,6 | 3,6 |
| IAS 36, Depreciable fixed assets | — | 1,5 | (0,1) | (12,6) | (11,1) |
| Present value of YFPECS financial instrument | 9,2 | — | — | (0,2) | 9,0 |
| Temporary differences | 6,5 | — | (6,4) | 22,8 | 22,8 |
| Other | (0,4) | — | 0,5 | 2,9 | 3,1 |
| **Total deferred taxes liabilities** | **26,3** | **72,4** | **(7,6)** | **32,6** | **123,7** |

**21—Taxes income (Continued)**

***21.3 Reconciliation between the effective tax rate and the theoretical tax rate***

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| | (in millions of euros) | |
| **Net income** | **(180,2)** | **162,0** |
| **Share of net income—associates** | **(20,4)** | **(58,6)** |
| **Share of net income—equity holders** | **(200,6)** | **103,4** |
| Tax charge [(−) expenses/(+) income] | (26,0) | 32,5 |
| **Earnings/(Loss) before tax** | **(226,6)** | **135,9** |
| Theoretical tax rate | 28,80% | 28,80% |
| Income tax calculated on theorical tax | 65,3 | (39,1) |
| **Impact of:** | | |
| Effect of different tax rates of subsidiaries depending in other jurisdictions | (5,8) | |
| Permanent differences | (53,6) | 2,0 |
| Restatements without tax impact | 12,1 | 10,6 |
| Utilization of previously non capitalized tax credit | 20,0 | 3,6 |
| Carry-back | 0,1 | (0,2) |
| Tax loss carry forwards of the periods non activated | (13,2) | (9,7) |
| Effect of unused tax losses not recognized as Deferred tax asset | 1,0 | 0,3 |
| **Effective Tax** | **26,0** | **(32,5)** |
| **Effective tax rate** | **14,43%** | **20,06%** |

The permanent differences mainly consist of:

- Reversal of the amortization of goodwill booked in the annual accounts of Solution 25 (Green.ch) for an amount of EUR 1,1.
- Elimination of a profit on internal operation on the sale of the shares of HOT Mobile by Altice Securities S.à r.l. to HOT Telecom Ltd, amounting to EUR 10,8 million.

***21.4 Tax assessments***

In December 2009 and in the course of the year 2010, HOT received tax assessments for the 2006-2008 tax years, in accordance with section 145(A)(2)(b) of the Income Tax Ordinance. In accordance with the tax assessments, expenses amounting to approximately EUR 220 million were adjusted for HOT for tax purposes as of the end of the year 2008, and this was as a result of a disagreement between HOT and the Tax Authority in Israel, primarily in respect of the pace of the recognition of depreciation expenses in respect of the cables network and additional issues. If the said position of the Tax Authority in relation to the assessments that were issued to HOT in respect of the 2006, 2007 and 2008 tax years is received, HOT will be exposed to a demand for the payment of tax in a cumulative amount of EUR 24 million. Linkage differentials and interest will be added to this amount. Furthermore, HOT will be exposed to a demand for the payment of additional taxation in significantly larger amounts in respect of the tax years after 2008.

HOT's management, on the basis of its position in the self-assessments and based upon its legal advice, has presented an objection against the tax assessments for the years 2006 - 2008 and in the opinion of HOT's management and its professional advisers, HOT has well founded complaints against the claims made in the tax assessments for the years 2006 - 2008, which could significantly change the results of the tax assessments for those years and could also significantly change the implications deriving from them in respect of the tax years after 2008.

**21—Taxes income (Continued)**

At the present time, discussions are being held on the assessments, within the framework of Stage B for the years 2006 - 2008 and within the framework of Stage A for the 2009 - 2010 tax years. A number of issues have come within the framework of the discussions including the manner of the depreciation of the cables network infrastructure and the manner of the amortization of the intangible assets—brand, goodwill and customer connections. Up to the time of the publication of the financial statements, no assessment has yet been issued in respect of the aforesaid.

A provision of EUR 2 million has been recorded within the framework of the financial statements in respect of HOT estimated exposure in respect of the dispute with the tax authorities in respect of open tax years.

HOT has been issued with final tax assessments up to and including the 2005 tax year. The consolidated companies HOT Vision, HOT Haifa and HOT Eidan have been issued with final tax assessments up to and including the 2001 tax year. The consolidated companies HOT Edom and HOT Net (formerly HOT Investments and Finance) have been issued with final tax assessments up to and including the 2002 tax year. The consolidated company HOT T.L.M. has been issued with final tax assessments up to and including the 2004 tax year. The consolidated companies Drom Hasharon and HOT Properties have been issued with final tax assessments up to and including the 2008 tax year.

The consolidated companies HOT T.L.M., HOT Eidan and HOT Haifa have tax assessments that are considered to be final up to and including the 2005 tax year. The consolidated company HOT Mobile have tax assessments that are considered to be final up to and including the 2008 tax year. The consolidated companies HOT Vision, HOT Edom and Hot Net (formerly HOT Investments and Finance) have tax assessments that are considered to be final up to and including the 2007 tax year. The said assessments are considered to be final subject to the powers that have been afforded to the Director of the Tax Authority in Israel in accordance with section 145, 147 and 152 of the Income Tax Ordinance.

**21.4.1 Cabovisao**

Cabovisao is subject to corporate income tax at the rate of 25%, increased by a municipal surcharge at the applicable rate up to 1.5%, resulting in an aggregate rate of a maximum of 26.5%. Additionally, any taxable profit in excess of EUR 1,5 million is subject to a State surcharge of 3%, being 5% if the taxable net, or exceeds EUR 10 million, according to article 87-A of the corporate income tax law.

In accordance with the article 88 of the corporate income tax law, Cabovisao is subject to autonomous taxation over some costs incurred by Cabovisao at the rates provided for in the above-mentioned article.

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a four-year period or, if tax losses are carried forward or a deduction or tax credit used, for the period for which such right is exercised (five years for Social Security). These periods can be suspended when there are tax inspections, claims or appeals in progress. Consequently, Cabovisao's tax returns for the years 2009 to 2012 are subject to review by the tax authorities.

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

Notification for fiscal year 2003 to adjust tax losses by EUR 7,2 million and an additional payment of stamp taxes for fiscal years 2000 to 2002 in the amount of EUR 1,3 million. The Company did not agree with the additional payment of stamp taxes, having claimed through a lawsuit appeal against the Portuguese Tax Authorities, presenting a bank guarantee in the amount of EUR 1,7 million. During the year ended August 31, 2011, the Almada Administrative and Fiscal Court decided the appeal was unfounded. Cabovisao has appealed against that decision before the Almada Administrative and Fiscal Court.

Assessment of the Portuguese Tax Authorities related to 2005, requests an adjustment to tax losses in the amount of EUR 17,1 million, as well as an additional tax payment in the amount of EUR 4 million, for withholding tax and stamp tax. Cabovisao paid EUR 2,6 million and contested this decision of the

**21—Taxes income (Continued)**

assessment through a gracious complaint and hierarchical appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1 million, was contested by hierarchic appeal. In the year ended 31 August, 2012, the Corporate Tax accepted the claim. As of the date of this report, there were not any subsequent deliberations after that decision.

For 2006, an assessment of tax payable on withholding tax linked to interest due to CSII in the amount of approximately EUR 4,9 million. Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6,8 million. As of December 31, 2012, the administrative and tax court of Almada didn't pronounce on that claim, therefore it wasn't taken any subsequent deliberations.

The Board of Directors believes that any adjustments resulting from tax revisions to the tax returns of these exercises, taking into account the provisions recorded will not have a significant effect on the financial statements on December 31, 2012.

***21.5 Unrecognized deferred tax assets***

As at December 31, 2012, unrecognized deferred tax assets amount to EUR 86,1 million and split as follows:

- Cool Holding: EUR 21,2 million,
- Coditel Holding Lux S.à r.l.: EUR 13,6 million,
- Cabovisao: EUR 51,3 million.

As at December 31, 2011, unrecognized deferred tax assets amount to EUR 33,4 million and split as follows:

- Cool Holding: EUR 26,7 million
- Coditel Holding Lux S.à r.l.: EUR 5,8 million
- Coditel Brabant: EUR 0,9 million

**22—Segment analysis**

***22.1 Definitions of segments***

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

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

Activities have been split as follows:

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

## 22—Segment analysis (Continued)

### 22.1.1 Operational non-IFRS KPIs

It has also been decided by the central team that local operational teams in each geography shall report operational KPIs every week and operational and financial KPIs every month using a standard reporting format defined by the central team.

The main operational KPIs that will be tracked will be:

- Subscriber base evolution (both cable and mobile),
- ARPU (Average Revenue per Unit) (cable and mobile),
- Other relevant cost drivers.

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

### 22.1.2 Financial non-IFRS KPIs

Each local operational company will also report the following financial KPIs by segment:

- Revenues (Cable/Mobile/Other),
- Cost of Sales (Cable/Mobile/Other),
- Capex (Cable/Mobile/Other).

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

HOT Telecom however will report EBITDA on cable and mobile, in addition to the KPIs mentioned above. This derives from the size of the mobile business and the fact that historically, this business had separate reporting for these two activities and also because local regulation require operators to report the EBITDA on these segments.

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

- The cable business has small fixed Capex requirements and initial Capex is quite low, but variable Capex is high, as an increase in customers drives the cash needs for Customer Premise Equipment (CPE) and installation.
- Mobile Capex is one-off and mainly driven by investment in new mobile sites and licences to operate. Once the Capex is engaged and the business operational, there is limited Capex requirement.

Thus, the central team places a great emphasis on the proper tracking of capital expenditures and reviewing them against the costs budgeted for the year.

Management believes that operations in Switzerland and activities such as B2B sales are not yet substantial enough to warrant a separate reporting segment and will be reported under ‘Others’. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity. Financial KPIs are expected to remain the same. The same applies to any new line(s) of business that the Group may decide to venture into (for e.g., content etc.).

## 22—Segment analysis (Continued)

### *22.2 Regional specificities*

#### 22.2.1 Israel

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

It is characterised by a high broadband and cable penetration and the general population is very technology focussed. The market is maturing but highly regulated, which means that while opportunities for growth exist, they may be limited by specific regulatory challenges and also by high competition, thus leading to price pressures on ARPU development.

Triple play penetration is low and this represents the biggest development path. Customer retention is difficult as contractual terms heavily favour the customer and, hence, price increases, even when coupled with high value content, can be negatively perceived and lead to an erosion of the customer base.

The regulatory environment does not yet allow for quadruple play packages, which heavily restricts achieving full integration and operational synergies with the mobile business. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

#### 22.2.2 Belgium and Luxembourg

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

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration and a high percentage of triple play customers. Customers are willing to pay more for premium services (high ARPU/subs) and hence price pressures are low.

These regions are marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

#### 22.2.3 France

The French market is a large and mature market with high cable penetration and a large consumer base. French operations represent the oldest and largest part of the cable operations of the combined Group to date.

This region is marked by the presence of many well established cable operators and customer retention is a key factor in maintain strong profit margins. Competition is tough and innovations in cable technology, such as Fiber to the home (FTTH) are driving market growth. Incumbent operators are slowly migrating to fiber optic based networks which gives the Group a head start in capturing the ultra-high speed internet market, given its pre-existing high density cable network.

Given the density and presence of mobile operators, the mobile strategy is driven by MVN operations, which allows the presence of quadruple play packages.

#### 22.2.4 Portugal

The Portuguese market is marked by a high concentration of double play subscribers and a mature telecommunications market, which, when coupled with slow economic recovery after the crisis, makes it

**22—Segment analysis (Continued)**

difficult to achieve high sales growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

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

#### 22.2.5 French Overseas Territories

The French Overseas Territories represent an attractive market with high scope of growth in cable operations, owing to relatively limited competition and relatively low cable penetration. There is also a large scope for synergies between the cable and mobile businesses, as triple play penetration remains low and regulatory flexibility allows the marketing of quadruple play options.

Price pressures are low in these markets and customers are willing to pay more for value added services. Double play (TV and Internet) offers are predominant in these regions and the migration of new and existing customers to triple and quadruple play packages in the future will be an important factor in growing sales.

There are other opportunities for growth in the sector, most notably in the e-banking sector.

## 22—Segment analysis (Continued)

### 22.2.6 Segment information

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

| | December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | Belgium & Luxembourg | France | Israel | French Overseas Territories | Portugal | Others |
| | (in millions of euros) | | | | | | |
| **Cable** | | | | | | | |
| Revenue | 873,3 | 70,3 | — | 677,9 | 24,4 | 98,2 | 2,5 |
| Purchasing and subcontracting costs | (212,9) | (10,3) | — | (159,0) | (4,1) | (39,1) | (0,5) |
| **Gross Profit** | **660,4** | **60,0** | **—** | **518,9** | **20,4** | **59,1** | **2** |
| **Mobile** | | | | | | | |
| Revenue | 172,7 | 0,2 | — | 172,5 | — | — | — |
| Costs of sales | (69,9) | (0,1) | — | (69,8) | — | — | — |
| **Gross Profit** | **102,8** | **0,1** | **—** | **102,7** | **—** | **—** | **—** |
| **Other** | | | | | | | |
| Revenue | 46,4 | 0,8 | — | — | — | — | 45,6 |
| Costs of sales | (19,3) | (0,6) | — | — | — | — | (18,7) |
| **Gross Profit** | **27,1** | **0,2** | **—** | **—** | **—** | **—** | **26,9** |
| **Total** | | | | | | | |
| **Total Revenue** | **1092,4** | **71,3** | **—** | **850,4** | **24,4** | **98,2** | **48,1** |
| **Total Purchasing and subcontracting costs** | **(302,1)** | **(11,0)** | **—** | **(228,8)** | **(4,1)** | **(39,1)** | **(19,2)** |
| **Total Gross Profit** | **790,3** | **60,3** | **—** | **621,7** | **20,4** | **59,1** | **28,9** |
| Other operating expenses | (387,1) | (14,7) | (0,1) | (316,5) | (8,3) | (29,2) | (18,3) |
| **Operating income before depreciation & amortisation** | **403,2** | **45,6** | **(0,1)** | **305,2** | **12,1** | **29,9** | **10,6** |
| Depreciation and amortization | (269,1) | (17,2) | (2,8) | (200,6) | (6,6) | 4,4 | (46,3) |
| Goodwill impairment | (121,9) | — | — | (121,9) | — | — | |
| Management fees | (6,2) | — | — | — | — | — | (6,2) |
| Other expenses, net | (29,7) | (4,5) | — | (4,3) | (2,6) | (8,2) | (10,1) |
| Reorganization and non recurring costs | (20,8) | — | — | (14,2) | (,0) | (6,0) | (,6) |
| **Operating Income** | **(44,7)** | **23,9** | **(2,9)** | **(35,8)** | **2,9** | **20,1** | **(52,6)** |

## 22—Segment analysis (Continued)

| | December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Total | Belgium & Luxembourg | France | Israel | French Overseas Territories | Others |
| | (in millions of euros) | | | | | |
| **Cable** | | | | | | |
| Revenue | 560,3 | 34,5 | — | 499,7 | 23,6 | 2,5 |
| Purchasing and subcontracting costs | (125,3) | (6,9) | — | (114,1) | (3,8) | (0,5) |
| **Gross Profit** | **435** | **27,6** | **—** | **385,6** | **19,8** | **1,9** |
| **Mobile** | | | | | | |
| Revenue | 180,6 | — | — | 180,6 | — | — |
| Costs of sales | (31,0) | — | — | (31,0) | — | — |
| **Gross Profit** | **149,7** | **—** | **—** | **149,7** | **—** | **—** |
| **Other** | | | | | | |
| Revenue | 43,3 | 0,4 | — | — | — | 42,9 |
| Costs of sales | (19,1) | (0,5) | — | — | — | (18,7) |
| **Gross Profit** | **24,1** | **−0,1** | **—** | **—** | **—** | **24,2** |
| **Total** | | | | | | |
| **Total Revenue** | **784,2** | **34,8** | **—** | **680,4** | **23,6** | **45,4** |
| **Total Purchasing and subcontracting costs** | **(175,4)** | **(7,3)** | **—** | **(145,1)** | **(3,8)** | **(19,2)** |
| **Total Gross Profit** | **608,8** | **27,5** | **—** | **535,3** | **19,8** | **26,2** |
| Other operating income | — | — | — | — | — | — |
| Other operating expenses | (311,0) | (7,1) | (,1) | (279,2) | (8,1) | (16,5) |
| **Operating income before depreciation & amortisation** | **297,8** | **20,4** | **(,1)** | **256,1** | **11,7** | **9,7** |
| Depreciation and amortization | (176,0) | (7,2) | ,4 | (151,1) | (6,3) | (11,8) |
| Management fees | (3,6) | — | (,5) | — | | (3,1) |
| Other expenses, net | (7,6) | (14,5) | — | (9,0) | — | 15,9 |
| Reorganization and non recurring costs | (5,6) | (,1) | — | (,2) | (5,3) | — |
| **Operating Income** | **105,0** | **(1,4)** | **(,2)** | **95,8** | **,1** | **10,7** |

## 22—Segment analysis (Continued)

| | December 31, 2010 | | | | |
|---|---|---|---|---|---|
| | Total | France | Israel | French Overseas Territories | Others |
| | (in millions of euros) | | | | |
| **Cable** | | | | | |
| Revenue | 22,5 | — | — | 19,9 | 2,6 |
| Purchasing and subcontracting costs | (3,4) | — | — | (2,9) | (0,5) |
| **Gross Profit** | **19,0** | **—** | **—** | **16,9** | **2,1** |
| **Mobile** | | | | | |
| Revenue | 103,5 | — | 103,5 | — | — |
| Costs of sales | (33,3) | — | (33,3) | — | — |
| **Gross Profit** | **70,1** | **—** | **70,1** | **—** | **—** |
| **Other** | | | | | |
| Revenue | 41,2 | — | — | — | 41,2 |
| Costs of sales | (17,2) | — | — | — | (17,2) |
| **Gross Profit** | **24** | **—** | **—** | **—** | **24** |
| **Total** | | | | | |
| **Total Revenue** | **167,2** | **—** | **103,5** | **19,9** | **43,9** |
| **Total Purchasing and subcontracting costs** | **(54)** | **—** | **(33,3)** | **(2,9)** | **(17,7)** |
| **Total Gross Profit** | **113,2** | **—** | **70,1** | **16,9** | **26,1** |
| Other operating expenses | (65,2) | (0,1) | (46,0) | (8,3) | (10,8) |
| **Operating income before depreciation & amortisation** | **48,0** | **(0,1)** | **24,1** | **8,6** | **15,3** |
| Depreciation and amortization | (26,2) | 0,3 | (13,1) | (5,1) | (8,3) |
| Management fees | (,8) | — | — | — | (,8) |
| Other expenses, net | (7,4) | (1,0) | (1,4) | — | (5,0) |
| Reorganization and non recurring costs | (3,9) | — | — | (3,7) | (,2) |
| **Operating Income** | **9,7** | **(0,8)** | **8,6** | **(0,2)** | **1,0** |

| EBITDA split for Israel | 2010 | 2012 |
|---|---|---|
| | (in millions of euros) | |
| Cable | — | 303.0 |
| Mobile | 24.1 | 2.1 |
| ***Total*** | **24.1** | **305.2** |

## 23—Operating expenses

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Other operating expenses | (248,9) | (195,4) | (21,9) |
| Other sales and marketing expenses | (80,1) | (64,4) | (11,6) |
| General and administrative expenses | (58,2) | (51,3) | (31,7) |
| **Total Operating expenses** | **(387,2)** | **(311,1)** | **(65,2)** |

The increase in operating expenses at Combined Group level between FY10 and FY11 is mainly explained by the various acquisitions made by the Combined Group in FY11. The acquisition of Coditel Brabant and Coditel S.à r.l. and the change in consolidation method for HOT led to a EUR 114,5 million increase in Technical and Maintenance costs.

## 24—Other incomes and expenses

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Other incomes and expenses | (24,9) | (5,3) | (8,3) |
| Disposal of tangible assets—selling price and book value of disposal/tangible assets | (4,8) | (0,3) | 0,8 |
| **Other expenses, net** | **(29,8)** | **(5,6)** | **(7,4)** |
| Gain arising on step acquisition[1] | | 134,8 | 1,0 |
| Other revenues | — | | |
| Expenses from prior periods[2] | 8,3 | (7,5) | (3,9) |
| Restructuring costs[3] | (22,4) | (0,1) | (0,2) |
| Subvention | (6,7) | — | 0,2 |
| **Reorganization and non-recurring costs** | **(20,8)** | **127,2** | **(2,9)** |
| **Total** | **(50,6)** | **121,6** | **(10,3)** |

(1) In the prior year, the gain from achieving control is linked to acquisition of Hot Telecom: the amount of the investment in HOT Telecom prior to achieving control, in accordance with the equity method of accounting has been revalued in accordance with the HOT's share price as of the said time, such that in the Altice VII financial statements as of December 31, 2011 income has been recorded on the revaluation of the investment in the affiliate, which became a consolidated company; as a result, HOT's assets and liabilities previously accounted for in accordance with equity method of accounting have been revalued for EUR 133,0 million.

(2) The increase in expenses from prior periods is mainly explained by fines and penalties paid by HOT relating to the early breakage of mortgage contracts and disputes with other suppliers. The total charge registered was of EUR 22.8 million, offset by a reversal in the provision for these charges for EUR 7.7 million, thus resulting in a net expense of EUR 14.9 million.

(3) Restructuring costs refer to the non-recurring costs incurred by Cabovisao in the year ended December 31, 2012, arising from the restructuring carried out at this company level, post-acquisition by the Group. The costs engaged are made up entirely of personnel costs and are associated with dismissal indemnities paid to employees.

## 25—Net Finance costs

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in millions of euros) | | |
| Gain arising on fair value financial instruments | 1,2 | 6,4 | — |
| Foreign exchange gains | 24,7 | 6,8 | 43,3 |
| Disposal of financial assets—selling price | 4,5 | 3,0 | (0,1) |
| Other financial income | 10,3 | 10,6 | 7,9 |
| **Finance income** | **40,7** | **26,8** | **51,1** |
| Loss arising on fair value financial instruments | (9,2) | (7,9) | (7.7) |
| Interest charges on borrowings and overdrafts | (118,5) | (70,2) | (7,3) |
| Interest on subordinated debt | (11,5) | (11,1) | (5,2) |
| Other finance costs | (62,8) | — | (0,2) |
| Foreign exchange losses | (2,1) | (20,8) | (8,5) |
| Book-value of disposal/financial assets | (21,2) | (20,7) | (1,9) |
| **Finance costs** | **(225,4)** | **(130,6)** | **(30,9)** |
| **Total** | **(184,7)** | **(103,8)** | **20,2** |

## 26—Transaction with related parties

### *26.1 Trading and financial transaction*

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

| | Revenue | | Operating expenses | | Financial expenses | |
|---|---|---|---|---|---|---|
| | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 |
| | | | (in millions of euros) | | | |
| **Consolidated Income and expenses** | | | | | | |
| Equity holders | 0,4 | 0,2 | (3,1) | (12,1) | — | — |
| Executive managers | — | — | — | — | — | — |
| Remuneration and benefits in kind | — | — | (1,5) | (2,5) | — | — |
| Associate companies | — | — | — | — | (8,9) | (7,7) |
| **Total** | **0,4** | **0,2** | **(4,6)** | **(14,6)** | **(8,9)** | (7,7) |

| | Loans and receivables | | Trade accounts receivable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 |
| | | | (in millions of euros) | | | |
| **Assets** | | | | | | |
| Equity holders | 10,5 | — | 0,2 | — | — | — |
| Executive managers | 2,7 | 2,7 | — | — | 0,7 | 0,7 |
| Associate companies | 117,0 | 126,1 | 9,3 | 9,3 | — | — |
| **Total** | **130,2** | 128,8 | 9,5 | 9,3 | 0,7 | 0,7 |

| | Other financial liabilities | | Trade accounts payable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 | December 31, 2012 |
| | | | (in millions of euros) | | | |
| **Liabilities** | | | | | | |
| Equity holders | — | — | 4,5 | 1,6 | — | 0,6 |
| Executive managers | — | — | — | — | — | — |
| Associate companies | — | — | — | — | — | — |
| | | | | | | — |
| **Total** | **—** | **—** | **4,5** | **1,6** | **—** | **0,6** |

| | Revenue | | Operating expenses | | financial expenses | |
|---|---|---|---|---|---|---|
| | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 |
| | | | (in millions of euros) | | | |
| **Consolidated Income and expenses** | | | | | | |
| Equity holders | — | 0,4 | — | (3,1) | — | — |
| Executive directors | — | — | — | — | — | — |
| Remuneration and benefits in kind | — | — | — | (1,1) | — | — |
| Associate companies | — | — | — | — | (4,8) | (8,9) |
| **Total** | **—** | **0,4** | **—** | **(4,2)** | **(4,8)** | **(8,9)** |

## 26—Transaction with related parties (Continued)

| | Loans and receivables | | Trade accounts receivable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 |
| | | | (in millions of euros) | | | |
| **Assets** | | | | | | |
| Equity holders | — | 10,5 | — | 0,2 | — | — |
| Executive directors | — | 2,7 | — | — | — | — |
| Associate companies | 112,3 | 117,0 | — | — | — | — |
| **Total** | **112,3** | **129,7** | **—** | **0,2** | **—** | **—** |

| | Other financial liabilities | | Trade accounts payable and other | | Current accounts | |
|---|---|---|---|---|---|---|
| | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 | December 31, 2010 | December 31, 2011 |
| | | | (in millions of euros) | | | |
| **Liabilities** | | | | | | |
| Equity holders | — | — | — | 4,5 | — | — |
| Executive directors | — | — | — | — | — | — |
| Associate companies | — | — | — | — | — | — |
| **Total** | **—** | **—** | **—** | **4,5** | **—** | **—** |

## 27—Average workforce

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| Managers | 268 | 280 | 173 |
| Technicians | 660 | 604 | 362 |
| Employees | 4 719 | 5 152 | 4 585 |
| | **5 647** | **6 036** | **5 120** |

***Compensation of key management personnel***

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice VII, for the financial year 2012, was EUR 1,7 million compared to EUR 0,9 million for the financial year 2011.

## 28—Contractual obligations and commercial commitments

### *28.1 Hot Telecom Commitments*

#### 28.1.1 Commitments

- Royalties to the Ministry of Communications and other payments to the government
- a) HOT is committed to pay annual royalties out of its overall income that are chargeable with royalties (hereinafter—the chargeable income) in accordance with the Telecommunications Regulations (Concessions)—1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties)—2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalty rates that HOT, HOT Telecom and HOT Mobile have each been charged to pay in respect of their chargeable income, as aforesaid, stood at 2,5% in 2007, 2% in 2008, 1,5% in 2009 and 1% in 2010. In accordance with a Temporary Order, the annual royalty rate for the years 2011 and 2012 stood at 1,75%.

**28—Contractual obligations and commercial commitments (Continued)**

- In accordance with the Amendment to the Telecommunications Regulations (Concessions) and the Amendment to the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) (Temporary Order)—2012, as from 2013 the royalty rate that is paid by HOT, HOT Telecom and HOT Mobile on its chargeable income, as aforesaid, stands at 0%.
- b) In July 2001 the cables companies, including HOT, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.
- In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure or which touch upon the cables infrastructure (as defined in the agreement) for a period of 12 years. It was also stipulated in the agreement that in so far as HOT has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to HOT as a merged company.
- c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies)—1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 26 million and NIS 20 million in respect of the years 2012 and 2011 respectively (an amount of NIS 2 million in respect of December 2011).
- d) The license to operate a broadcasting center: It is stipulated in the broadcasting center operating license that the license holder is to pay a fee for the license at such rates and at such times as may be determined by the Ministry of Communications in accordance with the Communications Law and the Wireless Telegraph Ordinance (New Version)—1972.
- Other royalties.
- a) Within the framework of the Group's routine operations in the broadcasting field, the Group enters into commitments under arrangements and agreements under which the Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Group within this context in the years 2012, 2011 and 2010 amounted to NIS 42 million, NIS 43 million and NIS 47 million respectively.
- b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

**28—Contractual obligations and commercial commitments (Continued)**

- This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, HOT is unable to assess what the impact of the said legislation will be on its business results, of it is passed.
- A commitment to invest in original productions
- In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, HOT is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2010, 2011 and 2012 HOT complied with the investment rate that is required, as aforesaid.
- It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, provided that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In October 2011 the Council informed HOT that with effect from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to record broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to such time the inclusion of income from terminal equipment for the purpose of this calculation was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that HOT will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.
- Agreement to deploy and maintain a cables network
- On January 1, 1990 and on May 1, 1989 Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together—The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with Bezeq (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called—the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.
- In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on Bezeq's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied Bezeq with the base equipment (as defined in the agreement) that comprises the cables network whereas Bezeq supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.
- In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and Bezeq conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.
- The agreement will remain in force for the length of the period of the concession, and will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. Bezeq is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing, and which has not been repaired within six months.
- A consideration mechanism was set in the agreement, according to which HOT Telecom pays sums against the performance of Bezeq's commitments to setup, to maintain and to provide malfunction repair services, which are calculated in accordance with the length of the cables networks that have

**28—Contractual obligations and commercial commitments (Continued)**

been deployed, in accordance with the various types of networks and it also makes non-recurring payments in respect of certain activities. In accordance with the agreement, the amount of the consideration in respect of the length of the cable, as aforesaid, is reduced by approximately 65% after 12 years from the time of the handing over of each section.

- The total of the expenses recorded in HOT's accounting records for the network services payable to Bezeq in the years 2012, 2011 and 2010 amounted to NIS 48 million, NIS 46 million and NIS 43 million, respectively.
- It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.
- Commitments to lease assets
- The Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimum future rental fees in respect of the rental contracts as of December 31, 2012, exclusive of the option period, are as follows:

| | NIS in millions | EUR in millions |
|---|---|---|
| 2013 | 186 | 37,7 |
| 2014 | 148 | 30,0 |
| 2015 | 120 | 24,3 |
| 2016 | 86 | 17,4 |
| 2017 and thereafter | 304 | 61,7 |
| **Total** | **844** | **171,1** |

- On July 19, 2011 HOT's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Group can offer to its subscribers, faster internet services and it will also enable HOT to deal with increased demand for traffic capacity on the network in the future, which is expected to arrive as a result of the increased use of applications that require a considerable band width.
- On May 27, 2010 a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.
- Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are

**28—Contractual obligations and commercial commitments (Continued)**

required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that is required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

- In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network exclusively from Motorola alone during the period of the agreement.
- As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the manner of the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.
- In December 2011 the system maintenance agreement was extended for an additional period of three years, until the end of 2014.
- On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.
- The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party,60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.
- The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.
- The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.
- Within the framework of the preparations for the setting up of the new network, HOT Mobile entered into commitments under agreements with various suppliers for the purchase of terminal equipment that it will use on the UMTS network.
- On June 16, 2011 HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter—the supplier) for the setting up of the infrastructure for HOT Mobile's new network.
- In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which is HOT Mobile required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.
- The agreement arranges the work arrangements between the supplier and HOT Mobile, the manner of the handing over of the system to HOT Mobile and the manner of the maintenance of the system by the supplier.
- The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT

**28—Contractual obligations and commercial commitments (Continued)**

Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

- In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Group will pay the supplier an amount of USD 52 million, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement. The overall consideration in the agreement for all of the services up to the year 2017 is approximately USD 120 million, according to HOT Mobile's assessment.

  On January 31, 2013, an addition to the agreement was signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with HOT acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

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

- On October 6, 2005, HOT Mobile won a tender for the provision of Mobile services to the IDF. Following Cellcom's winning of a tender, which was published by the Ministry of Defense in 2012 for the selection of a new mobile operator for the IDF, in the third quarter of 2012, a gradual transfer of IDF customers to Cellcom's network began. HOT Mobile's revenues from the IDF in the years 2010, 2011 and 2012 amounted to NIS 139,3 million, NIS 112.4 million and NIS 83,7 million, respectively, which constituted approximately 13,5%, 12,5% and 9,8% of HOT Mobile revenues in the said periods, respectively. Of the said revenues, an amount of NIS 10 million a year was in respect of the PTT services, which are supplied to the IDF without reference to the tender.

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

- Marketing and distribution (for iDEN technology products and services)

- In 2012 HOT Mobile operated through marketing and distribution channels, which included: sales personnel, who were employed by HOT Mobile, inter alia, through services and sales centers, which HOT Mobile operates across the country, a national distribution channel that works ''door to door'' using an external contractor and authorized marketing agents. In 2012 and as of the date of this report, HOT Mobile distributes its products via sales staff who are employed by it, the Israel Post company in some 200 branches and some 150 branches of the Menta chain in the Delek Group's filling stations. In the ultra-orthodox sector, HOT Mobile operates through an external marketer who markets HOT Mobile's products and services in that sector.

- In addition, HOT Mobile is acting to recruit private subscribers through its business/institutional customers, by way of offering attractive packages and paths to the family members of the business/institutional customers.

**28—Contractual obligations and commercial commitments (Continued)**

- Commitment with an external marketer
- As aforesaid, in 2012, one of the distribution channels for the Group's products and services in the iDEN field of operations was through an external contractor, S.D.M. Sales and Direct Marketing Ltd. (hereinafter—SDM), which provided HOT Mobile with marketing services for the iDEN products, though the operation of sales staff in order to market the iDEN products in the private and business markets, by operating a nationwide set-up, using a specialist marketing method involving initiated personal approaches whilst going door to door.
- The consideration that SDM is entitled to is based on a fixed monthly consideration and commissions which are derived from SDM's results in respect of the sales of the iDEN products.
- The original commitment was up to December 31, 2013. However, on December 6, 2012 a compromise arrangement was signed between HOT Mobile and SDM, in accordance with which HOT Mobile will pay SDM an amount of NIS 8 million and the commitment between the parties will be terminated, with each party waiving its claims against the other party.
- Marketing and distribution (for UMTS technology products and services)
- The marketing and distribution of UMTS products is performed by means of HOT Mobile's and HOT's marketing and distribution channels and through third parties, within the restriction places in the radio telephone license.
- Capitalized leasing rights on land from the Israel Lands Authority
- Capitalized leasing rights on land from the Israel Lands Authority over an area of 20 713 square meters on which the Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. The lease periods end in the years 2021-2045.

**28.1.2 Guarantees and liens**

- As collateral for HOT's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed
- A floating charge on HOT's assets.
- A fixed charge on the shares in the subsidiary companies.
- HOT Telecom has given a charge on some of its assets.
- The said charges are in an unlimited amount, vis-à-vis HOT, the investee partnership—HOT Telecom and the subsidiary company—HOT Net, jointly and severally.
- As collateral for the commitments of HOT, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the chargeable assets and the rights of companies in the Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Group
- As collateral for HOT's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.
- As collateral for the Group's commitments, as determined in the Group's licenses and in the decisions by the Director and the Council, the Group has issued a number of guarantees, as follows:
- Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8,4 million Dollars, in force until December 2017 and December 2025.

**28—Contractual obligations and commercial commitments (Continued)**

- Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until April and June 2014.
- A bank guarantee in an amount of 2 million Dollars to the Director in respect of HOT's compliance with the terms of the merger as determined by the Director, which is in force until December 2014.
- A bank guarantee in an amount of NIS 695 million, which was made available by HOT Mobile within the framework of its win in a tender for the allocation of frequencies and as collateral for its commitment in favor of the Ministry of Communications, which is in force until December 31, 2018.
- In accordance with the wording of the guarantee that was written by the Ministry of Communications, there is no restriction in the guarantee on the endorsement, assignment or transfer of the guarantee to a third party. Furthermore, HOT Mobile has a duty to bear any expense that is involved in the exercise or the extension of the guarantee.
- In the light of the aforesaid terms, HOT Mobile has signed on a letter of undertaking and endorsement vis-à-vis a bank, according to which HOT waives and is prevented from raising any claim against the bank in connection with the wording of the said guarantee, and it will indemnify and compensate the bank in respect of any expenses incurred for the purpose of conducting administrative and legal proceedings in connection with the said issues.
- On November 28, 2011, HOT Mobile and the former parent company signed on an irrevocable letter of commitment vis-à-vis Bank Hapoalim Ltd. (hereinafter the bank). The letter of undertaking was signed as a condition for the making available of a bank guarantee in an amount of NIS 695 million, as collateral for HOT's commitments vis-à-vis the Ministry of Communications within the context of HOT's win in a frequencies tender for the setting up of a third generation mobile network (UMTS).
- The Group has given a number of bank guarantees to various bodies in an overall amount of NIS 59 million.
- Guarantees to HOT Telecom
- The Group has given guarantees in a cumulative amount of 23 million Dollars as collateral for payments by HOT Telecom to the Cisco company.
- The Group has given a guarantee in an amount of NIS 242 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.
- There exist mutual guarantees between HOT and companies in the Group, in unrestricted amounts, in favor of financial institutions as collateral for the repayment of the Group's liabilities to those financial institutions.

### 28.1.3 Other contingent liabilities

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter, ''The Legal Claims'').

In the opinion of the management of the Company and each of its subsidiaries, as at signature date, the amount of the additional exposure, in an amount of approximately NIS 3 billion (EUR 628,5 million) (over and above the provisions that have been recorded in these financial statements), as a result of the legal proceedings that have been filed against the Company's Subsidiaries on various matters, is as follows:

a. An amount of approximately NIS 1.7 billion (EUR 356,1 million) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.

b. An amount of approximately NIS 0,1 billion (EUR 20,9 million) in respect of claims, which it is not yet possible, at this stage, to make an assessment, the main ones being in connection with applications for the approval of class actions that were presented close to the date of the financial statements

**28—Contractual obligations and commercial commitments (Continued)**

c. An amount of approximately NIS 1,42 billion (EUR 297,5 million) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessments of the managements of the Company's Subsidiaries, as aforesaid.

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

| The nature of the lawsuit | The amount of the additional exposure in excess of the provision recorded as of signature date | The amount of the lawsuits that cannot be assessed and which were presented close to the date of the financial statements (primarily applications for approval as class actions) |
|---|---|---|
| | (in millions of euros) | |
| Customers | 574 | 21 |
| Lawsuits after the balance sheet date in respect of customers | 33 | 33 |
| Suppliers | 13 | 5 |
| Employees | 1 | — |
| The merger transaction | 50 | — |
| **Total** | **671** | **59** |

***28.2 Cabovisao commitments***

**28.2.1 Contingent assets**

During the year ended December 31, 2012, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2012, Cabovisao had outstanding claims against several municipalities, totaling EUR 3,6 million. To present date, Cabovisao received 102 004 Euros from seven municipalities.

**28.2.2 Contingent liabilities**

***28.2.2.1 Bank guarantees***

| | December 31, 2012 |
|---|---|
| | (in millions of euros) |
| Tax Authority | 8,4 |
| City Council | 0,9 |
| Third Parties | 0,0 |
| **Total** | **9,3** |

***28.2.2.2 Real guarantees***

On December 31, 2012, Cabovisao issued a bond amounting to EUR 25 million which was fully underwritten by Goldman Sachs International together with a financial first degree collateral of all bank accounts held by Cabovisao (except the bank deposit account in HSBC France and a current account with Caixa Geral de Depositos, S.A.) and pledge the shares representing Cabovisao's share capital and equity holders' rights.

**28—Contractual obligations and commercial commitments (Continued)**

***28.2.2.3 Other contingent liabilities***

As a result of the refusal by Cabovisao to pay the municipal taxes referred to above (since September 2010), the municipality of Almada initiated a process executive for payment of fees from 2006 to 2009, amounting to approximately EUR 0,7 million. It is the understanding of the Board of Directors, based on the opinion of its legal counsel, that the likelihood of loss is very low in the process.

***28.2.2.4 Contingent assets***

Cabovisao has outstanding claims against various municipalities for municipal taxes that it deems were charged illegally. The amount of such outstanding claims was EUR 3.6 million for the year ended December 31, 2012, of which EUR 0,1 million have been received from seven municipalities, while recovery is on-going with others.

***28.3 Coditel Holding commitments***

As of December 31, 2012, off balance sheet commitments include:

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

***28.4 Others***

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Cool Holdings Ltd S.A., H.Hadaros 2012 Ltd., Hot Telecommunications System Ltd, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidaries, Coditel Holding S.A. and its subsidiaries have been pledged for the issued Senior Secured Notes and Senior Notes. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

**29—Going concern**

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net operating cash flows. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables.

Under these conditions and given the cash flow projections, Management believes that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Financial Statements for the three years ended December 31, 2012 and meet its financial debt obligations during the period.

As a result, the Combined Financial Statements of the Combined Group for the three years ended December 31, 2012 have been prepared on a going concern basis.

**30—Events after the reporting period**

On May 31, 2013, Altice Holdings entered into a sale and purchase agreement to acquire Winreason (the ‘‘ONI Purchase Agreement’’), the owner of the Portuguese telecommunications group, ONI, pursuant to which Cabovisao purchased all of the outstanding shares of ONI and refinanced the outstanding indebtedness of ONI (the ‘‘ONI Transaction’’). The deal was consummated on August 8, 2013.

**30—Events after the reporting period (Continued)**

On June 7, 2013, Altice VII and certain of its subsidiaries entered into a sale and purchase agreement (the ''Outremer Purchase Agreement'') with the owners of OMT Investand certain of its affiliates pursuant to which (i) the Combined Group had agreed to purchase all of the outstanding share capital of OMT Invest other than shares to be contributed separately pursuant to the Outremer Investment Agreement on completion of the Outremer Transaction and (ii) all of the outstanding indebtedness of OMT Invest and its subsidiaries were to be refinanced using a portion of the proceeds of the June 24, 2013 bond issuance (see below). The parties to the Outremer Purchase Agreement entered into an investment agreement (the ''Outremer Investment Agreement'') pursuant to which (i) the Combined Group contributed all of the outstanding share capital of Le Cable Martinique and Le Cable Guadeloupe and (ii) managers of OMT Invest contributed all of the outstanding shares of OMT Invest not sold to the Combined Group under the Outremer Purchase Agreement. The transaction was completed on the July 5, 2013.

On June 14, 2013, Altice Finco issued EUR 250 million aggregate principal amount of its 9% senior notes due 2023 (the ''2013 Senior Notes'').

On June 24, 2013, Altice Financing entered into a senior secured term loan credit facility (as amended from time to time, the ''2013 Term Loan Facility'') which provides for U.S. dollar term loans (the ''2013 Term Loans'') up to an aggregate principal amount equivalent to USD 1 034 million. Altice Financing may draw under the 2013 Term Loan, in up to four tranches, at any time on or prior to November 30, 2013, as long as, among other things, the incurrence of the indebtedness would have been permitted by the covenants in the existing Altice Financing debt documents. On July 2, 2013 and July 5, 2013, Altice Financing borrowed USD 584,2 million and U.S. dollar-equivalent USD 81,9 million under the 2013 Term Loan (the ''First Draw''). The proceeds, together with the proceeds of the 2013 Senior Notes and cash on the balance sheet of the Combined Group were applied to complete the Cabovisao Refinancing, the Coditel Refinancing, the Le Cable Refinancing and the ABO Refinancing on July 2, 2013 (described below), and the Outremer Transaction on July 5, 2013.

On March 7, 2013, Altice VII purchased the 40% remaining shares held by Codilink S.à r.l in Altice Portugal S.A..

**Cabovisao Refinancing**

On July 2, 2013, Altice Financing repaid the outstanding indebtedness under the existing Cabovisao Bridge Facility of EUR 203 million (the ''Cabovisao Refinancing'').

**Coditel Refinancing**

In July 2, 2013, Coditel Holding prepaid approximately EUR 7 million of its EUR 138 million indebtedness outstanding under the existing Coditel Senior Facility and Altice Holdings purchased substantially all of the remaining interests of the existing lenders under the existing Coditel Senior Facility.

**ABO Refinancing**

On July 2, 3013 ABO refinanced approximately EUR 70 million of its existing indebtedness to third parties (the ''ABO Refinancing'').

**WSG and MTVC Refinancing**

WSG and MTVC are indirect subsidiaries of the Combined Group. On July 2, 2013, Altice Pool refinanced approximately (x) EUR 8 million of indebtedness of MTVC and (y) EUR 14 million of indebtedness of WSG (collectively, the ''Le Cable Refinancing'').

**Reduction of Guarantees to the State of Israel**

HOT Mobile has informed the Ministry of Communications that as of September 26, 2013, it had reached an average market share in the private sector of 11.3%, constituting an addition of 9.52% on HOT

**30—Events after the reporting period (Continued)**

Mobile's market share at the time of the expansion of the general license for the provision of mobile radio telephone services under the cellular method (hereinafter—the license), on September 26, 2011.

In the light of HOT Mobile achieving the market share that is required as of the time of the first check, HOT Mobile has requested the Ministry to reduce the amount of the guarantee that was deposited by HOT Mobile, from an amount of NIS 695.0 (€144.6 million) million to an amount of NIS 80 (€16.6 million) million. This was in addition to an amount of NIS 10.0 (€2.0 million) million that it paid upon the receipt of the license.

As of November 21, 2013, the response of the Ministry of Communications has been received and they approved the reduction of Hot Mobile guarantee from NIS 695 Million to NIS 80 Million.

**Acquisition of Ma Chaîne Sport and Sportv**

On October 4, 2013, Altice IV and Altice VII entered into sale and purchase agreements relating (i) to the sale on the same day by Altice IV and Valemi Corp of their respective shareholding (of approximately 65% and 35%, respectively) in Sportv S.A. (a producer of sport related content) to Ma Chaîne Sport S.A.S (a producer of sports related content) and (ii) to the sale on the same day by Altice IV and Valemi Corp of all or part of their respective shareholdings (of approximately 68% and 32%, respectively) in Ma Chaîne Sport S.A.S to Altice VII. In addition, on October 10, 2013, the general shareholders' meeting of Ma Chaîne Sport S.A.S decided on a capital decrease of €5.0 million by way of a share buy-back of the remaining shares in Ma Chaîne Sport S.A.S held by Valemi Corp which was not sold under the sale and purchase agreement. This capital decrease has been completed on November 8, 2013. As a result of this transaction, Altice VII now holds all of the outstanding equity interests in Ma Chaîne Sport S.A.S which in turn holds 100% of Sportv S.A.. In 2012, Ma Chaîne Sport S.A.S. and Sportv S.A. generated EBITDA of €9.0 million and €0.8 million respectively and had an EBITDA margin of 56.7% and 62.5% respectively.

As this is a common control transaction, the requirements of IFRS 3 in relation to acquisition accounting shall not be applicable and it is expect that the Combined Group shall elect to utilise the pooling-of-interest method to record this acquisition.

**Acquisition of the Mobius Group**

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the ''Mobius Acquisition''). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the ''Mobius Technology'' brand and double and triple play services based on xDSL technology to residential customers under the ''IZI'' brand. The consummation of the Mobius Acquisition is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including regulatory approval. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two will be reduced to approximately 75%.

The consideration paid, net of reinvestment of the Managers of Mobius, amounts approximately €21.0 million.

**Network Sharing Agreement**

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the ''Network Sharing Agreement'') with Partner Communications Company Ltd. Pursuant to the terms of the Network Sharing Agreement, HOT Mobile and Partner will each own 50% of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Network Sharing Agreement enables HOT Mobile and Partner to share antennas and frequencies, and facilitates

**30—Events after the reporting period (Continued)**

optimum utilization of the spectrum. In addition, while HOT Mobile and Partner will continue to maintain and operate separate core networks, Partner has agreed to grant HOT Mobile a right of use in its cellular communication network for the purpose of providing nation-wide cellular coverage to HOT Mobile's customers.

Also, as part of the engagement the Combined Group will grant a guarantee on behalf of Hot Mobile Ltd. In addition, in several cases as determined in the agreements the Combined Group will be required to grant an additional guarantee for example in case of a change in the finance ranking of the Combined Group. The Network Sharing Agreement is subject to regulatory approvals of the Ministry of communication and the restrictive trade practices controller, which as of the balance sheet date were not achieved.

As a result of this new agreement, the existing agreement with the existing service provider, Pelephone, will be phased out until the contractual end of the agreement in 2014.

**Tricom Dominican Republic Acquisitions**

On November 26, 2013, Altice Bahamas (a wholly owned indirect subsidiary of Altice VII) 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 has agreed to acquire from Wirefree Services Denmark A/S and certain of its affiliates (collectively, the ''ODO Sellers''), and the ODO Sellers have agreed to sell to Altice Bahamas, on completion of the ODO Acquisition, all of the outstanding share capital of ODO. The total consideration for the ODO Acquisition is $1,435 million less certain agreed adjustments and subject to final working capital and cash balances on the Orange Dominicana Acquisition Completion Date. The consummation of the ODO Acquisition is subject to certain conditions, including relevant authorizations or clearances from the Dominican Republic regulatory authority Indotel and is expected to occur in the first quarter of 2014.

On October 31, 2013, Altice Caribbean (a wholly owned indirect subsidiary of Altice VII) and Hispaniola Telecom Holdings, Ltd. (the ''Tricom Sellers''), a company controlled by Amzak Capital Management and Inversiones Bahía, entered into agreements (the ''Tricom Purchase Agreements'') pursuant to which Altice Caribbean or one of its subsidiaries (the ''Tricom Purchaser'') is expected to purchase 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 is $405 million. The consummation of the Tricom Acquisition pursuant to the Tricom Purchase Agreements is expected to occur in the first quarter of 2014 and is subject to the satisfaction of customary closing conditions, including the approval of the Dominican Republic regulatory authority Indotel.

The purchase price for the ODO Acquisition and the Tricom Acquisition is expected to be financed from (i) the proceeds received pursuant to the issuance of the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes which are currently being held in escrow and (ii) a portion of the proceeds from the Offering if regulatory approval for the pending acquisitions is received after the Admission, or, to the extent regulatory approval for the pending acquisitions is granted prior to the Admission, an equity contribution to the Altice VII restricted group by a subsidiary of the Company which has obtained committed third party financing to fund such equity contribution. To the extent such regulatory approval for the pending acquisitions is granted prior to the Admission and third party financing is used to complete such acquisitions, a portion of the proceeds from the Offering will be used by the Company to repay such third party financing.

**Issuance of New Senior Notes and New Senior Secured Notes**

Altice VII announced on December 2, 2013 that (i) its subsidiary Altice Finco S.A. would launch an offering of $400 million in aggregate principal amount of senior notes (the ''Senior Notes'') and (ii) its subsidiary Altice Financing S.A. would launch an offering of $1,309 million equivalent in aggregate principal amount of dollar and euro senior secured notes (the ''Senior Secured Notes'' and, together

**30—Events after the reporting period (Continued)**

with the Senior Notes, the ''Notes''). Proceeds of the Notes are expected to be used to finance (i) its previously announced acquisition of 88% of Tricom S.A. and Global Interlinks Ltd. (together, ''Tricom''), which Altice entered into an agreement to acquire on October 31, 2013, and (ii) its previously announced acquisition of a majority ownership in Orange Dominicana S.A. (''ODO''), which Altice entered into an agreement to acquire on November 26, 2013.

ODO provides mobile telephony and wireless broadband services to residential customers in the Dominican Republic and fixed and mobile voice and data services to business customers. Tricom provides pay television, broadband Internet and fixed-line telephony services as well as mobile telephony services in the Dominican Republic.

**Restructuring of Altice Six holding structure**

In anticipation of the increase in shareholding of the newly listed Numericable Group S.A., Altice Six S.A. has performed a restructuring of its subsidiaries to simplify its holding structure. Thus, with effect from November 11, 2013, Altice B2B Lux Holding S.à r.l. was merged with Ypso Holding S.à r.l..

Altice B2B Lux Holding S.à r.l., helds Altice B2B Lux S.à r.l., through which Altice Six S.A. has invested in Completel, the B2B arm of Numericable Group.

On December 18, 2013, the final step of this restructuring was consummated, with the merger of the Altice B2B Lux Holding S.à r.l. with Ypso Holding S.à r.l., thus creating a common company: Ypso Holding S.à r.l. which would directly control the French investment vehicles.

**Numericable IPO**

On November 7, 2013, Numericable Group, the sole cable operator in France and a leading provider of television and broadband Internet services in its network area (''Numericable'' and together with its subsidiaries, the ''Numericable Group''), announced that it had successfully completed its initial public offering on the regulated market of NYSE Euronext in Paris (Compartment A).

The Global Offering amounted to approximately €652.2 million, consisting of a capital increase of approximately €250 million and a sale of existing shares by Carlyle Cable Investment SC (''Carlyle'') and CCI (F3) S.à.r.l. (''Cinven'') amounting to approximately €402.2 million. An over-allocation option was also offered, which when fully exercised increased the Global Offering to approximately €750 million. The Employee Offering was subscribed for approximately €1 million at €19.84 per share. Trading of the Numericable Group's shares began on November 8, 2013.

Following the Global Offering and the Employee Offering and after the completion of all concurrent share transfers, and once the over-allotment option was exercised in full, Numericable Group's share capital was as follows: Altice 30%, Carlyle 26%, Cinven 18% and a public float of 24%.

**Issuance of new margin loan**

On November 7, 2013, Altice Six S.A. entered into a financing agreement for a total amount of EUR 300 million with ING Bank N.V as the agent and Deutsche Bank, HSBC, Credit Agricole, Goldman Sachs and Morgan Stanley as lenders. The purpose of this new debt issuance was to purchase an additional 10% holding stake in Numericable Group S.A. and thus increase Altice Six S.A's total stake up to 40% in Numericable Group S.A. thus giving it a controlling stake and allowing full integration of Numericable Group into the accounts of Altice S.A..

As a condition to financing, Altice Six has entered into a pledge agreement with the security agent and bank, following the terms of which it has pledged all the security assets (pertaining to cash and book entries) to an account held at ING Bank Luxembourg to be blocked from immediate effect, post signing of the debt agreement.

## 30—Events after the reporting period (Continued)

### Increase in shareholding in Numericable Group

Altice Six announced on November 18, 2013 that it has entered into an agreement with certain funds affiliated with Cinven Ltd. (''Cinven'') and an entity affiliated with Carlyle Group (''Carlyle'') to acquire additional shares in Numericable Group, from Cinven and Carlyle (the ''Acquisition''). Altice will hold 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice by certain existing shareholders) and will have the majority of votes in the board of directors. The Acquisition is subject to (i) antitrust approval and (ii) waiver granted by the Autorité des marchés financiers (AMF) to file a mandatory tender offer and is expected to be completed in the first quarter of 2014.

### 2013 Coditel Acquisition

As of September 30, 2013, Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, was the owner of 60% of the outstanding shares of Coditel Holding and various funds advised by Apax Partners MidMarket SAS (the ''Coditel Minority Shareholder'') was the owner of the remaining outstanding shares of Coditel Holding. On March 7, 2013, Altice VII and the Coditel Minority Shareholder entered into a purchase and sale agreement (the ''Coditel Purchase Agreement'') pursuant to which Altice VII, through a wholly owned subsidiary, agreed to purchase all of the outstanding shares of Coditel Holding held by the Coditel Minority Shareholder (the ''2013 Coditel Acquisition''). The 2013 Coditel Acquisition was consummated on November 29, 2013 and was funded in part by using the remaining amounts available under the 2013 Term Loan.

### Other Transactions

The Combined Group intends to designate Green Datacenter and Auberimmo as unrestricted subsidiaries in accordance with the terms of our debt instruments and upon such designation these entities will not be subject to the covenants under the terms of our debt instruments.

The Combined Group is in talks with the minority stakeholders in Outremer Telecom, to study the possibility of exchanging the minority interests currently held by the Management and Managers of Outremer Telecom in Altice Blue Two S.A.S against shares to be issued by the listed entity, Altice S.A.

**Numericable Group**

Condensed interim combined financial statements
for the nine months ended September 30, 2013

**Numericable Group**

Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

## Numericable Group

## Condensed combined statements of income

| | Notes | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|---|---|---|---|
| | | (in thousands of euros) | |
| **Revenue** | 5 | **968 909** | **959 073** |
| Purchases and subcontracting services | 6 | (448 539) | (448 798) |
| Staff costs and employee benefits expense | | (108 985) | (100 198) |
| Taxes and duties | | (25 568) | (24 382) |
| Provisions | | (1 219) | 860 |
| Other operating income | 7 | 58 514 | 61 303 |
| Other operating expenses | 8 | (6 793) | (6 540) |
| **Operating income before depreciation and amortization (EBITDA)** | | **436 319** | **441 318** |
| Depreciation and amortization | | (219 027) | (212 184) |
| **Operating income** | | **217 292** | **229 134** |
| Interest income | | 6 895 | 2 308 |
| Interest relative to gross financial debt | | (144 102) | (135 885) |
| Other financial expenses | | (11 617) | (18 763) |
| **Finance costs, net** | 9 | **(148 824)** | **(152 340)** |
| Income tax expense | 10 | (8 349) | (1 592) |
| Share in net income (loss) of associates | | (142) | (93) |
| **Net income (loss) from continuing operations** | | **59 977** | **75 109** |
| Net income from discontinued operations | | — | — |
| **Net income (loss)** | | **59 977** | **75 109** |
| *Attributable to owners of the Group* | | *60 046* | *75 071* |
| *Attributable to non-controlling interests* | | *(69)* | *38* |

**Numericable Group**

**Condensed combined statements of comprehensive income**

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| **Net income (loss) attributable to owners of the Group** | **60 046** | **75 071** |
| Cumulative translation adjustments | — | — |
| Change in fair value of available-for-sale financial assets | — | — |
| Tax on items recognized directly in OCI | — | — |
| *Total other comprehensive income that may be reclassified to income* | — | — |
| Actuarial gains and losses | — | — |
| Tax on items recognized directly in OCI | — | — |
| *Total other comprehensive income that will not be reclassified to income* | — | — |
| **Comprehensive income/(loss) attributable to owners the Group** | **60 046** | **75 071** |

In accordance with IAS 1 *Presentation of financial statements (2007)* (**IAS 1**), the Combined Group, as defined in Note 1, presents a statement of other comprehensive income.

However, as the Combined Group operates only in France, the functional and presentation currency of all the entities within the Combined Group is the euro. As a result, no cumulative translation adjustment has been recognized as of September 30, 2013 and 2012.

Available-for-sale financial assets are comprised of various investments in entities not comprised in the combination, that are not listed and for which fair value cannot be measured reliably. Due to the fact that these investments are not material, these investments are measured at cost and accordingly, no unrealized gain/loss is recognized in the statement of other comprehensive income.

In accordance with IAS 19 revised *Employee Benefits* (IAS 19R), the Combined Group recognizes actuarial gains and losses immediately in other comprehensive income. The application of IAS 19R has no significant impact on the condensed interim combined financial statements as of September 30, 2013. Thus, no actuarial gains and losses were recognized in other comprehensive income.

**Numericable Group**

**Condensed combined statements of financial position**

| | Notes | September 30, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (in thousands of euros) | |
| ***ASSETS*** | | | |
| Goodwill | 11 | 1 461 661 | 1 458 686 |
| Other intangible assets | | 283 263 | 326 187 |
| Property, plant and equipment | | 1 443 611 | 1 389 932 |
| Investment in associates | | 3 235 | 3 377 |
| Other non-current financial assets | | 7 590 | 6 831 |
| Deferred tax assets | | — | — |
| **Non-current assets** | | **3 199 360** | **3 185 013** |
| Inventories | | 46 294 | 45 609 |
| Trade receivable and other receivables | 12 | 416 969 | 417 371 |
| Other current financial assets | | 3 197 | 4 034 |
| Income tax receivable | | — | 6 |
| Cash and cash equivalents | 13 | 20 901 | 7 996 |
| **Current assets** | | **487 361** | **475 016** |
| **Assets classified as held for sale** | | **—** | **—** |
| **Total assets** | | **3 686 721** | **3 660 029** |
| ***EQUITY AND LIABILITIES*** | | | |
| **Net invested equity attributable to owners of the entity** | | **(227 126)** | **(287 364)** |
| Non-controlling interests | | (228) | 33 |
| **Total invested equity** | | **(227 354)** | **(287 331)** |
| Non-current portion of financial liabilities | 14 | 2 943 423 | 2 926 343 |
| Non-current provisions | | 61 847 | 63 973 |
| Deferred tax liabilities | | — | — |
| Other non-current liabilities | 15 | 107 873 | 111 266 |
| **Non-current liabilities** | | **3 113 143** | **3 101 582** |
| Current portion of financial liabilities | 14 | 53 562 | 114 732 |
| Current provisions | | — | 2 409 |
| Trade payable and other current liabilities | 16 | 740 247 | 726 033 |
| Current income tax liabilities | | 7 123 | 2 604 |
| **Current liabilities** | | **800 932** | **845 778** |
| **Liabilities classified as held for sale** | | **—** | **—** |
| **Total equity and liabilities** | | **3 686 721** | **3 660 029** |

**Numericable Group**

**Condensed combined statements of changes in equity**

| | Net invested equity attributable to the owners of the entity | Non-controlling Interests | Total invested equity |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Balance at December 31, 2011** | **(372 233)** | **(57)** | **(372 290)** |
| Net income (loss) | 75 071 | 38 | 75 109 |
| Purchase of non-controlling interests | (12) | 41 | 29 |
| **Balance at September 30, 2012** | **(327 790)** | **48** | **(327 742)** |
| Net income (loss) | 9 810 | 11 | 9 821 |
| **Balance at December 31, 2012** | **(287 364)** | **33** | **(287 331)** |
| Net income (loss) | 60 046 | (69) | 59 977 |
| Other transactions between shareholders | 192 | (192) | — |
| **Balance at September 30, 2013** | **(227 126)** | **(228)** | **(227 354)** |

**Numericable Group**

**Condensed combined statements of cash flows**

| | Nine months ended | |
|---|---|---|
| | September 30, 2013 | September 30, 2012 |
| | (in thousands of euros) | |
| **Net income from continuing operations** | **59 977** | **75 109** |
| Share in net income (losses) of associates | 142 | 93 |
| Depreciation and amortization | 214 492 | 202 355 |
| Gains and losses on disposals | (899) | (1 143) |
| Other non-cash operating gains and losses | (90) | 3 641 |
| **Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax** | **273 622** | **280 055** |
| Finance costs, net | 143 740 | 136 978 |
| Income tax paid | (3 821) | (2 777) |
| Changes in working capital | 881 | (41 783) |
| **Net cash provided (used) by operating activities** | **414 422** | **372 473** |
| Capital expenditures | (211 475) | (210 555) |
| Proceeds from disposal of tangible and intangible assets | 5 134 | 1 392 |
| Decrease (increase) in loans and other non-current financial assets | 64 | 205 |
| Cash expenditures for acquisition of investments in companies | (3 314) | (6) |
| Investment subsidies and grants received | 5 568 | 13 424 |
| **Net cash provided (used) by investing activities** | **(204 023)** | **(195 540)** |
| Issuance of debt | 7 276 | 334 541 |
| Repayment of debt | (69 532) | (430 084) |
| Interest paid | (135 237) | (113 644) |
| **Net cash provided (used) by financing activities** | **(197 494)** | **(209 187)** |
| **Net cash flow from continuing operations** | **12 905** | **(32 254)** |
| Net cash flow from discontinued operations | — | — |
| **Net increase (decrease) in cash and cash equivalents** | **12 905** | **(32 254)** |
| **Cash and cash equivalents—opening balance** | **7 996** | **40 581** |
| **Cash and cash equivalents—closing balance** | **20 901** | **8 331** |

**Numericable Group**

**INDEX**


| | | Page |
|---|---|---|
| 1 | General Information | F-139 |
| 2 | Basis of preparation and summary of accounting policies | F-139 |
| 3 | Significant events | F-142 |
| 4 | Segment information | F-144 |
| 5 | Revenues | F-145 |
| 6 | Purchases and subcontracting services | F-145 |
| 7 | Other operating income | F-145 |
| 8 | Other operating expenses | F-146 |
| 9 | Finance costs, net | F-146 |
| 10 | Income tax | F-147 |
| 11 | Goodwill | F-147 |
| 12 | Trade receivables and other receivables | F-147 |
| 13 | Cash and cash equivalents | F-148 |
| 14 | Financial liabilities | F-148 |
| 15 | Other non-current liabilities | F-149 |
| 16 | Trade payables and other liabilities | F-150 |
| 17 | Commitments | F-150 |
| 18 | Contingent liabilities | F-151 |
| 19 | Related party transactions | F-155 |
| 20 | Events after the end of the reporting period | F-156 |

## 1—General Information

Numericable Group (the ''**Company**'') is a limited company under French law, whose head office is located in France and has been formed on August 2013. In relation to the admission of the shares of the Company on Euronext Paris, the Company will receive the contribution of two entities incorporated in Luxembourg, Ypso Holding S.à.r.l and Altice Lux Hold S.à.r.l., which are holding companies that are respectively parent companies of Ypso France SAS and Altice B2B France SAS. Ypso Holding S.à.r.l and Ypso France SAS and its subsidiaries are hereafter referred to as ''Ypso'' and Altice Lux Hold S.à.r.l. and Altice B2B France SAS and its subsidiaries are hereafter referred to as ''Altice B2B''.

### Ypso France SAS

Ypso France SAS, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France SAS also provides French consumers with broadband Internet, fixed telephony, and mobile communications services.

### Altice B2B France SAS

Altice B2B France SAS, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office, or *FTTO*, network in France, constituting the third alternative *Digital Subscriber Line* (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Ypso and Altice B2B (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by three private equity funds: Carlyle, Cinven and Altice. The purpose of the condensed interim combined financial statements is to present a fair depiction of the financial condition and the assets and liabilities of the Two Groups, using their historical bases, and results of operations and cash flows for each period presented in the condensed interim combined financial statements. Accordingly, the condensed interim combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows of the sub-groups, Ypso and Altice B2B, which historically were separate legal groups.

The condensed interim combined financial statements have been prepared for the nine months ended September 30, 2013 and 2012 (collectively the ''**Condensed Interim Combined Financial Statements**'').

## 2—Basis of preparation and summary of accounting policies

### *2.1 Basis of preparation of the condensed interim combined financial statements*

The Condensed Interim Combined Financial Statements as of September 30, 2013 were approved by the Board of Directors on October 25, 2013. The Company is located in France. The Condensed Interim Combined Financial Statements for the nine months ended September 30, 2013 includes the Company and its subsidiaries (referred together as «the Combined Group») and the share in associates. They are presented in euros, the functional currency of the Company.

The Condensed Interim Combined Financial Statements as of September 30, 2013 were prepared in accordance with IAS 34 ''Interim Financial Reporting'' (''IAS 34''), as adopted by the European Union (EU) and published by the International Accounting Standards Board (IASB).

These financial statements shall be read in conjunction with the Group's Combined Financial Statements for the three years ended December 31, 2012, 2011, and 2010.

With the exception of the principles described below and the specific valuation methods applied for Interim Financial Reporting, the bases of preparation and the accounting policies for recognition and measurement used in preparing the Condensed Interim Combined Financial Statements were the same as the ones used for the Combined Financial Statements for the three years ended December 31, 2012,

**2—Basis of preparation and summary of accounting policies (Continued)**

2011, and 2010, such as described in Note 1.4 (Basis of combination) and in Note 2 (Significant accounting policies).

As of September 30, 2013, accounting standards and interpretations adopted by the EU are similar to the standards and interpretations published by the IASB with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* which has only been partially adopted. This difference has no effect on the Combined Group's Condensed Interim Combined Financial Statements. Consequently, the Combined Group's Condensed Interim Combined Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as published by the IASB.

***2.2 Applicable standards as of September 30, 2013***

The following standards are applied for the preparation of the Condensed Interim Combined Financial Statements as from January 1st, 2013.

As mentioned above, the Condensed Interim Combined Financial Statements were prepared using the same accounting policies for recognition and measurement as the ones used in the preparation of the Combined Financial Statements for the three years ended December 31, 2012, 2011, and 2010 with the exception of the following standards and interpretations with mandatory application as of January 1, 2013:

- IAS 19 revised *Employee Benefits.* This revised standard no longer permits the immediate recognition of actuarial gains and losses in profit or loss. Actuarial gains and losses shall now be recognized immediately in other comprehensive income and past service costs shall be recognized in profit or loss. The application of IAS 19R has no significant impact on the Condensed Interim Combined Financial Statements as of September 30, 2012 and 2013.
- IFRS 13 *Fair Value Measurement*. This standard provides a single IFRS framework for measuring fair value, requires disclosures about fair value measurement when its application is required or permitted under another IFRS standard and explains the disclosures to be made in the notes to the consolidated financial statements. This standard had no significant impact on the Condensed Interim Combined Financial Statements as of September 30, 2013 and 2012.
- Amendment to IAS 1 *Presentation of other comprehensive income.* This amendment revises the presentation of other comprehensive income, requiring separate subtotals for those elements which may be 'recycled' to income, and those elements that will not.

The other standards with mandatory application in the EU as of January 1st, 2013 do not apply to the Combined Group.

Furthermore, the Combined Group did not opt for an early application of the standards and the interpretations whose application is not mandatory as of January 1st, 2013.

*Standards endorsed by the EU (mandatory application as of January 1st, 2014)*

- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*;
- IFRS 12 *Disclosure of Interests in Other Entities*;
- IAS 27 revised *Separate Financial Statements*;
- IAS 28 revised *Investments in Associates and Joint Ventures*;
- Amendment to IAS 32 *Offsetting Financial Assets and Financial Liabilities*;

*Standards not yet endorsed by the EU*

- IFRS 9 *Financial Instruments: Classification and Measurement of financial assets and liabilities*;

**2—Basis of preparation and summary of accounting policies (Continued)**

- IFRIC 21 *Levies*;
- Amendment to IFRS 10, 12 and IAS 27 *Investment Entities.*

The possible impact of the other standards on the Group's Combined Financial Statements is currently been evaluated.

***2.3 Management's main estimates and judgment***

The preparation of the Combined Financial Statements in accordance with IFRS requires management of the Group to make estimates and assumptions that are deemed realistic and reasonable.

Thus, as discussed in Note 2 of the Combined Financial Statements as of December 31, 2010, 2011 and 2012, the application of accounting policies in preparing the Combined Financial Statements requires management to use judgment and make estimates and assumptions that impact the reported amounts of assets, liabilities, income and expenses.

These estimates are prepared based on the going concern assumption, using currently available information and the actual economic environment. In the current economic environment, certain facts and circumstances could thus lead to changes in these estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Combined Group. The significant estimates made by Management in preparing the Condensed Interim Combined Financial Statements are similar to those described in the Combined Financial Statements as of December 31, 2012, 2011 and 2010.

***2.4 Seasonal nature of activity***

Revenues from basic analog TV services, Cable TV services and Internet services are mainly based on a fixed monthly fee and are thus not subject to seasonal variations. The number of B2C customers generally increases from September to January as households tend to make more purchases during back-to-school and end of year periods. The number of B2B customers usually increases in June and December when private and public companies establish their budget, whereas revenues arising from B2B telephony services tend to follow the cycle of school holidays, with especially low activity during summer and winter holidays as well as in May due to the many bank holidays.

***2.5 Going concern assumption***

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance costs.

Currently, the Combined Group services its debt and funds its investments through net cash flows from operations. Furthermore, the Combined Group's covenants under its facility agreements require the Combined Group to comply with certain liquidity ratios and to maintain certain cash levels.

Furthermore, as explained in Note 3, the Combined Group amended its Senior Facility Agreements in July and August 2013 which allowed the Combined Group to reschedule a large portion of its debt.

Under these conditions and based on the updated cash flow projections, management believes that the Combined Group will be able, for the next twelve months from the date of approval of the Condensed Interim Combined Financial Statements:

- to finance its cash requirements and meet its financial debt obligations (interests and nominal repayments) during the period;
- to comply with its quarterly covenants.

## 2—Basis of preparation and summary of accounting policies (Continued)

As a result, the Condensed Interim Combined Financial Statements of the Combined Group as of September 30, 2013 and 2012 have been prepared on a going concern basis.

## 3—Significant events

### *3.1 Nine months ended September 30, 2013*

#### 3.1.1 Refinancing of the debt in July and August 2013

In July and August 2013, the Combined Group amended its debt under the Senior Facility Agreements which allowed the Combined Group to reschedule a large portion of its debt. This refinancing also led to changes in the contractual conditions of the SFA, including the margin rate applicable to the financial liabilities under the Altice B2B's SFA.

This refinancing of the Senior Facility Agreements was not analyzed as a substantial modification of the existing debt and thus, the fees paid in connection with the refinancing (i.e. €6.2 million) were accounted for at amortized cost in accordance with IAS 39 (this represents an additional financial expense of €200 thousand as at September 30, 2013).

Before the refinancing, the schedule of the debt payments under the Senior Facility Agreements was as follows (as at June 30, 2013):

| Maturity | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| *in millions of euros* . . . . . | 54.0 | 125.0 | 453.9 | 808.7 | 465.2 | 271.6 | 584.4 | 2 762.8 |

Following the refinancing, the schedule of the debt payments under the Senior Facility Agreements was modified as follows:

| Maturity | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| *in millions of euros* . . . . . | 41.7 | 26.3 | 63.1 | 102.2 | 1 246.7 | 698.4 | 584.4 | 2 762.8 |

As part of the debt refinancing in August 2013, the Combined Group also obtained a Revolving Credit Facility (the *Revolving Credit Facility)* of €24 million. The amount borrowed under this facility bears an interest rate equal to Euribor plus 4.5%. The unused amount under this facility bears an interest rate equal to a commitment fee of 1.8%. Thus, the amount available under the revolving credit facilities now amounts to €89 million. This credit facility is not used as at September 30, 2013.

#### 3.1.2 Acquisition of Valvision

On June 27, 2013 the Combined Group purchased 100% of the shares of Valvision, a cable network operator located in the east of France.

The price paid for the shares was €3 340 thousand compared to a net equity of €370 thousand.

Given the timing of the acquisition the allocation of the purchase price to assets and liabilities was not fully completed as of September 30, 2013.

Thus, the €2 970 thousand difference between the purchase price and the share in net equity as shown in the accounts of the acquired company was recorded as Goodwill as of September 30, 2013 (Note 11).

#### 3.1.3 Lease back of set-top boxes

In May and June 2013, the Combined Group signed two lease back agreements with Lease Expansion of €12.7 million and €5.9 million, respectively, for the new set-top boxes named ''La Box''.

The lease term for both agreements is 3 years.

**3—Significant events (Continued)**

**3.1.4 Claim with Lehman Brother**

In June 2013, the Combined Group received a second payment of €4.5 million in relation to the claim with Lehman Brother that the Combined Group filed after the bankruptcy of Lehman Brothers in September 2008 (refer to Note 9).

**3.1.5 In-depth inquiry of the European Commission into transfer of cable infrastructures by certain municipalities**

On July 17, 2013, the European Commission decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was in accordance with European competition laws on State aid. At this stage, the European Commission has doubts that such aid would be found compatible with EU rules because of the economic advantage that would have resulted from these transfers, given their conditions.

As this position is firmly contested by the Combined Group and as the potential risk related to this inquiry cannot be measured reliably, no provision has been accounted in the Condensed Interim Combined Financial Statements as at September 30, 2013.

***3.2 Nine months ended September 30, 2012***

**3.2.1 Bond Issuance**

In February 2012, Ypso France SAS issued a €360 million bond. The issuer is Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg). The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan) whose sole lender was the bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA in the amount of €350 million.

The notes mature on February 15, 2019 and bear an annual fixed interest rate of 12.375%. Interests are paid on the notes semiannually on February 15 and August 15 of each year.

In February 2012, Ypso France SAS also obtained a new Revolving Credit Facility under the SFA with a maximum credit limit of €65 million (''Revolving Credit Facility''). The revolving Credit Facility matures in March 2016. The amount borrowed under this facility bears an interest rate equal to Euribor plus 4.5%. The unused amount under this facility, which amounts to €65 million as of September 30, 2013, bears an interest rate equal to a commitment fee of 2.25%.

According to the terms of the September 2011 Senior Facility Amendment and Restatement, maturities of certain lenders' commitments were extended by two years (comprising 50% of A and Capex Facilities and 2/3rd of B & C Facilities). Along with the extension of the maturities, the September 2011 Senior Facility Amendment and Restatement changed the margin level for the extended tranches and established a new set of financial covenants. The September 2011 Senior Facility Amendment and Restatement became effective on February 15, 2012.

During the nine months ended September 30, 2012, Ypso France SAS paid €37.9 million in fees as a result of the implementation of these new facilities (C-One Facility and Revolving Credit Facility) and the relative amendments to the Senior Facility Agreement. This amount includes:

- Bond issuance costs of €25.7 million which are amortized over the term of the notes using the effective interest rate method;
- Waiver fees of €8.6 million which are recorded in the ''Other financial expense'' in the combined statement of income for the nine months ended September 30, 2012;
- Advisory fees of €3.6 million which are recorded in ''Other operating expenses'' in the combined statement of income for the nine months ended September 30, 2012.

## 3—Significant events (Continued)

### 3.2.2 Purchase of the network of Nice

In April 2012, the Combined Group signed an agreement with the city of Nice in order to purchase the cable network of Nice for €20 million.

The purchase price repayment is scheduled as follows:

- €2.5 million was paid in July 2012 and €2.5 million to be paid in January 2013;
- The remaining €15 million are payable over 20 years (€0.75 million each year from 2013 to 2032) with a 4% interest rate.

## 4—Segment information

As explained in Note 2.5 of the Combined Financial Statements for the three years ended December 31, 2012, 2011, and 2010, the Combined Group identified three operating segments:

- B2B operations
- B2C operations
- Wholesale services

The following tables provide, for each period presented, the contribution of each segment to the Combined Statements of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations''.

| | Nine months ended September 30, 2013 | | | | |
|---|---|---|---|---|---|
| | B2C | B2B | Wholesale | Eliminations | Total |
| | (in thousands of euros) | | | | |
| **Revenue** | 648 510 | 227 770 | 140 729 | (48 100) | 968 909 |
| Purchases and subcontracting services | (301 241) | (130 478) | (64 920) | 48 100 | (448 539) |
| Staff costs and employee benefits expense | (60 509) | (43 637) | (4 839) | — | (108 985) |
| Taxes and duties | (15 784) | (5 936) | (3 848) | — | (25 568) |
| Provisions | (954) | (298) | 33 | — | (1 219) |
| Other operating income | 42 613 | 15 890 | 11 | — | 58 514 |
| Other operating expenses | (6 793) | — | — | — | (6 793) |
| **Operating income before depreciation and amortization (EBITDA)** | **305 842** | **63 311** | **67 166** | **—** | **436 319** |

| | Nine months ended September 30, 2013 | | | | |
|---|---|---|---|---|---|
| | B2C | B2B | Wholesale | Eliminations | Total |
| | (in thousands of euros) | | | | |
| **Revenue** | **621 511** | **238 019** | **153 517** | **(53 974)** | **959 073** |
| Purchases and subcontracting services | (291 692) | (129 434) | (81 646) | 53 974 | (448 798) |
| Staff costs and employee benefits expense | (54 032) | (41 257) | (4 909) | — | (100 198) |
| Taxes and duties | (15 040) | (5 656) | (3 686) | — | (24 382) |
| Provisions | 1 678 | (637) | (181) | — | 860 |
| Other operating income | 46 618 | 14 598 | 87 | — | 61 303 |
| Other operating expenses | (4 249) | (2 119) | (172) | — | (6 540) |
| **Operating income before depreciation and amortization (EBITDA)** | **304 794** | **73 514** | **63 010** | **—** | **441 318** |

## 5—Revenues

Revenues by segment break down as follows:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| B2C revenues | 645 385 | 616 400 |
| B2B revenues | 225 483 | 236 021 |
| Wholesale revenues | 98 040 | 106 652 |
| **Total revenues** | **968 909** | **959 073** |

## 6—Purchases and subcontracting services

Purchases and subcontracting services are primarily comprised of the following:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| TV Content, Internet and Telephony costs | (236 436) | (249 534) |
| Outsourcing and purchased services | (71 240) | (64 188) |
| Advertising fees | (27 942) | (23 272) |
| Fees paid to other third parties | (25 227) | (22 448) |
| Royalties and license fees paid | (9 164) | (8 829) |
| Rights of way paid | (10 802) | (11 434) |
| Rental and leasehold charges | (19 877) | (21 343) |
| Energy | (18 550) | (17 937) |
| Bad debt expense | (6 088) | (8 587) |
| Postal expenses | (3 035) | (3 135) |
| Transportation expenses | (3 017) | (3 109) |
| Repair and maintenance expenses | (8 515) | (8 744) |
| Miscellaneous operating expense | (8 645) | (6 239) |
| **Purchases and subcontracting services** | **(448 539)** | **(448 798)** |

## 7—Other operating income

Other operating income is primarily comprised of the following:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Own work capitalized[(a)] | 53 139 | 59 050 |
| Proceeds from sale of assets[(b)] | 5 134 | 1 393 |
| Other | 241 | 860 |
| **Other operating income** | **58 514** | **61 303** |

(a) Own work capitalized relates to projects of modernization of the cable network by in-house employees.

(b) As of September 30, 2013, proceeds from sale of assets mainly included fees of €2.5 million (€1.2 million as of September 30, 2012) invoiced to customers who did not return their set-top boxes and sales of €1.9 million of cable networks to local authorities (termination of DSP contracts).

## 8—Other operating expenses

Other operating expense is primarily comprised of the following:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Net book value of assets sold[(a)] | (4 235) | (249) |
| Fees paid in connection with refinancing | (1 457) | (4 212) |
| Management fees paid to our shareholders[(b)] | (1 101) | (2 079) |
| **Other operating expense** | **(6 793)** | **(6 540)** |

(a) As at September 30, 2013, net book value of assets sold includes disposals of cable networks to local authorities following termination of DSP contracts for €3.4 million.

(b) Management fees have been paid to the shareholders of the Combined Group Altice, Cinven and Carlyle as a result of certain management, financing and advisory services provided.

## 9—Finance costs, net

Finance costs, net as of September 30, 2013 and September 30, 2012 can be analyzed as follows:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Interest income received on cash and cash equivalents | 25 | 78 |
| Other interest income[(a)] | 6 870 | 2 230 |
| **Interest Income** | **6 895** | **2 308** |
| Change in fair value of interest rate derivatives | — | 1 106 |
| Interest expense on financing determined using the effective interest rate | (144 102) | (136 991) |
| **Interest relative to gross financial debt** | **(144 102)** | **(136 885)** |
| Other financial expenses[(b)] | (11 614) | (18 763) |
| **Finance costs, net** | **(148 824)** | **(152 340)** |

(a) As of September 30, 2013 other interest income mainly included:

- A second payment of €4.5 million received in relation to the claim with Lehman Brother that the Combined Group filed after the bankruptcy of Lehman Brothers in September 2008. Part of the Combined 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 swaps. There is currently a pending claim with Lehman Brothers for a total amount of approximately €11.2 million. In December 2012, the Combined Group received a first payment €2.8 million in relation to this claim. Thus a contingent gain of €3.9 million remains for the Combined Group but has not been recognized as at September 30, 2013.
- A reversal of provisions for financial risks for €1.9 million

(b) As at September 30, 2013 other financial expenses mainly included:

- Amortization of fees paid in connection with the refinancing of the debt made in 2012 and 2013 for a total amount of €6 million (including €0.2 million related to the refinancing of 2013) calculated using the effective interest method.
- Financial penalties mainly paid to customers of €5.3 million.

As at September 30, 2012 other financial expenses mainly included:

- Waiver fees of €8.6 million paid in connection with the implementation of the Revolving Credit Facility (''RCF'');
- A financial provision of €1.8 million;
- Amortization of fees paid in connection with the implementation of the debt of €4.4 million calculated using the effective interest method.

## 10—Income tax

The tax expense in the statement of income breaks down as follows:

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Current income tax expense | (8 349) | (1 592) |
| Deferred income tax expense | — | — |
| **Income tax expense** | **(8 349)** | **(1 592)** |

The income tax expense was computed, for each fiscal entity, by using the annual effective tax rate method in accordance with IAS 34.

The Combined Group has a significant aggregate amount of tax losses carry-forwards. The tax asset for these tax losses carry-forwards was not recognized in the financial statements as its recovery depends on future tax earnings, which are uncertain.

## 11—Goodwill

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| **Carrying amount, net:** | | |
| Balance as of the beginning of the year | 1 458 686 | 1 458 638 |
| Additional goodwill recognized during the period[1] | 2 975 | 48 |
| **Balance as of the end of the year[2]** | **1 461 661** | **1 458 686** |

(1) As of September 30, 2013, the additional goodwill is explained by the acquisition of Valvision (as disclosed in the note 3.1.1 ''Significant Events'') for approximately €3 million. The allocation of the purchase price is not definitive and will be finalized at the end of the measurement period, that is, within 12 months following the acquisition date.

(2) As at September 30, 2013, Goodwill breaks down as follows :

| Net book value | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| B2C Operations | 987 558 | 984 583 |
| B2B Operations | 474 103 | 474 103 |
| **Total** | **1 461 661** | **1 458 686** |

## 12—Trade receivables and other receivables

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Trade receivables | 297 413 | 272 864 |
| Valuation allowance | (29 791) | (27 167) |
| **Trade receivables, net** | **267 622** | **245 697** |
| Advances and down payments | 866 | 2 211 |
| Current accounts receivable | 88 | 50 |
| Tax and social security receivables | 107 223 | 141 806 |
| Prepaid expenses | 32 038 | 18 025 |
| Other current receivables | 9 132 | 9 582 |
| **Trade receivables and other receivables, net** | **416 969** | **417 371** |

## 13—Cash and cash equivalents

Cash and cash equivalents presented in the condensed combined statements of cash flows include cash on hand and short-term deposits. The reconciliation between cash and cash equivalents presented in the condensed combined statements of cash flows and cash and cash equivalents presented in the condensed combined statements of financial position is presented below:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Cash on hand | 20 901 | 7 996 |
| Cash equivalents | — | — |
| **Cash and cash equivalents presented in the combined statements of financial position** | **20 901** | **7 996** |
| Cash from discontinued operations | — | — |
| Bank overdrafts classified as financial liabilities in the combined statements of financial position | — | — |
| **Cash and cash equivalents presented in the combined statements of cash flows** | **20 901** | **7 996** |

As at September 30, 2013 and December 31, 2012 no cash equivalents were held.

## 14—Financial liabilities

Total financial liabilities are broken down as follows:

| | | Current | | Non-current | | Total | |
|---|---|---|---|---|---|---|---|
| | Note | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2013 | December 31, 2012 |
| | | (in thousands of euros) | | | | | |
| Financial liabilities under the Senior Facility Agreement | 14.1 | 34 343 | 93 187 | 2 701 050 | 2 707 498 | 2 735 393 | 2 800 686 |
| Perpetual subordinated notes | | — | — | 37 052 | 35 208 | 37 052 | 35 208 |
| Financial liabilities under finance leases | | 17 992 | 19 432 | 19 565 | 7 886 | 37 557 | 27 318 |
| Other financial liabilities | 14.2 | 1 227 | 2 113 | 135 806 | 131 234 | 137 033 | 133 347 |
| **Total loans and financial liabilities** | | **53 562** | **114 732** | **2 893 473** | **2 881 826** | **2 947 035** | **2 996 559** |
| Interest-rate derivatives | | — | — | — | — | — | — |
| Deposits received from customers | | — | — | 49 950 | 44 517 | 49 950 | 44 517 |
| Bank overdrafts | | — | — | — | — | — | — |
| **Total financial liabilities** | | **53 562** | **114 732** | **2 943 423** | **2 926 343** | **2 996 985** | **3 041 075** |

The schedule of financial liabilities under the *Senior Facility Agreement* was modified as a result of the renegotiations that occurred in July and August 2013 as described in Note 3.

### *14.1 Financial liabilities under Senior Facility Agreements*

**Senior Facility agreement granted to Ypso**

The initial amount available under the SFA was €3,225 million. The outstanding balance on this loan amounts to €2,312 million as of September 30, 2013.

The SFA contains financial covenants which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA, as detailed in the Combined Financial Statements for the three years ended December 31, 2012, 2011 and 2010.

## 14—Financial liabilities (Continued)

### Senior Facility agreement granted to Altice B2B

The initial amount available under the SFA was €551 million. The outstanding balance on this loan amounts to €424 million as of September 30, 2013.

The SFA contains financial covenants which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA, as detailed in the Combined Financial Statements for the three years ended December 31, 2012, 2011 and 2010.

### Covenants

Specific financial covenants ratios remain unchanged from December 31, 2012. As at September 30, 2013, the Combined Group was in compliance with these covenants.

### *14.2 Other financial liabilities*

As of September 30, 2013, other financial liabilities mainly include:

- Debt owed by Ypso Holding Lux S.a.r.l. to the shareholders in the amount of €133,838 thousand (€128,962 thousand as of December 31, 2012); the proceeds expected to be received by the Combined Group as a result of the initial public offering will be partially used to repay entirely this subordinated shareholder debt.
- Debt owed by Numericable to several banks (mainly *Caisse d'Epargne d'Alsace-Lorrraine*), in the amount of €1,981 thousand (€2,374 thousand as of December 31, 2012).

### *14.3 Fair value of financial instruments*

In accordance with IFRS 13, cash and cash equivalents as well as financial assets mainly include monetary items which are measured at the end of each period in reference to observable data of Level 1. Thus, with regard to the fair value of financial assets and liabilities, no significant event occurred during the nine months period ended September 30, 2013.

## 15—Other non-current liabilities

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Non-current deferred revenue (more than one year) | 102 717 | 105 791 |
| Non-current trade payables | 4 874 | 5 175 |
| Non-current tax and social security payables | 282 | 300 |
| **Other non-current liabilities** | **107 873** | **111 266** |

## 16—Trade payables and other liabilities

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| | (in thousands of euros) | |
| Trade payables—general | 469 429 | 416 183 |
| Trade payables—acquisition of assets | 72 369 | 87 145 |
| Advances and down payments received | 24 575 | 19 884 |
| Current accounts payables | 21 296 | 21 219 |
| Liabilities related to tax and duties | 51 515 | 87 358 |
| Corporate and social security contributions | 41 949 | 45 871 |
| Current deferred revenue (less than one year) | 50 869 | 45 319 |
| Other liabilities | 8 245 | 3 054 |
| **Trade payables and other liabilities** | **740 247** | **726 033** |

## 17—Commitments

### *17.1 Commitments given*

The below tables summarize the maturities of the financial liabilities as of September 30, 2013 and December 31, 2012. The information below represents management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

| | September 30, 2013 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | 5+ years | Total |
| | (in thousands of euros) | | | |
| Financial liabilities under the Senior Facility Agreement | 34 343 | 1 415 805 | 1 285 245 | 2 735 393 |
| Perpetual subordinated notes | — | — | 37 052 | 37 052 |
| Financial liabilities under finance leases | 17 992 | 18 863 | 702 | 37 557 |
| Other financial liabilities[(a)] | 1 227 | 1 969 | 133 838 | 137 033 |
| **Total loans and financial liabilities** | **53 562** | **1 436 636** | **1 456 837** | **2 947 035** |
| Interest-rate derivatives | — | — | — | — |
| Deposits received from customers | — | 49 950 | — | 49 950 |
| Bank overdrafts | — | — | — | — |
| **Total financial liabilities** | **53 562** | **1 486 586** | **1 456 837** | **2 996 985** |

(a) As indicated in Note 14.2 above, the debt owed to Ypso Holding Lux Sàrl presented above with a maturity exceeding 5 years according to contractual provisions, will be fully reimbursed by using a portion of proceeds expected to be received by the Combined Group as a result of the initial public offering of the shares on Euronext Paris.

**17—Commitments (Continued)**

The schedule of the financial liabilities under the *Senior Facility Agreement* was substantially modified as a result of the renegotiations that occurred in July and August 2013 as described in Note 3.

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | 5+ years | Total |
| | (in thousands of euros) | | | |
| Financial liabilities under the Senior Facility Agreement | 93 187 | 1 851 552 | 855 946 | 2 800 686 |
| Perpetual subordinated notes | — | — | 35 208 | 35 208 |
| Financial liabilities under finance leases | 19 432 | 6 359 | 1 527 | 27 318 |
| Other financial liabilities | 2 113 | 2 012 | 129 222 | 133 347 |
| **Total loans and financial liabilities** | **114 732** | **1 859 923** | **1 021 903** | **2 996 559** |
| Interest-rate derivatives | — | — | — | — |
| Deposits received from customers | — | 44 517 | — | 44 517 |
| Bank overdrafts | — | — | — | — |
| **Total financial liabilities** | **114 732** | **1 904 440** | **1 021 903** | **3 041 075** |

***17.2 Commitments received***

The Combined Group has received a commitment of €25 million from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Combined Group has already received €23.8 million in principal from GDF Suez as of September 30, 2013.

**18—Contingent liabilities**

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

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

Other than as discussed below, the Combined Group does not expect the legal proceedings in which it is involved, or with which it has been threatened, to have a material adverse effect on its business or on its combined financial position.

***18.1 Tax matters***

The French tax authorities have conducted audits on various companies of the Combined Group since 2005 with respect to the VAT rates applicable to the 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, while Internet and telephony services are subject to a 19.6% VAT rate. When marketing multiple-play offerings, the Combined Group allocates a price reduction compared to the price the Group would charge for its services on a stand-alone basis. This price reduction is primarily applied to the Group's Internet and telephony services, because such services are newer products. As a result, the VAT the Group charged its subscribers was lower than the VAT that would have been charged if the Group 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

**18—Contingent liabilities (Continued)**

telephony) included in the Group's multiple-play packages and proposed adjustments for the fiscal years 2006 to 2010.

The Combined Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Combined 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 Combined 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 €17.3 million (not including penalties of 40%) for fiscal years 2006 to 2009 were communicated to the Combined 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, calculated in the same manner as for fiscal years 2007 to 2009, for a total amount of €6.1 million (except penalties of 40%). The Combined Group contested the proposed assessments at the end of August 2013.

The tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million). The Combined 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 Combined Group filed an additional request on August 20, 2013.

As of September 30, 2013, a tax provision of €25.1 million was recognized (the same amount as of December 31, 2012), including all the risks related to VAT (except the penalties of 40% which represents €7.1 million) related to the reassessments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The Group contested the proposed notifications on August 21, 2013.

Finally, in 2013, the tax authorities initiated tax audits on the Altice B2B France and Completel entities of fiscal years 2010 and 2011. As no notification has been received at this stage, no provision was recorded in the Combined Financial Statements as of September 30, 2013.

***18.2 Commercial disputes***

**18.2.1 Dispute with Orange with respect to certain IRUs**

The Combined 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 Combined 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 of Orange (mainly its ducts), are made available to the Combined 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 can roll-out their own fiber networks in Orange's ducts.

The terms of this mandatory technical and commercial offer are more restrictive than the terms the Combined Group benefited from under the Orange IRUs. As a result, Orange requested the Combined Group comply with the general procedures regarding the access to Orange's ducts to maintain and upgrade its network.

The ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. The Combined Group appealed the decision in the French Supreme Court (Cour de Cassation) but it upheld, for the most significant part, the decision of the Paris Court of Appeal on September 25, 2012.

**18—Contingent liabilities (Continued)**

Moreover, on October 21, 2011, the ARCEP initiated a sanctions procedure against the Combined Group, for not having complied with its November 4, 2010 decision. Consequently, in December 2011, the Combined 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 the ARCEP was not settled with the execution of the amendments to the IRUs and the Group was sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with the ARCEP November 4, 2010 decision. The Combined Group appealed this decision before the Conseil d'Etat. The case is still pending.

Within the framework of this appeal, Numericable raised a constitutionality question that was sent back to the Constitutional Council, about the compliance of Article L. 36-11 of CPCE, which provides the sanctioning power of the ARCEP, with the Constitution. On July 5, 2013, the Constitutional Council granted Numericable's request and invalidated paragraphs 1 to 12 of Article L. 36-11 of the CPCE on the foundation of which the decision of sanction of the ARCEP of December 20, 2011 mentioned above was made. Numericable asked the Council of State to give effect to this decision and to accordingly invalidate the ARCEP decision of December 20, 2011.

Lastly, Numericable 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 Combined 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. Numericable 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.

**18.2.2 Dispute with Free relating to the advertising of mobile services**

On August 3, 2011, Free, a telecommunications operator, filed a claim against Numericable SAS and NC Numéricable before the Commercial Court of Paris following the launch of a mobile offer by the Combined 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 Group's campaign led to customer confusion and damaged its brand and image. Free claims €10.0 million in damages.

The case is currently pending before the Commercial Court of Paris. After the hearing, the Court asked the opinion of the ''Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes (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 questions raised by Free did not constitute a violation of competition law.

The ruling of the Commercial Court of Paris is expected to render its decision during the second half of 2013.

**18.2.3 Dispute with Orange relating to unpaid invoices**

Orange filed a claim against Numericable before the Commercial Court of Paris on September 6, 2011. Orange claims that invoices in the amount of €3.1 million remain unpaid. These invoices relate to physical infrastructure occupied by Numericable between 2005 and 2007, following the sale of Orange's cable networks to Numericable. Numericable argued that Orange prevented the Combined Group from moving out of these infrastructures and therefore does not believe that the disputed invoices are due.

**18—Contingent liabilities (Continued)**

Orange filed another claim on similar grounds against Numericable before the Commercial Court of Paris on February 1, 2012, claiming that invoices in the amount of €0.5 million remain unpaid. These cases are still pending before the Commercial Court of Paris. The date of the hearing has not been scheduled yet.

#### 18.2.4 Dispute with the Professional Soccer League

On April 26, 2013, the Professional Soccer League asked the Commercial Court of Nanterre to rule that Numericable and NC Numericable had abused their dominant position and breached their nondiscrimination obligation to the LFP when the LFP was producing its TV channel CFoot. More specifically, the LFP is complaining of the low level of remuneration received to market its CFoot channel when compared to the remuneration received by certain sports channels marketed in its bundles. The LFP claims €4.1 million in damages. The schedule of the procedure has not been communicated yet.

#### 18.2.5 Disputes with various providers of value-added services (VAS)

By related complaints dated February 10th, 2013, five providers of value-added telephony services which offer their services to the public through surcharged numbers (0899) commenced litigation against Completel before the Commercial Court of Nanterre. Those companies claimed indemnification of €350,000 for the repayment of restraints made by Completel from the amounts it 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 as the industry's ethics rules. They seek damages of €12 million.

Furthermore, Completel decided in November 2012 to terminate this activity and suspended certain repayments and applied various contractual penalties to companies marketing this kind of value-added telephony services. Some of these companies sued Completel before several Commercial Courts and requested the payment of the amounts retained by Completel and/or the cancellation of the penalties applied by Completel. The claim amounts to approximately €900,000, including €850,000 in amounts collected on behalf of these companies.

#### 18.2.6 Dispute with Orange relating to access to the DSL market

On August 5, 2010, Completel filed a claim against Orange before the Commercial Court of Paris, claiming damages of about €500 million resulting from anticompetitive practices from Orange which delayed Orange competitors' access to the DSL market during fiscal years 1999 to 2003.

On December 13, 2011, the Commercial Court of Paris rejected Completel's claim. Completel appealed this decision. The decision of the Paris Court of Appeal is expected during the course of fiscal year 2014.

#### 18.2.7 Action of Colt, Free and Orange in front of the Court of the European Union concerning the DSP 92 project

The companies Colt, Free and Orange, through three different acts against the European Commission, seized the court of the European Union in order to cancel the final decision of the European Commission dated September 30, 2009 (decision No. C (2009) 7426) which considered that the compensation of €59 million public service charges, granted for the establishment and the operation of a very high speed communication network in the department of Hauts de Seine does not constitute a State aid to the sense of the rules of the European Union. The Combined Group is not part of this procedure, the subsidiary of the Group Sequalum acting as participant, as well as the French State and the department of Hauts de Seine.

By three judgments dated September 16, 2013, the Court of European Union rejected the appeals of the three applicants and confirmed the decision of the European Commission mentioned above approving

## 18—Contingent liabilities (Continued)

this public financing. Colt, Free and Orange have a lapse of two months to form an appeal in front of the Court of justice of the European Union.

### 18.2.8 Labor disputes

The Group is involved in a certain number of labor disputes , of which a significant amount result from the last period of substantial mergers in 2006-2007 with UPC-NOOS, which gave rise until 2009 to potentially contentious adjustments and harmonizations in labor policies. The claims related to these disputes could amount up to approximately €4 million. These disputes larges consist of employees contesting the reasons or the form of their dismissals.

## 19—Related party transactions

The ultimate shareholders of the Combined Group are a group of three investment and private equity funds: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Combined Group have been eliminated in preparing the Condensed Interim Combined Financial Statements and are not disclosed herein. Details of transactions between the Combined Group and other related parties are disclosed below.

### *19.1 Trading and financing transactions*

During the period, group entities entered into the following transactions with related parties that are not members of the Combined Group:

| | Purchase of goods and services | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|---|---|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| | | | (in thousands of euros) | | | |
| *Shareholders* | | | | | | |
| Cinven | 459 | 466 | — | — | 554 | 179 |
| Altice | 192 | 1 163 | — | — | — | — |
| Carlyle | 450 | 450 | — | — | 900 | 25 |
| *Associate* | | | | | | |
| Alsace Connexia Participation SAS | — | — | 2 233 | 2 176 | — | — |

Management fees have been paid to our shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (€1,101 thousand in 2013 compared to €2,079 thousand in 2012).

Our shareholders also provided us with financings via subordinated debt.

### *19.2 Other related party relationships*

In June and July 2013, the Combined Group granted loans to several employees for a total amount of €3.1 million.

On June 27, 2013, the Combined Group acquired from an affiliate entity of Altice, 100% of the outstanding shares of Valvision for an amount of €3 340 thousand euros (refer to Note 3.1.2 above).

In addition to the above and to the on-going contracts described in Note 28.2 of the Combined Financial Statements for the three years ended December 31, 2012, 2011 and 2010 no new transactions with related parties took place during the nine months ended September 30, 2013 which materially affected the Combined financial position.

## 20—Events after the end of the reporting period

### Cancellation of the €5 million fine imposed by the ARCEP

In July 2013, the Constitutional Council (*Conseil Constitutionnel)* considered that the power of penalty of the ARCEP (''Autorité de régulation des communications électroniques et des postes'') was not complying with the principles of independence and impartiality imposed by the Constitution.

On October 21, 2013, the Combined Group obtained the cancellation by the Council of State (*Conseil d'Etat)* of the decision of the ARCEP dated December 20, 2011 which condemned Numericable and NC Numericable to a €5 million fine for not complying with the decision of the ARCEP dated November 4, 2010.

The Combined Group has not recognized any gain in relation to the cancellation of this fine in the Interim Condensed Combined Financial Statements as at September 30, 2013 as the modalities of the refund of the fine are still uncertain.

**Statutory Auditors' Review Report on the Numericable Group Interim Condensed Combined Financial Statements for the nine-month period ended September 30, 2013**

*This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.*

To the Chairman and Chief Executive Officer of Numericable Group,

In our capacity as statutory auditors of Numericable Group (the ''**Company**'') and at your request in the context of the contemplated initial public offering of the shares of the Company on NYSE Euronext Paris, we have performed a review of the accompanying interim condensed combined financial statements of the group described in Note 1, for the period from January 1 to September 30, 2013 (together the ''**Interim Condensed Combined Financial Statements**'').

We note that the Company has prepared interim condensed combined financial statements for the first time as of September 30 and, as a result, information related to the period from January 1 to September 30, 2012 presented as comparative information, has not been subject to an audit or a review.

The Interim Condensed Combined Financial Statements have been established under the responsibility of the Board of Directors of the Company. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently this does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Combined Financial Statements are not prepared in all material respects in accordance with IAS 34—the standard of IFRS as adopted by the European Union applicable to interim financial reporting.

Without qualifying our conclusion, we draw your attention to:

- The basis of preparation in Note 2.1, which refers to Note 1.4 of the combined financial statements of the Company for the years ended December 31, 2012, 2011 and 2010, which explains in the section ''Basis of combination'' the accounting method used for the combination of the two groups being under common control in the absence of specific guidance under IFRS as adopted by the European Union;
- Note 2.5 which discloses the facts upon which management of the Company has based its evaluation of the ability of the combined group to finance its cash requirements for the next twelve months and the reason supporting the continuing use of the going concern principle for preparing the Interim Condensed Combined Financial Statements.

The Statutory auditors,

Neuilly-sur-Seine, October 25, 2013
Deloitte & Associés

Christophe Saubiez
*Partner*

Paris La Défense, October 25, 2013
KPMG Audit
*A departement of KPMG SA*
Marie Guillemot
*Partner*

**Numericable Group**

Combined Financial Statements

For the three years ended December 31, 2012, 2011 and 2010

**Numericable Group**
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

*This is a free translation into English of the auditor's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France. The auditor's report issued in the French language is governed by French law. The Courts in France shall have exclusive jurisdiction to settle any claim, difference or dispute which may arise out of or in connection with the report.*

**Numericable Group**

**Statutory Auditor's Report on the Numericable Group Combined Financial Statements for each of the three years ended December 31, 2012, 2011 and 2010**

To the Chairman and Chief Executive Officer of Numericable Group,

In our capacity as statutory auditor of Numericable Group (the ''**Company**'') and in accordance with Regulation (EC) No 809/2004, we have audited the accompanying combined financial statements of the group described in Note 1.5, which comprise the combined statement of financial position of the Company as of December 31, 2012, 2011 and 2010, the combined statement of income, the combined statement of comprehensive income, the combined statement of cash flows and the combined statement of changes in equity for each of the three years then ended and a summary of significant accounting policies and other explanatory notes (together the ''**Combined Financial Statements**'').

The Combined Financial Statements have been established under the responsibility of the Board of Directors of the Company in the context of the contemplated initial public offering of the shares of Numericable Group and in connection with the contemplated restructuration of the Ypso France SAS and Altice B2B France SAS operations under Ypso France SAS. Our responsibility is to express an opinion on the Combined Financial Statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Combined Financial Statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the Combined Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Combined Financial Statements prepared for the purpose of the prospectus give a true and fair view of the assets and liabilities and of the financial position of the combined group as at December 31, 2012, 2011 and 2010 and the results of the operations and of its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- The basis of preparation in Note 1.4, which describes notably in section ''Basis of combination'', the accounting method used for the combination of the two groups being under common control in the absence of specific guidance under IFRS as adopted by the European Union;
- The fact set out in Note 1.6 to the Combined Financial Statements which discloses the facts upon which management of the Company has based its evaluation of the ability of the combined group to meet its financing needs in 2013 and the reason supporting the continuing use of the going concern principle for preparing the Combined Financial Statements.

Neuilly-sur-Seine, September 6, 2013
The statutory auditor
Deloitte & Associés

Christophe Saubiez

## Numericable Group
## COMBINED STATEMENTS OF INCOME

| | Notes | Years Ended December 31, 2012 | 2011 | 2010 |
|---|---|---|---|---|
| | | (in thousands of euros) | | |
| **Revenue** | 6 | **1,302,425** | **1,306,856** | **1,208,695** |
| Purchases and subcontracting services | 7 | (602,121) | (621,696) | (557,803) |
| Staff costs and employee benefits expense | | (141,475) | (141,034) | (127,170) |
| Taxes and duties | | (32,396) | (28,275) | (30,131) |
| Provisions | | (7,715) | (7,957) | (16,716) |
| Other operating income | 8 | 89,229 | 80,412 | 64,324 |
| Other operating expenses | 9 | (17,178) | (25,077) | (27,334) |
| **Operating income before depreciation and amortization (EBITDA)** | | **590,769** | **563,229** | **513,865** |
| Depreciation and amortization | | (291,724) | (294,517) | (305,417) |
| **Operating income** | | **299,045** | **268,713** | **208,448** |
| Financial income | | 4,326 | 1,208 | 808 |
| Interest relative to gross financial debt | | (183,057) | (177,343) | (175,062) |
| Other financial expense | | (32,699) | (9,883) | (4,162) |
| **Finance costs, net** | 10 | **(211,430)** | **(186,019)** | **(178,416)** |
| Income tax expense | 11 | (2,486) | (13,387) | (3,841) |
| Share in net income (loss) of associates | | (199) | (309) | 368 |
| **Net income (loss) from continuing operations** | | **84,930** | **68,998** | **26,560** |
| Net income from discontinued operations | 30 | — | 126,059 | 31,237 |
| **Net income (loss)** | | **84,930** | **195,058** | **57,797** |
| —Attributable to owners of the entity | | 84,881 | 194,859 | 58,039 |
| —Attributable to non-controlling interests | | 49 | 199 | (242) |

## Numericable Group

## COMBINED STATEMENTS OF OTHER COMPREHENSIVE INCOME

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | (in thousands of euros) | | |
| **Net income (loss) attributable to owners of the entity** | **84,881** | **194,859** | **58,039** |
| Cumulative translation adjustments | — | — | — |
| Change in fair value of available-for-sale financial assets | — | — | — |
| Actuarial gains and losses | — | — | — |
| Tax on items recognized directly in equity | — | — | — |
| **Total other comprehensive income/(loss) attributable to owners of the entity** | **84,881** | **194,859** | **58,039** |

In accordance with IAS 1 *Presentation of financial statements (2007)* (**IAS 1**), the Combined Group, as defined in Note 1, presents a statement of other comprehensive income. However, as the Combined Group operates only in France, the functional and presentation currency of all the entities within the Combined Group is the euro. As a result, no cumulative translation adjustment has been recognized as of December 31, 2012, 2011 and 2010.

Available-for-sale financial assets are comprised of various investments in entities not comprised in the combination, that are not listed (see Note 17) for which fair value cannot be measured reliably. Due to the fact that these investments are not material, these investments are measured at cost and accordingly, no unrealized gain/loss is recognized in the statement of other comprehensive income.

As mentioned in Note 2.20, the Combined Group recognizes actuarial gains and losses immediately through income. Accordingly, there are no actuarial gains and losses recognized directly in equity.

## Numericable Group
## COMBINED STATEMENTS OF FINANCIAL POSITION

| | Notes | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|---|
| | | (in thousands of euros) | | |
| **ASSETS** | | | | |
| Goodwill | 12 | 1,458,686 | 1,458,638 | 1,458,585 |
| Other intangible assets | 13 | 326,187 | 346,056 | 376,793 |
| Property, plant and equipment | 14 | 1,389,932 | 1,348,564 | 1,340,903 |
| Investments in associates | 16 | 3,377 | 3,577 | 3,886 |
| Other non-current financial assets | 17 | 6,831 | 7,761 | 7,371 |
| Deferred tax assets | 11 | — | — | — |
| **Non-current assets** | | **3,185,013** | **3,164,596** | **3,187,538** |
| Inventories | 18 | 45,609 | 38,998 | 33,843 |
| Trade receivable and other receivables | 19 | 417,371 | 362,981 | 357,090 |
| Other current financial assets | 17 | 4,034 | 42 | 249 |
| Income tax receivable | 11 | 6 | 4 | 276 |
| Cash and cash equivalents | 20 | 7,996 | 40,580 | 30,897 |
| **Current assets** | | **475,016** | **442,605** | **422,355** |
| **Assets classified as held for sale** | 30 | **—** | **—** | **270,549** |
| **TOTAL ASSETS** | | **3,660,029** | **3,607,201** | **3,880,442** |
| **EQUITY AND LIABILITIES** | | | | |
| **Net invested equity attributable to owners of the entity** | | **(287,364)** | **(372,233)** | **(567,023)** |
| Non-controlling interests | | 33 | (57) | (323) |
| **Total invested equity** | 21 | **(287,331)** | **(372,290)** | **(567,346)** |
| Non-current portion of financial liabilities | 22 | 2,926,343 | 2,912,981 | 3,174,526 |
| Non-current provisions | 23/24 | 63,973 | 62,847 | 48,107 |
| Deferred tax liabilities | 11 | — | — | — |
| Other non-current liabilities | 25 | 111,266 | 100,983 | 110,339 |
| **Non-current liabilities** | | **3,101,582** | **3,076,811** | **3,332,972** |
| Current portion of financial liabilities | 22 | 114,732 | 191,564 | 218,748 |
| Current provisions | 23/24 | 2,409 | 8,998 | 570 |
| Trade payable and other current liabilities | 26 | 726,033 | 698,670 | 683,873 |
| Current income tax liabilities | 11 | 2,604 | 3,448 | 194 |
| **Current liabilities** | | **845,778** | **902,680** | **903,385** |
| **Liabilities classified as held for sale** | 30 | **—** | **—** | **211,432** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,660,029** | **3,607,201** | **3,880,442** |

## Numericable Group

## COMBINED STATEMENTS OF CHANGES IN EQUITY

| | Net invested equity attributable to the owners of the entity | Non-controlling Interests | Total invested equity |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Balance at January 1, 2010** | **(625,075)** | **4,954** | **(620,211)** |
| Net income (loss) | 58,039 | (242) | 57,797 |
| Purchase of non-controlling interests | 348 | (5,035) | (4,687) |
| Other adjustments | (335) | — | (335) |
| **Balance at December 31, 2010** | **(567,023)** | **(323)** | **(567,346)** |
| Net income (loss) | 194,859 | 199 | 195,058 |
| Other adjustments | (69) | 67 | (2) |
| **Balance at December 31, 2011** | **(372,233)** | **(57)** | **(372,290)** |
| Net income (loss) | 84,881 | 49 | 84,930 |
| Purchase of non-controlling interests | (12) | 41 | 29 |
| **Balance at December 31, 2012** | **(287,364)** | **33** | **(287,331)** |

## Numericable Group
## COMBINED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | (in thousands of euros) | | |
| **Net income from continuing operations** | **84,930** | **68,998** | **26,560** |
| Share in net income (losses) of associates | 199 | 309 | (368) |
| Depreciation and amortization | 288,489 | 312,974 | 315,054 |
| Gains and losses on disposals | 3,565 | 4,127 | 3,095 |
| Other non-cash operating gains and losses | 3,028 | (20,081) | (36,448) |
| **Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax** | **380,211** | **366,326** | **307,894** |
| Finance costs, net | 183,516 | 204,325 | 222,869 |
| Income tax paid | (856) | 1,083 | (2) |
| Changes in working capital | (31,911) | 5,392 | 13,961 |
| **Net cash provided (used) by operating activities** | **530,960** | **577,127** | **544,722** |
| Capital expenditures | (299,890) | (251,448) | (246,592) |
| Proceeds from disposal of tangible and intangible assets | 3,816 | 5,041 | 8,142 |
| Decrease (increase) in loans and other non-current financial assets | (3,440) | 41 | (2,802) |
| Cash expenditures for acquisition of investments in companies | (6) | — | (58,086) |
| Investment subsidies and grants received | 14,303 | 8,713 | 7,479 |
| **Net cash provided (used) by investing activities** | **(285,217)** | **(237,652)** | **(291,859)** |
| Proceeds from issuance of shares | — | — | — |
| Issuance of debt | 830,975 | 172 | 54,648 |
| Repayment of debt | (957,189) | (335,085) | (154,705) |
| Interest paid | (152,113) | (154,791) | (169,192) |
| **Net cash provided (used) by financing activities** | **(278,327)** | **(489,705)** | **(269,249)** |
| **Net cash flow from continuing operations** | **(32,584)** | **(150,231)** | **(16,386)** |
| Net cash flow from discontinued operations | — | 156,258 | 15,196 |
| **Net increase (decrease) in cash and cash equivalents** | **(32,584)** | **6,027** | **(1,190)** |
| **Cash and cash equivalents—opening balance** | **40,580** | **34,553** | **35,743** |
| **Cash and cash equivalents—closing balance** | **7,996** | **40,580** | **34,553** |

The net cash flow from discontinued operations is detailed in note 30.

**Numericable Group**

**INDEX**


| | | Page |
|---|---|---|
| 1 | Basis of preparation of the combined financial statements | F-166 |
| 2 | Significant accounting policies | F-171 |
| 3 | Critical accounting judgements and key sources of estimation uncertainty | F-183 |
| 4 | Significant events for the period | F-185 |
| 5 | Segment information | F-187 |
| 6 | Revenue | F-189 |
| 7 | Purchases and subcontracting services | F-189 |
| 8 | Other operating income | F-189 |
| 9 | Other operating expenses | F-190 |
| 10 | Finance costs, net | F-190 |
| 11 | Income tax | F-191 |
| 12 | Goodwill | F-192 |
| 13 | Other intangible assets | F-193 |
| 14 | Property, plant and equipment | F-195 |
| 15 | Impairment test | F-197 |
| 16 | Investment in associates | F-199 |
| 17 | Other current and non-current financial assets | F-199 |
| 18 | Inventories | F-200 |
| 19 | Trade receivables and other receivables | F-200 |
| 20 | Cash and cash equivalents | F-201 |
| 21 | Invested equity | F-202 |
| 22 | Financial liabilities | F-203 |
| 23 | Provisions and contingent liabilities | F-206 |
| 24 | Employee benefits | F-210 |
| 25 | Other non-current liabilities | F-212 |
| 26 | Trade payables and other payables | F-212 |
| 27 | Financial instruments | F-212 |
| 28 | Related party transactions | F-217 |
| 29 | Leases arrangements | F-219 |
| 30 | Non current assets held for sale and discontinued operations | F-221 |
| 31 | Commitments and contractual obligations | F-223 |
| 32 | Events after the end of the reporting period | F-224 |

## 1 Basis of preparation of the combined financial statements

### *1.1 Presentation of the Two Groups forming Numericable Group*

Numericable Group (the ''**Company**'') is a limited company under French law, whose head office is located in France and has been formed in August 2013. In relation to the admission of the shares of the Company on Euronext Paris, the Company will receive the contribution of two entities incorporated in Luxembourg, Ypso Holding S.à.r.l and Altice Lux Hold S.à.r.l., which are holding companies that are respectively parent companies of Ypso France SAS and Altice B2B France SAS. Ypso Holding S.à.r.l, Ypso France SAS and its subsidiaries are hereafter referred to as ''Ypso'' and Altice Lux Hold S.à.r.l., Altice B2B France SAS and its subsidiaries are hereafter referred to as ''Altice B2B''.

**Ypso France SAS**

Ypso France SAS, which operates the Numericable business, is a French cable television service provider. Its core products are premium digital television packages, which are available to households in areas that are triple-play enabled. Ypso France SAS also provides French consumers with broadband Internet, fixed telephony, and mobile telecommunications services.

**Altice B2B France SAS**

Altice B2B France SAS, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office, or FTTO, network in France, constituting the third alternative Digital Subscriber Line (''DSL'') network in France. Completel SAS provides business customers with a comprehensive service offering, which includes data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

### *1.2 Description of the context*

Ypso and Altice (collectively the ''**Two Groups**'' or the ''**Combined Group**'') are currently entities under common control. The Two Groups are ultimately controlled by three private equity funds Carlyle, Cinven and Altice. The purpose of the combined financial statements is to present a fair depiction of the financial condition, and the assets and liabilities of the Two Groups, using historical bases in the assets, liabilities and results of operations and cash flows for each period presented in the combined financial statements. Accordingly, the combined financial statements reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which are separate legal groups at December 31, 2012, 2011 and 2010.

The combined financial statements have been prepared for the three-year period ended December 31, 2012, 2011 and 2010 (collectively the ''Combined Financial Statements'') in conjunction with the contemplated initial public offering of the shares of Numericable Group (the **''Offering''**). It is expected that Ypso will acquire 100% of the share capital of Altice B2B (the **''Combination''**) in order to reflect the combination of the Two Groups.

### *1.3 Statement of compliance*

The combined financial statements of Numericable Group include a combined statement of financial position as of December 31, 2012, 2011 and 2010, a combined statement of income, a combined statement of comprehensive income, a combined statement of cash flows and a combined statement of changes in equity for each of the three years in the period ended December 31, 2012 and the underlying Notes. The combined financial statements have been prepared in compliance with International Financial Reporting Standards (**''IFRS''**) as published by the International Accounting Standards Board (''**IASB**'') and as adopted by the European Union at December 31, 2012.

The Combined Financial Statements were approved by the Board of Directors on September 6, 2013.

## 1 Basis of preparation of the combined financial statements (Continued)

### *1.4 Basis of presentation of the Combined Financial Statements*

***IFRS financial statements.***

For the purpose of preparing the Combined Financial Statements, accounting principles effective as of December 31, 2012 have been applied to all years presented in these Combined Financial Statements.

Ypso France and Altice B2B France prepare separate consolidated financial statements in accordance with the accounting rules and principles generally accepted in France (''**French GAAP**''), in application of Regulations n° 99.02 and n° 2005.10 of the Accounting Regulations Board, in connection with the financing agreement entered into with the banks on June 6, 2006 and subsequently amended on July 18, 2006, March 2, 2007 and June 24, 2008.

Ypso France SAS also prepares consolidated financial statements in accordance with IFRS to comply with its reporting requirements in relation to the issuance of the Ypso High-Yield Notes (as defined in Note 4.1.1).

In preparing the Combined Financial Statements, Altice B2B France prepared consolidated financial statements in accordance with French GAAP and converted them to IFRS which resulted in the following adjustments:

- Connection fees for business clients have been amortized over the contractual engagement period in accordance with IAS 18 *Revenue*;
- Under IFRS, certain lease arrangements relating to offices and equipment have been analyzed as finance leases as a result of applying the criteria defined under IAS 17 *Leases*. Under French GAAP, these lease arrangements were analyzed as operating leases and need to be reclassified as finance leases under IFRS;
- In accordance with the exemption provided for in IFRS 1 *First-time adoption of IFRS*, past business combinations that occurred prior to January 1, 2010 have not been restated and no amortization of goodwill has been recognized under IFRS;
- Under IFRS, transaction costs (including debt issuance costs) that are directly attributable to the acquisition or issue of a financial liability are deducted from the liability's carrying value. Debt issuance costs are amortized over the debt term using the effective interest method (as opposed to the immediate recognition of a financial expense under French GAAP);
- Changes in the fair value of interest-rate derivative instruments have been recognized immediately in the combined statement of income within financial income and expenses under IFRS whereas under French GAAP, these interest rate swaps are considered as off-balance sheet commitments. Changes in fair value of interest rate derivatives are reported as other assets and liabilities under IFRS;
- The research tax credit is determined based on a certain amount of qualifying R&D staff costs, which are capitalized under IAS 38 *Intangible Assets* (''**IAS 38**''). As a result, the amount of research tax credit has been recognized ratably over the useful life of the capitalized costs, that is 3 years;
- Certain non-recurring income and expenses have been reclassified to EBITDA and/or financial income in the combined statement of income under IFRS.

***Subsequent events.***

The Combined Financial Statements of Numericable Group were prepared under the responsibility of the Chairman of Ypso and Altice B2B and approved by the Board of Directors of the Company on September 6, 2013. The preparation of the Combined Financial Statements is consistent with estimates reflected in the consolidated financial statements of Ypso and Altice B2B as of December 31, 2012, which were respectively authorized for issue on April 10, 2013 and April 18, 2013 by the Chairman. With

**1 Basis of preparation of the combined financial statements (Continued)**

the exception of the adjustments made in connection with the conversion of the consolidated financial statements of Altice B2B from French GAAP to IFRS, no adjustment has been reflected in the Combined Financial Statements for any subsequent events since April 18, 2013 to reflect exactly the position that was presented in the consolidated financial statements of the Ypso and Altice for which the Combined Financial Statements are being prepared as disclosed hereafter with the exception of the adjustments made in connection with the conversion in IFRS of the Financial Statements of Altice B2B prepared in accordance with French GAAP.

***Basis of combination.***

The Combined Financial Statements were prepared using the accounting records that were used to prepare the consolidated financial statements of the Ypso and Altice B2B sub-groups for the year ended December 31, 2012, 2011 and 2010.

All intra-group balances and transactions have been eliminated in preparing the Combined Financial Statements, including the transactions between Ypso and Altice B2B and their respective subsidiaries.

As described above, the Combination of the Two Groups is considered a combination of entities under common control of Carlyle, Cinven and Altice and the Combined Financial Statements reflects the combination of Ypso and Altice using the following methods and principles:

- In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraph 10, judgment has been applied in developing and applying an accounting policy that results in information that is relevant and reflect the economic substance of the transaction. As a result, the acquisition method, as defined in IFRS 3 *Business Combinations (Revised 2008)* (''**IFRS 3**''), has not been applied to reflect the combination of the Two Groups. In the absence of specific guidance under IFRS for transactions between entities under common control, we considered and applied standards on business combination and transactions between entities under common control issued by the regulators in the United States (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* and SEC Regulation S-X Article 3A—*Consolidated and Combined Financial Statements*) and in the United Kingdom (FRS 6 *Acquisitions and mergers*) to prepare the Combined Financial Statements.
- Likewise, the Combined Financial Statements were prepared by aggregating the separate consolidated financial statements of Ypso and Altice B2B at their historical book value:
  - Assets, liabilities, income and expenses of the Two Groups have been extracted from the accounting records of the respective Ypso and Altice B2B sub-groups and fully aggregated at their historical book value without being revalued;
  - Preexisting non-controlling interests have been maintained at their book value in the combined statements of financial position. They primarily represent the 0.6% ownership in Completel Europe NV (a subsidiary fully consolidated in the consolidated financial statements of Altice B2B France) that was repurchased by Altice B2B France for approximately €5 million in 2010;
  - The combined equity has been determined by aggregating the consolidated equity of the sub-groups Ypso and Altice;
  - No goodwill has been recognized and the net assets and liabilities have been recognized at their historical book value; however, historical goodwill balances of the Two Groups existing before the combination have been maintained at their book value in the Combined Financial Statements;
  - The effects of transactions between the Two Groups on assets, liabilities, revenue, and expenses for periods presented have been eliminated;

**1 Basis of preparation of the combined financial statements (Continued)**

- Subordinated debt instruments from ultimate shareholders, which are recorded in the liabilities of Ypso Holding and Altice B2BLux, have been classified directly in equity as they will be contributed to Numericable Group by the shareholders as a result of the contemplated reorganization and then be converted into share capital.

With respect to the presentation of comparative information, the comparative information for 2010 has been adjusted to reflect the combination at the beginning of the earliest period presented, that is, January 1, 2010, date as of which both Groups were under common control.

### *1.5 List of entities comprised in the Combination*

**Subsidiaries**

Entities forming the Combined Group are companies in which the Two Groups have a controlling interest through Ypso or Altice, that is, entities in which the Two Groups have the power to govern financial and operational policies in order to obtain benefits from their operations. Control exists when the Combined Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Combined Financial Statements from the date that control commences until the date that control ceases. Non-controlling interests in subsidiaries are identified separately from the Combined Group's equity therein.

**Associates**

Investments in which the Combined Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investees are referred to as ''associates'' throughout these Combined Financial Statements. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are initially recognized at cost. The Combined Financial Statements include the Combined Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

## 1 Basis of preparation of the combined financial statements (Continued)

As of 31 December 2012, 2011 and 2010, the Combined Financial Statements result from the combination of the following entities:

| Company and legal form of incorporation | Registered office | Consolidation method as of December 31 2012, 2011 and 2010 | Percentage of control | | | Percentage of interest | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| ***Entities comprising the Ypso sub-group*** | | | | | | | | |
| **Ypso Holding S.à.r.l** | 37, rue d'Anvers, L1130 Luxembourg | Parent company | | N/A | | | N/A | |
| **Ypso France SAS** | 10, rue Albert Einstein—77420 Champs-sur-Marne | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Numericable SAS** | 10, rue Albert Einstein—77420 Champs-sur-Marne | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **EST Vidéocom-munication** | 14 rue des Mercuriales—67450 Lampertheim | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **NC Numericable SAS (ex-NOOS SA)** | 10, rue Albert Einstein—77420 Champs-sur-Marne | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **ENO SPRL (Belgium)** | 26, Rue des deux Eglises—1000 Bruxelles | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Numericable Finance & Co. SCA** | 13-15, avenue de la Liberté, L-1931 Luxembourg | Full consolidation | N/A | N/A | N/A | N/A | N/A | N/A |
| **ENO HOLDING (Belgium)** | 26, Rue des deux Eglises—1000 Bruxelles | Full consolidation | 100% | 100% | — | 100% | 100% | — |
| **TME France SA** | Fort de Tourneville—55, rue du 329ème—76600 Le Havre | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Coditel Debt (Luxembourg)** | 121, avenue de la Faïencerie L-1511 Luxembourg | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Ypso Finance (Luxembourg)** | 121, avenue de la Faïencerie L-1511 Luxembourg | Full consolidation | 100% | 100% | — | 100% | 100% | — |
| **Sequalum Participation[1]** | 5, place de la pyramide—92800 Puteaux | Full consolidation | 95% | 79.22% | 79.22% | 95% | 79.22% | 79.22% |
| **Sequalum SAS[1]** | 5, place de la pyramide—92800 Puteaux | Full consolidation | 95% | 79.22% | 79.22% | 95% | 79.22% | 79.22% |
| **Alsace Connexia Participation SAS** | 40-42 Quai du point du jour—92100 Boulogne | Equity method | 38.15% | 38.15% | 38.15% | 38.15% | 38.15% | 38.15% |
| ***Entities comprising the Altice B2B sub-group*** | | | | | | | | |
| **Altice B2B Lux S.à.r.l** | 37, rue d'Anvers, L1130 Luxembourg | Parent company | | N/A | | | N/A | |
| **Altice B2B France SAS** | 102 Avenue des Champs Elysées 75008 Paris | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Altitude Telecom SAS[2]** | 11 Cours Valmy—Tour Pacific—92977 Paris La Defense | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **Completel SAS** | 5 Place de la Pyramide—92088 Paris La Défense | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |
| **B3G SA[2]** | 15 Rue Auber 75009 Paris | Full consolidation | N/A | N/A | 100% | 100% | 100% | 100% |
| **B3G Online[2]** | 15 Rue Auber 75009 Paris | Full consolidation | N/A | N/A | 100% | 100% | 100% | 100% |
| **B3G NV** | Netherlands | Full consolidation | 100% | 100% | 100% | 100% | 100% | 100% |

(1) The Combined Group acquired in January 2012 the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Combined Group owned 95% of Sequalum Participation.

(2) The entities Altitude Telecom, B3G SA and B3G Online were merged in 2011 in Completel SAS.

## 1 Basis of preparation of the combined financial statements (Continued)

### *1.6 Going concern assumption*

The Combined Group was formed by a series of acquisitions, mainly funded through external borrowings. In addition, the construction and subsequent modernization of the network have required substantial investments. These two factors explain the structure of the statement of financial position and the proportion of financial liabilities in relation to total equity as well as the significant amount of amortization expense and net finance cost.

Currently, the Combined Group services its debt and funds its investments through net cash from operations. Furthermore, the Combined Group's covenants under its facility agreements require the Combined Group to comply with certain liquidity ratios and to maintain certain cash levels.

Furthermore, as explained in Note 32, the Combined Group amended its Senior Facility Agreements in July and August 2013 which allowed the Combined Group to reschedule a large portion of its debt.

Under these conditions and given the updated cash flow projections, management believes that the Combined Group will be able to finance its cash requirements for the next twelve months from the date of approval of the Combined Financial Statements for the three years ended December 31, 2012 and meet its financial debt obligations during the period.

As a result, the Combined Financial Statements of the Combined Group for the three years ended December 31, 2012 have been prepared on a going concern basis.

## 2 Significant accounting policies

### *2.1 Accounting principles governing the preparation of the Combined Financial Statements*

**Standards and interpretations applied by the Combined Group as of December 31, 2012**

With the exception of the principles used for the combination, as disclosed in Note 1, the accounting policies for recognition and measurement used in preparing the Combined Financial Statements at December 31, 2012 are the same as those used in the previous consolidated financial statements of Ypso under IFRS. Adjustments have been recognized to convert the consolidated financial statements of Altice B2B (prepared under French GAAP) to IFRS (see Note 1.4).

As mentioned in Note 1, the Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards (''**IFRS**'') as adopted by the European Union (''**EU**'') with mandatory application as of December 31, 2012. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the Combined Financial Statements. They are available on the following website:

*http://ec.europa.eu/internal_market/accounting/ias/index_en.htm*

Standards and interpretations adopted by the European Union with mandatory application as of December 31, 2012 are similar to the standards and interpretations published by the International Accounting Standards Board (''**IASB**''), with the exception of the carve-out of IAS 39 *Financial Instruments: Recognition and Measurement* (''**IAS 39**'') and the below standards and interpretations adopted by the EU but not yet mandatory in EU as of December 31, 2012. However, those standards and interpretations are not applicable to the Combined Group. As a result, the Combined Financial Statements comply with International Financial Reporting Standards as published by the IASB.

The standards and interpretations applicable from January 1, 2012 have no significant effect on the Combined Financial Statements as of date

**2 Significant accounting policies (Continued)**

**Standards and interpretations compulsory after December 31, 2012 and not early adopted by the Combined Group**

The following are standards and interpretations that have been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of preparation of these Combined Financial Statements but that are not yet mandatory. The Combined Group has not elected an earlier application:

– IAS 27 (revised 2011): Separate Financial Statement (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 27**'')

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

– IAS 28 (revised 2011): *Investments in Associates and Joint Ventures* (applicable on or after January 1, 2014 for the Combined Group) (''**IAS 28**'')

This standard relates to the accounting for joint ventures and associates under the equity method.

Some clarifications have been included with respect to the accounting for changes in ownership interests (with or without loss of control) whereas disclosures are now covered by IFRS 12.

– IFRS 10: *Consolidated Financial Statements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 10**'')

IFRS 10 supersedes SIC-12 and IAS 27 for the part relating to the consolidated financial statements. This standard deals with the consolidation of subsidiaries and structured entities, and redefines control which is the basis of consolidation.

– IFRS 11*: Joint Arrangements* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 11**'').

IFRS 11 supersedes IAS 31 and SIC-13.

This standard deals with the accounting for joint arrangements. The definition of joint control is based on the existence of an arrangement and the unanimous consent of the parties which share the control.

There are two types of joint arrangements (i) *joint ventures*: the joint venturer has rights to the net assets of the entity to be accounted for using the equity method, which is the method already applied by the Combined Group; and (ii) *joint operations*: the parties to joint operations have direct rights to the assets and direct obligations for the liabilities of the entities which should be accounted for as arising from the arrangement.

– IFRS 12: *Disclosure of interest in Other Entities* (applicable on or after January 1, 2014 for the Combined Group) (''**IFRS 12**'')

IFRS 12 supersedes disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard groups and develops all the disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated structured entities.

– IFRS 13*: Fair value Measurement* (applicable for annual periods beginning on or after January 1, 2013) (''**IFRS 13**'')

IFRS 13 is a single source of fair value measurement and disclosure requirements for use across IFRSs. It defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in IFRS 7.

**2 Significant accounting policies (Continued)**

– IAS 19 *(revised 2011): Employee Benefits* (applicable on or after January 1, 2013 for the Combined Group) (''**IAS 19**'')

The main changes are:

- the recognition of actuarial gains and losses through Other Comprehensive Income, which will result in a change in accounting principles as the Combined Group recognizes actuarial gains and losses through income as at December 31, 2012 ; and
- the modification of the calculation of the finance cost component, due to the removal of the expected return on plan assets, which is not expected to have a material effect on the Combined Group's financial statements;
- the immediate expense of non-vested past service costs which has no expected material effect to date on the Combined Group's financial statements.

The other amendments and interpretations not yet adopted by the Combined Group as at December 31, 2012 are as follows:

– Amendments to IAS 1—Presentation of Items of Other Comprehensive Income and Separate *Financial Statements* (applicable on January 1, 2013 for the Combined Group)

– IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (applicable on January 1, 2013 for the Combined Group) (''**IFRS 20**'')

– Amendments to IFRS 7 *Disclosures—Offsetting Financial Assets and Financial* Liabilities (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* (applicable on January 1, 2013 for the Combined Group)

– Amendments to IAS 12 *Deferred Tax—Recovery of Underlying Assets* (for annual periods beginning on January 1, 2013 for the Combined Group)

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* (applicable on January 1, 2013 for the Combined Group)

Management is currently assessing the potential impact of the application of these standards and amendments on the combined statement of income, the combined statement of financial position, the combined statement of cash flows and the content of the notes to the Combined Financial Statements but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

The Combined Financial Statements have been prepared according to the historical cost principle, with the exception of certain assets and liabilities detailed below:

– derivative financial instruments measured at fair value;

– financial assets at fair value through profit and loss measured at fair value;

– available-for-sale financial assets measured at fair value.

***2.2 Foreign Currency Translation Adjustments***

The Combined Financial Statements are presented in euros, the functional and presentation currency of the Two Groups. All financial data are rounded to the nearest thousand of euro.

Foreign currency transactions are initially recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At the closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate prevailing on that date. All foreign currency differences are expensed. Non-monetary assets and liabilities that are

**2 Significant accounting policies (Continued)**

measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transaction. All foreign currency differences are recognized in profit and loss.

***2.3 Revenue***

Revenue from the Combined Group's activities is mainly composed of:

- TV subscriptions (TV), broadband Internet, basic cable services, telephony and installations fees invoiced to residential and business clients.
- Data transmission and very high speed Internet services, telecommunications services, convergence and mobility solutions, invoiced to business clients.
- Network infrastructure-based services, including indefeasible rights of use (''IRUs'') arrangements or bandwidth capacity on our network, to other telecommunications operators and offer related maintenance services.

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

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

- Revenues from subscriptions for basic cable services, digital TV pay, internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls are recognized when the service is rendered.
- When a promotion not related to a customer's past consumption and purchases (such as subscription rate discount, service free period) is offered to a customer in relation to a subscription, the Combined Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Combined Group has the enforceable and contractual right to deliver the products after the promotional free month period to the customer. If a promotion is not related to the subscription for a contract including a non-cancellable period, the company recognizes revenues during the promotion period up to the consideration received or receivable, as the customer's continuance is not assured.
- Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered, if consideration received is lower than the sales direct costs to acquire the contractual relationship.
- Service access fees for business clients, when the access to the services is provided and they are associated to equipment or a service, are deferred and the revenue is recognized along the estimated client lifetime duration. They generally spread over the contractual engagement period.
- The revenue related to transmission capacity on terrestrial cables under IRUs arrangements are recognized on a straight-line basis over the life of the contract.

***2.4 Deferred revenue***

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements and connection fees. For these arrangements, the revenue is generally recognized ratably over the term of the lease contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

**2 Significant accounting policies (Continued)**

***2.5 Operating income before depreciation and amortization***

The Combined Group has included the subtotal ''Operating income before depreciation and amortization'' or ''EBITDA'' on the face of the combined statement of income because management believes that this subtotal is useful as it provides a measure of operating results that excludes non-cash elements such as depreciation and amortization, thus enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the operational and financial results, to make decisions with respect to investments and allocation of resources, and to assess the performance of management personnel.

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

***2.6 Finance costs***

Finance costs primarily comprise:

- interest charges and other expenses paid for financing operations recognized at amortized costs and changes in the fair value of interest rate derivative instruments that do not qualify as hedges according to IAS 39, which are classified in ''Interest relative to gross financial debt'' in the combined statements of income;
- interest income relating to cash and cash equivalents;

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

***2.7 Segment information***

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as the one used for internal reporting purposes. As the Combined Group intends to report on that basis in the future, the three following operating segments have been identified:

- B2C operations
- B2B operations
- Wholesale services

*B2C operations*

The Combined Group provides residential and business clients with TV subscriptions services, broadband Internet, basic cable services, telephony and installations fees.

*B2B operations*

The Combined Group provides business customers with a comprehensive service offering, which includes data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

*Wholesale services*

The Combined Group sells network infrastructure-based services, including IRUs or bandwidth capacity on its network, to other telecommunications operators and offer related maintenance services.

**2 Significant accounting policies (Continued)**

***2.8 Income taxes***

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) investments in subsidiaries, branches and associates when the Combined Group is able to control the timing of the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of combination, a deferred tax liability may be recognized in the amount of taxes payable on planned dividend distributions by these companies.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in fiscal legislation and perspectives of recovering deductible temporary differences. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized in a predictable horizon.

***2.9 Government grants and investment subsidies***

Entities of the Combined Group may receive non-repayable government grants and investment subsidies in the form of direct or indirect funding of capital projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the combined statement of income, based on the pattern in which the related asset's expected future economic benefits are consumed.

***2.10 Goodwill and Business Combinations***

Business combinations are accounted for in accordance with the purchase method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) and measured at the lower of their carrying amount and fair value less cost to sell.

The consideration transferred corresponds to the fair value, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Combined Group in exchange for control of the acquiree. The goodwill arising from a business combination is equal to the difference between the sum of the consideration paid, the value of any non-controlling interest that remains outstanding after the business combination and, where applicable, the acquisition-date fair value of the

**2 Significant accounting policies (Continued)**

acquirer's previously-held equity interest in the target, minus the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. This goodwill is recognized in assets in the combined statement of financial position. When the difference is negative, it is directly accounted in net income.

The secondary costs directly attributable to an acquisition giving the control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs which must be recorded according to standards IAS 32 *Financial Instruments: Presentation* (''**IAS 32**'') and IAS 39.

When goodwill is determined provisionally at the end of the period in which the combination is effected any adjustments to those provisional values within twelve months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interest in a subsidiary that is already included in the scope of combination), the Combined Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27 (2008), with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the Combined Statement of Financial Position. Impairment relative to this goodwill is presented on the line ''Depreciation and amortization'' of the Combined Statement of Income.

Goodwill resulting from the acquisition of associates is included in the book value of the participation. Impairment relative to this goodwill is presented on the line ''Share in net income (loss) of associates''.

Goodwill is not amortized but is subject to an impairment test whenever there is any indication that an asset may be impaired and at least once a year according to the methods and hypotheses described in Note 15.

After initial recording, goodwill is recorded at cost less recorded accumulated impairment losses.

***2.11 Intangible assets***

**Recognition and measurement principles**

Intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce, and prepare the asset to be capable of operating. Intangible assets consist mainly of indefeasible rights of use, patents, acquired and internally generated software.

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized as an asset when the Combined Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are depreciated over the shorter of the expected period of use and the life of the contract between 3 and 20 years.

Patents are amortized on a straight-line basis over the expected period of use, generally not exceeding 10 years.

Software is amortized on a straight-line basis over its expected useful life which generally does not exceed 3 years.

The cost of an internally generated intangible asset is the sum of personnel expenditures incurred from the date the intangible asset first meets the recognition criteria of IAS 38. An intangible asset arising from the development phase of an internal project shall be recognized if, and only if, an entity can demonstrate all of the following:

– the technical feasibility of completing the intangible asset so that it will be available for use or sale;

**2 Significant accounting policies (Continued)**

- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

  Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditures attributable to the intangible asset during its development.

Capitalization of costs ceases when the project is finalized and the asset is available for use. The cost of an internally generated intangible asset arising from the development phase of an IT internal project is amortized on a straight-line basis over its expected useful life which generally does not exceed 3 years.

**Conformity with agreements entered into with local authorities**

To set up and operate its networks, the company has entered into various agreements with the local authorities and representative bodies under successive legal frameworks (French cable network plan, Freedom of Communication Act of 1986, etc.). Many of these agreements convey exclusive rights to the operator and also lay down obligations in terms of local television service provision, programming, pricing policy, and the associated license fees payable. Some of the agreements are public service concessions with ''return property'' clauses, whereby ownership of the technical plant and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, referred to as the ''Telecoms Package'', set forth the principle of open competition among operators in the telecommunications market, requiring national regulatory authorities to enforce fair competition conditions, without granting exclusive or special rights for setting up and operating networks. The French law of July 9, 2004, which transposed the Telecoms Package into French law, required existing agreements to be brought into compliance by the end of July 2007 at the latest, in order to remove all exclusive rights clauses and ensure the shared use of public civil engineering infrastructure.

The Combined Group believes that only a minority of the agreements entered into with the local authorities were classified as public service concessions when concluded and that IFRIC 12 does not apply, with the exception of the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (*Délégation de Service Public 92)*.

*Service Concession agreement entered into with the department of Hauts-de-Seine*

Sequalum, a subsidiary of the Combined Group, was selected in 2007 by the district of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home (''FTTH'') very-high-speed fiber network throughout the district under a Délégation de Service Public (''DSP''), called DSP 92. A DSP is a form of public—private partnership under French law pursuant to which a public authority 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.

The terms of the service arrangement signed between Sequalum and the department of Hauts-de-Seine require Sequalum to construct the network—completing construction within 72 months—and maintain and operate the network to a specified standard for 25 years. At the end of the 25$^{th}$ year, the service arrangement will end.

**2 Significant accounting policies (Continued)**

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, ie a right to collect revenue from the network users. In accordance with IAS 38, Sequalum recognizes the intangible asset at cost, i.e. the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

Main characteristics of the agreement are:

| Control and regulation of prices | Origin of the revenue | Subsidy granted by the grantor | Residual value | End of the agreement | Accounting model |
|---|---|---|---|---|---|
| Rates are defined in the service agreement | Users | €59 million subsidy to finance the construction | Network will be returned to the grantor with no indemnity, except for some assets (actifs de reprise) | Contract will end after 25 years | Intangible asset/financial receivable |

***2.12 Property, plant and equipment***

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. With respect to network and technical equipment, amortization and depreciation are calculated on a straight-line basis and the main amortization and depreciation periods are as follows:

| Network and technical and equipment | Method | Duration |
|---|---|---|
| Network hubs | Straight line | 10 to 15 years |
| Optical cables | Straight line | 15 to 30 years |
| Engineering facilities | Straight line | 20 to 40 years |
| Connections | Straight line | 5 years |
| Digital terminals | Straight line | 3 to 5 years |
| Furniture | Straight line | 5 to 10 years |
| Fixtures and fittings | Straight line | 8 to 10 years |
| Transport equipment | Straight line | 2 to 5 years |
| Office equipment | Straight line | 3 to 5 years |
| Computer equipment | Straight line | 3 to 5 years |

Gains or losses on disposal of property, plant and equipment are calculated as the difference between the profit from the disposal and the carrying amount of the asset and are recognized as other operating income or expenses.

***2.13 Lease arrangements***

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

**2 Significant accounting policies (Continued)**

**The Combined Group as lessor**

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

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

**The Combined Group as lessee**

Assets held under finance leases are initially recognized as assets of the Combined Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the period in which they are incurred.

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

***2.14 Impairment of goodwill and non-current assets***

Each time events or changes in the economic environment indicate a current risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Combined Group re-examines the value of these assets. In addition, goodwill, other indefinite life intangible assets and intangible assets in progress are all subject to an annual impairment test during the second semester of each fiscal year.

This test is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit (''**CGU**'') to its carrying amount.

An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which are, for the Combined Group, ''B2C operations'', ''B2B operations'' and ''Wholesale services''

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

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

**2 Significant accounting policies (Continued)**

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

***2.15 Financial assets***

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

Purchases and sales of all financial assets are accounted for at the settlement date.

**Available-for-sale financial assets**

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

Available-for-sale financial assets consist mainly of shares in companies that are not included in the combination. Fair value corresponds to the quoted price for listed securities or, for non-listed securities, the group values financial assets at historical cost, less any impairment losses, when a reliable estimate of fair value cannot be made using valuation techniques in the absence of an active market.

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

Available-for-sale financial assets are included in non-current asset unless management intends to dispose of the investment within 12 months of the statements of position date.

**Loans and receivables**

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

This category mainly includes trade receivables.

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

**Held-to-maturity financial assets**

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Combined Group has a positive intent and ability to hold to maturity. Financial assets that are designated as held-to-maturity are measured at amortized cost, using the effective interest rate method.

**2 Significant accounting policies (Continued)**

They are reviewed for impairment on an individual basis if there is any indication they may be impaired. The Combined Group does not classify any financial asset in this category.

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

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

This category mainly includes:

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

***2.16 Inventories***

Inventories, mainly set-top boxes, other 'TV boxes' and technical equipment, are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method and includes expenditures incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

***2.17 Cash and cash equivalents***

Cash consists of cash in banks and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase.

***2.18 Financial Liabilities***

Financial liabilities other than derivative instruments include borrowings under the Senior Facility Agreement (''**SFA**''), debt related to finance leases, guarantee deposits, advances received, bank overdrafts.

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

***2.19 Derivatives***

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

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

**2 Significant accounting policies (Continued)**

***2.20 Employee benefits, provisions and contingent liabilities***

Provisions are recognized when the Combined Group has a legal obligation (legal, regulatory or contractual) or a constructive obligation, as a result of past events, and it is probable that economic benefits in the form of outflow of resources will be required to settle the obligation and the obligation can be reliably estimated. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability is not recognized, but disclosed.

**Employee benefits**

The Combined Group participates in employee benefit plans through defined contribution plans, and defined benefit plans. The Combined Group accounts for pension costs related to defined contribution plans as they are incurred within personnel expenses in the statement of income.

Estimates of the Combined Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 *Employee Benefits* (IAS 19), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turn-over of beneficiaries, salary increases, the expected average life span, the probable future length of the employees' service and an appropriate discount rate updated annually.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized in profit and loss when they are incurred.

**Litigations**

The amount of provisions for litigation is based on the Combined Group's assessment of the level of risk and depends on its assessment of the basis for the claims.

**Restructuring**

Provisions for restructuring costs are recognized when the restructuring plans have been finalized and approved by the Combined Group's management, and when the Combined Group has raised a valid expectation, that it will carry out the plan either by starting to implement the plan or announcing its main features to employees affected by it. These provisions only include direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

***2.21 Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. According to the Combined Group, it does not take a substantial amount of time to get ready for the intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* has consequently no impact on the Combined Financial Statements.

**3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Combined Financial Statements in accordance with IFRS implies that the Group makes a certain number of estimates and assumptions that are realistic and reasonable.

**3 Critical accounting judgements and key sources of estimation uncertainty (Continued)**

In applying accounting policies during the preparation of the Combined Financial Statements, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses.

Such estimates are prepared based on the going concern assumption, established using currently available information and the current economic environment. In the actual economic environment, changes in facts and circumstances may result in revised estimates or assumptions, which could affect the financial position, results of operations and cash flows of the Group.

The preparation of these financial statements require management to make estimates and assumptions. Items subject to such estimates and assumptions mainly include:

- *Revenue recognition:* As indicated in Note 2.3, revenue under IAS 18 is measured at the fair value of the consideration received or to be received when the Combined Group has transferred the significant risks and rewards of ownership of a product to the buyer or when service is rendered. With respect to contracts that includes installation, connection and set-up fees for residential customers, significant judgment is required to determine whether the recognition criteria set forth in IAS 18 should be applied separately and whether installation, set-up and connection should be considered a separable service. With respect to service access fees for business clients, management estimates the statistical client lifetime duration and generally recognizes revenue ratably over the contractual engagement period, which is estimated at the inception of the arrangement based on historical information. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized could differ significantly.
- *Capitalization of development costs:* the criteria for capitalizing development costs are set out in Note 2.11. Once capitalized, these costs are amortized over the estimated useful lives of the respective products (generally 3 years). The Combined Group must therefore evaluate the commercial and technical feasibility of these development projects and estimate the useful lives of the products resulting from the projects. Should a product fail to substantiate these assumptions, the Combined Group may be required to impair or write off some of the capitalized development costs in the future. Note 13 provides information on the amount of capitalized costs in the combined statement of financial position.
- *Fair value of financial instruments* (see Note 27.3): fair value is determined by reference to the published market price at period end. For financial instruments for which there is no published market price in an active market such as the interest-rate swaps, which the Combined Group currently uses to hedge its interest rate risk, fair value is then estimated based on models that rely on market observable data or by the use of various valuation techniques, such as present value of future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforward* (see Notes 2.8 and 11): deferred tax assets relate primarily to tax loss carryforwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carryforwards are recognized if it is probable that the Combined Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Combined Group analyzes past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carryforwards. As of December 31, 2012, 2011 and 2010, in evaluating whether deferred tax assets should be recognized, management considered the weight of one form of negative evidence being a significant amount of cumulative losses in recent years and concluded that it is not probable that future taxable profit will be available against which the unused tax loss carryforward can be utilized. The application of this recognition principle has not resulted in any deferred tax asset recognized as at December 31, 2012, 2011 and 2010.

**3 Critical accounting judgements and key sources of estimation uncertainty (Continued)**

- *Impairment tests* (see Notes 2.10 and 15): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value net of disposal costs as well as their value in use. The assessment of the value in use requires assumptions to be made with respect to the operating cash flows of the CGUs as well as the discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore, to the recognition of an impairment charge.

  As of December 31, 2012, 2011 and 2010, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

| CGU ''B2C operations'' | 2012 | 2011 | 2010 |
|---|---|---|---|
| Length of projection period | 8 years | 8 years | 8 years |
| Weighted average cost of capital | 7.56% | 8.18% | 8.02% |
| Growth rate beyond projection period for terminal value | 1.75% | 1.75% | 1.50% |

| CGU ''B2B operations'' and ''Wholesale'' | 2012 | 2011 | 2010 |
|---|---|---|---|
| Length of projection period | 6 years | 6 years | 6 years |
| Weighted average cost of capital | 9.42% | 10.25% | 9.77% |
| Growth rate beyond projection period for terminal value | 1.00% | 1.00% | 1.00% |

  The determination of the value in use has been determined by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 6 and 8 years. The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers. The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

**4 Significant events for the period**

***4.1 Year ended December 31, 2012***

**4.1.1 Bond Issuances**

In 2012, Ypso France SAS issued several bonds in order to refinance part of its existing financial debt.

In February 2012, Ypso France SAS issued a €360 million bond. The issuer was Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg). The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in a loan (the ''C-One'' Facility Loan) whose sole lender was the bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €350 million.

The notes mature on February 15, 2019 and bear interest of 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, Ypso France SAS also obtained a new Revolving Credit Facility under the SFA for which the maximum amount that can be drawn is €65 million (''Revolving Credit Facility''). The revolving Credit Facility matures in March 2016. The used amount under this facility bears interest equal to Euribor plus 4.5%. The unused amount under this facility, which amounts to €65 million as of December 31, 2012, bears interest equal to a commitment fee of 2.25%.

**4 Significant events for the period (Continued)**

According to the terms of the September 2011 Senior Facility Amendment and Restatement, maturities of certain lenders' commitments were extended by two years (comprising 50% of A and Capex Facilities and 2/3rd of B & C Facilities). Along with the extension of the maturities, the September 2011 Senior Facility Amendment and Restatement changed the margin level for the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Amendment and Restatement became effective on February 15th, 2012.

In October 2012, Ypso France SAS issued two other bonds for respectively €225 million and €275 million through the same issuer, Numericable Finance & Co. S.C.A. The proceeds from the notes have been used by Numericable Finance & Co. to fund a buy-back of 100% of the Lending Bank's (JP Morgan) participation in two new loans, the ''C-Two A Facility Loan'' and the ''C-Two B facility Loan'', whose sole lender was the Lending Bank itself under the Senior Facility Agreement to Ypso France SAS and which allowed Ypso France SAS to reimburse certain facilities under the SFA for €490 million.

The ''C-Two A facility'' amounts to €225 million. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interests are paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The ''C-Two B facility'' amount to €275 million. It matures in October 2018 and bears a floating interest rate equal to three-month EURIBOR plus 7.85% per annum. Interests are paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

Ypso France SAS paid €55 million in fees in connection with the implementation of these new facilities (C-One Facility, C-Two A Facility and C-Two B Facility) and the relative amendments to the Senior Facility Agreement. This amount includes:

- Bond issuance costs of €30.2 million which are amortized over the length of the notes using the effective interest rate method (this represents an additional finance cost of €3.8 million in 2012 as disclosed in Note 10);
- Waiver fees of €17.4 million which are recorded in ''Other financial expense'' in the combined statement of income for the period ended December 31, 2012;
- Advisory fees of €7.4 million which are recorded in ''Other operating expenses'' in the combined statement of income for the period ended December 31, 2012.

#### 4.1.2 Purchase of the network of Nice

In April 2012, the Combined Group signed an agreement with the city of Nice in order to purchase the cable network of Nice for a value of €20 million.

The purchase price repayment is scheduled as follows:

- €2.5 million were paid in July 2012 and €2.5 million in January 2013;
- The remaining €15 million are payable over 20 years (€0.75 million each year from 2013 to 2032) with interest of 4%.

#### 4.1.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 11.5 have been extended to fiscal year 2010. In the meantime, tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of provision recognized in relation to these tax audits has not been adjusted as management believes that the financial risk related to penalties for fiscal year 2010 will represent the same amount as the reductions notified by the administration concerning the penalties for fiscal years 2005 to 2009.

## 4 Significant events for the period (Continued)

### *4.2 Year ended December 31, 2011*

#### 4.2.1 Disposal of Coditel Belgium and Coditel Luxembourg

In 2010, the management of Ypso France engaged in the sale of two subsidiaries: Coditel Belgium and Coditel Luxembourg. On May 19, 2011, the Group thus entered into a share purchase agreement with Altice, Deficom and Apax Partners to dispose of its activities in Belgium and Luxembourg. As a result, all of the outstanding shares in Coditel Belgium and Coditel Luxembourg were transferred on June 30, 2011 to Coditel Holding S.A., an entity based in Luxembourg, owned by Altice, Deficom and Apax MidMarket upon completion of the transaction. The proceeds from the sale of Coditel amounted to approximately €369 million.

In accordance with IFRS 5:

- the results of Coditel Belgium and Coditel Luxembourg are presented separately in the statements of income under ''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 statements of cash flows under ''Net cash flow from discontinued operations'' for all the periods presented.

The impact of the application of IFRS 5 is further detailed in Note 30.

#### 4.2.2 Restructuring

In 2011, the merger between Altitude Telecom and Completel SAS led to a restructuring plan involving approximately 135 persons.

The costs related to this plan amounted to €4 million in 2011 and an additional provision of €4 million was recorded at December 31, 2011 in order to face all the expenses that the Combined Group planned to bear in 2012.

### *4.3 Year ended December 31, 2010*

#### 4.3.1 Purchase of Altitude Telecom

On December 29, 2010, the Combined Group acquired 100% of the shares of Altitude Telecom, a network operator mainly located in the West of France. The price of the transaction was approximately €58 million and was mainly financed through a new debt under the SFA, the ''C Facility'', for an amount of €45 million.

This operation generated an additional goodwill of €49 million in 2010.

#### 4.3.2 Tax audits

As explained in Note 11.5, certain subsidiaries of the Combined Group (Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS) are subject to tax audits by the French tax authorities.

In 2010, these tax audits have been extended from December 31, 2007 to December 31, 2009.

## 5 Segment information

As explained in Note 2.7, the Combined Group identified three operating segments which are:

- B2B operations
- B2C operations
- Wholesale services

**5 Segment information (Continued)**

The following tables provide, for each period presented, the contribution of each segment to the Combined Statements of Income (from ''Revenue'' to ''Operating income before depreciation and amortization'').

Intra-segments sales have been eliminated under the column ''Eliminations''.

| FY 2012 | B2C | B2B | Wholesale | Eliminations | FY 2012 Total |
|---|---|---|---|---|---|
| | | | (in thousands of euros) | | |
| **Revenue** | **832,568** | **324, 506** | **211,476** | **(66,125)** | **1,302,425** |
| Purchases and subcontracting services | (386,060) | (178,420) | (103,766) | 66,125 | (602,121) |
| Staff costs and employee benefits expense | (77,592) | (57,186) | (6,697) | — | (141,475) |
| Taxes and duties | (19,902) | (7,569) | (4,926) | — | (32,396) |
| Provisions | (5,658) | (1,676) | (380) | — | (7,715) |
| Other operating income | 68,096 | 21,108 | 26 | — | 89,229 |
| Other operating expenses | (16,030) | (1,148) | — | — | (17,178) |
| **Operating income before depreciation and amortization (EBITDA)** | **395,422** | **99,615** | **95,732** | **—** | **590,769** |

| FY 2011 | B2C | B2B | Wholesale | Eliminations | FY 2011 Total |
|---|---|---|---|---|---|
| | | | (in thousands of euros) | | |
| **Revenue** | **835,256** | **331,099** | **201,134** | **(60,632)** | **1,306,856** |
| Purchases and subcontracting services | (385,001) | (196,681) | (100,647) | 60,632 | (621,697) |
| Staff costs and employee benefits expense | (73,451) | (60,975) | (6,609) | — | (141,034) |
| Taxes and duties | (18,884) | (5,697) | (3,694) | — | (28,275) |
| Provisions | (5,269) | (3,286) | 598 | — | (7,957) |
| Other operating income | 60,175 | 20,147 | 89 | — | 80,412 |
| Other operating expenses | (14,437) | (10,640) | — | — | (25,077) |
| **Operating income before depreciation and amortization (EBITDA)** | **398,390** | **73,967** | **90,872** | **—** | **563,229** |

| FY 2010 | B2C | B2B | Wholesale | Eliminations | FY [2011] Total |
|---|---|---|---|---|---|
| | | | (in thousands of euros) | | |
| **Revenue** | **836,802** | **253,353** | **159,825** | **(41,285)** | **1,208,695** |
| Purchases and subcontracting services | (356,409) | (150,266) | (92,413) | 41,285 | (557,803) |
| Staff costs and employee benefits expense | (74,815) | (47,219) | (5,137) | — | (127,170) |
| Taxes and duties | (21,437) | (5,283) | (3,411) | — | (30,131) |
| Provisions | (16,715) | 537 | (538) | — | (16,716) |
| Other operating income | 46,637 | 17,300 | 386 | — | 64,324 |
| Other operating expenses | (16,659) | (10,676) | 1 | — | (27,334) |
| **Operating income before depreciation and amortization (EBITDA)** | **397,405** | **57,746** | **58,714** | **—** | **513,865** |

## 6 Revenue

Revenue by nature breaks down as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2012 | 2011 | 2010 |
| | (in thousands of euros) | | |
| B2C revenues | 826,171 | 830,299 | 832,566 |
| B2B revenues | 323,201 | 328,235 | 252,573 |
| Wholesale revenues | 153,053 | 148,323 | 123,556 |
| **Total revenues** | **1,302,425** | **1,306,856** | **1,208,695** |

## 7 Purchases and subcontracting services

Purchases and subcontracting services are primarily comprised of the following:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| TV Content, Internet and Telephony costs | (332,853) | (345,603) | (324,751) |
| Outsourcing and purchased services | (90,752) | (91,908) | (70,129) |
| Advertising fees | (30,120) | (30,993) | (22,197) |
| Fees paid to other third parties | (31,936) | (31,962) | (31,619) |
| Royalties and license fees paid | (12,089) | (12,810) | (14,031) |
| Rights of way paid | (15,316) | (15,983) | (14,241) |
| Rental and leasehold charges | (25,790) | (26,224) | (20,900) |
| Energy | (23,938) | (22,789) | (19,868) |
| Bad debt expense | (9,173) | (10,048) | (9,993) |
| Postal expenses | (4,378) | (4,676) | (5,158) |
| Transportation expenses | (4,286) | (4,643) | (3,155) |
| Repair and maintenance expenses | (11,911) | (13,321) | (10,577) |
| Miscellaneous operating expense | (9,579) | (10,736) | (11,184) |
| **Purchases and subcontracting services** | **(602,121)** | **(621,696)** | **(557,803)** |

## 8 Other operating income

Other operating income is primarily comprised of the following:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Own work capitalized[(a)] | 82,217 | 64,002 | 52,537 |
| Proceeds from sale of assets | 3,817 | 5,042 | 8,142 |
| Other[(b)] | 3,195 | 11,368 | 3,645 |
| **Other operating income** | **89,229** | **80,412** | **64,324** |

(a) Own work capitalized relates to network projects staffed by in-house employees resulting from increased upgrade activity of the cable footprint.

(b) In 2011, a fine of €10 million was paid by France Telecom as a result of a civil action enforced by the Court of Paris in March 2011 due to restrictive trade practices on the ADSL market in 2001 and 2002.

## 9 Other operating expenses

Other operating expenses are primarily comprised of the following:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Net book value of assets sold | (7,382) | (10,003) | (11,500) |
| Fees paid in connection with refinancing | (7,372) | (3,526) | (1,050) |
| Management fees paid to our shareholders | (2,424) | (11,509) | (14,651) |
| Miscellaneous operating expense | — | (39) | (133) |
| **Other operating expense** | **(17,178)** | **(25,077)** | **(27,334)** |

Management fees have been paid to our shareholders, Altice, Cinven and Carlyle, in relation to certain management, financing and advisory services provided.

## 10 Finance costs, net

Finance costs, net as of December 31, 2012, December 31, 2011 and 2010 can be analyzed as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Interest income received on cash and cash equivalents | 106 | 479 | 635 |
| Other interest income | 4,220 | 729 | 173 |
| **Interest Income** | **4,326** | **1,208** | **808** |
| Change in fair value of interest rate derivatives | — | 26,982 | 48,468 |
| Interest expense on financing determined using the effective interest rate | (183,057) | (204,326) | (223,530) |
| **Interest relative to gross financial debt** | **(183,057)** | **(177,343)** | **(175,062)** |
| Other financial expenses | (32,699) | (9,883) | (4,162) |
| **Finance costs, net** | **(211,430)** | **(186,019)** | **(178,416)** |

As of December 31, 2012, other financial expenses mainly included:

- Waiver fees of €17.4 million paid in connection with the refinancing of the debt;
- Amortization expense of €3.8 million calculated using the effective interest method related to fees paid in connection with the implementation of the new facilities (C-One Facility, C-Two A Facility and C-Two B Facility).
- Provisions for financial risks of €1.9 million.

As of December 31, 2012, other interest income mainly includes a first payment of €2.8 million received regarding the Claim with Lehman Brothers following the bankruptcy of Lehman Brothers in September 2008 (see Note 27.3).

## 11 Income tax

### *11.1 Income tax expense*

Income tax expense is comprised of the following:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Current income tax expense | (2,486) | (13,387) | (3,841) |
| Deferred income tax expense | — | — | — |
| **Income tax expense** | **(2,486)** | **(13,387)** | **(3,841)** |

### *11.2 Reconciliation between the effective tax rate and the theoretical tax rate*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Net income (loss) before tax | 87,416 | 82,385 | 30,401 |
| Less: Share in net income (loss) of equity affiliates | 199 | 309 | (368) |
| | 87,615 | 82,694 | 30,033 |
| Corporate tax rate in France | 34.43% | 34.43% | 34.43% |
| Income tax expense calculated at 34.43% | **(30,166)** | **(28,471)** | **(10,340)** |
| ***Reconciliation of income tax expense*** | | | |
| Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit[1] | (13,830) | (8,696) | 24,724 |
| Effect of unused tax losses and tax offsets not recognized as deferred tax assets | 41,083 | 23,731 | (18,438) |
| Research tax credit (commonly known as the ''CIR'') | 420 | 54 | 322 |
| Effect of other differences | 8 | (3) | (107) |
| **Income tax expense recognized in profit or loss** | **(2,486)** | **(13,387)** | **(3,840)** |
| Effective tax rate[2] | 2.84% | 16.19% | 12.79% |

(1) For fiscal year 2012, amount mainly represents non-deductible interest expenses of €9.9 million as a result of the thin capitalization rules.

(2) The decrease in the effective tax rate from fiscal year 2011 to fiscal year 2012 is mainly due to the increase in the provision for tax audits (see Note 11.5) in 2011 of €10 million being recorded in income tax expense.

The tax rate used for the 2012, 2011 and 2010 reconciliations above is the corporate tax rate of 34.43% payable by corporate entities in France on taxable profits under tax law in that jurisdiction.

### *11.3 Current tax assets and liabilities*

Tax refund receivables were not material as of December 31, 2012, December 31, 2011 and 2010.

The income tax payable is classified in ''Current tax liabilities'' and amounts to €2,604 thousand, €3,448 thousand and €194 thousand as of December 31, 2012, 2011 and 2010 respectively.

## 11 Income tax (Continued)

### *11.4 Unrecognized deferred tax assets*

Aggregate unused loss carryforwards at December 31, 2012 amounted to €2,302 million representing a tax asset of €790 million. The tax asset for loss carryforwards was not recognized in the financial statements as its recovery depends on future earnings, which are uncertain.

The total net tax loss carryforward breaks down as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Ypso France and its subsidiaries | 1,852,028 | 1,846,090 | 1,819,782 |
| Altice B2B France and its subsidiaries | 402,544 | 448,713 | 492,449 |
| Ypso Holding Lux and Altice B2B Lux | 47,785 | 235,890 | 235,328 |
| **Total tax loss carryforwards** | **2,302,357** | **2,530,693** | **2,547,559** |
| **Unrecognized deferred tax assets** | **790,212** | **859,028** | **864,864** |

Total tax loss carryforward includes a loss contested by the tax authorities (€56 million as of December 31, 2012).

### *11.5 Tax audits*

Certain subsidiaries of the Combined Group, Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication and Completel SAS are subject to a tax audit by the French tax authorities for fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency for an amount of €25.1 million is recognized as of December 31, 2012 (€27 million as of December 31, 2011 and €15.7 as of December 31, 2010).

## 12 Goodwill

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Carrying amount, net:** | | | |
| Balance as of the beginning of the year | 1,458,638 | 1,458,585 | 1,618,485 |
| Additional goodwill recognized during the period[(1)] | 48 | 53 | 50,295 |
| Disposal of Coditel | — | — | (210,195) |
| **Balance as of the end of the year**[(2)] | **1,458,686** | **1,458,638** | **1,458,585** |

(1) In 2010, the additional goodwill of €50.3 million is mainly due to the acquisition of Altitude Telecom (as disclosed in the significant events) for €49.4 million.

(2) In January 2012, the Group acquired the shares of Sequalum Participation that were held by Eiffage (15.78%). After this operation, the Group owned 95% of Sequalum Participation. The purchase price was €6 thousand for a negative equity value of (€41) thousand. Thus, this operation resulted in the recognition of an additional goodwill of €48 thousand.

The Combined Group is the result of a series of acquisitions.

## 12 Goodwill (Continued)

As at December 31, 2012, goodwill breaks down as follows:

| | Net book value (in thousands of euros) |
|---|---|
| B2C Operations | 984,583 |
| B2B Operations | 474,103 |
| **Total** | **1,458,686** |

## 13 Other intangible assets

| | Capitalized development costs | Usage rights, patents and licenses | Commercial rights | Other intangible assets | Total |
|---|---|---|---|---|---|
| | | (in thousands of euros) | | | |
| **Gross value** | | | | | |
| Balance as of January 1, 2012 | 5,384 | 649,724 | 35,949 | 39,392 | **730,449** |
| Capital expenditures and additions | 464 | 53,749 | 2,219 | 4,384 | 60,817 |
| Reclassification | — | 66 | 3,862 | (3,929) | — |
| IFRIC 12* | — | 17,195 | — | — | 17,195 |
| Balance as of December 31, 2012 | 5,848 | 720,735 | 42,030 | 39,847 | **808,462** |
| **Cumulative amortization and Impairment** | | | | | |
| Balance as of January 1, 2012 | (2,043) | (322,439) | (34,690) | (25,222) | **(384,393)** |
| Amortization expense | (1,199) | (78,726) | — | (6,190) | (86,115) |
| Reclassification | — | (12,299) | — | 541 | (11,758) |
| IFRIC 12* | — | (9) | — | — | (9) |
| Balance as of December 31, 2012 | (3,242) | (413,473) | (34,690) | (30,871) | **(482,275)** |
| **Net book value** | | | | | |
| Balance as of January 1, 2012 | 3,341 | 327,285 | 1,259 | 14,170 | **346,056** |
| Balance as of December 31, 2012 | 2,606 | 307,262 | 7,340 | 8,976 | **326,187** |

(*) As explained in note 2.11, the Combined Group applied IFRIC 12 in 2012 with respect to the contract entered into in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92).

**13 Other intangible assets (Continued)**

| | Capitalized development costs | Usage rights, patents and licenses | Commercial rights | Other intangible assets | Total |
|---|---|---|---|---|---|
| | | (in thousands of euros) | | | |
| **Gross value** | | | | | |
| Balance as of January 1, 2011 | 3,263 | 592,171 | 35,871 | 49,809 | **681,114** |
| Capital expenditures and additions | 2,121 | 29,352 | 78 | 4,048 | 35,599 |
| Reclassification | — | 28,242 | — | (14,464) | 13,778 |
| Disposals | — | (41) | — | — | (41) |
| Balance as of December 31, 2011 | 5,384 | 649,724 | 35,949 | 39,392 | **730,449** |
| **Cumulative amortization and Impairment** | | | | | |
| Balance as of January 1, 2011 | (760) | (246,133) | (34,660) | (22,767) | **(304,323)** |
| Amortization expense | (1,283) | (71,619) | (30) | (7,158) | (80,090) |
| Reclassification | — | (4,687) | — | 4,703 | 16 |
| Disposals | — | — | — | — | — |
| Balance as of December 31, 2011 | (2,043) | (322,439) | (34,690) | (25,222) | **(384,393)** |
| **Net book value** | | | | | |
| Balance as of January 1, 2011 | 2,503 | 346,038 | 1,211 | 27,041 | **376,793** |
| Balance as of December 31, 2011 | 3,341 | 327,285 | 1,259 | 14,170 | **346,056** |

| | Capitalized development costs | Usage rights, patents and licenses | Commercial rights | Other intangible assets | Total |
|---|---|---|---|---|---|
| | | (in thousands of euros) | | | |
| **Gross value** | | | | | |
| Balance as of January 1, 2010 | 7,771 | 573,245 | 33,944 | 23,492 | **638,453** |
| Capital expenditures and additions | 2,134 | 18,993 | — | 10,996 | 32,124 |
| Business combinations | 8 | 4,067 | 30 | 15,321 | 19,426 |
| Disposal of Coditel | (6,650) | (2,855) | — | — | (9,505) |
| Reclassification | — | (1,279) | 1,897 | — | 618 |
| Balance as of December 31, 2010 | 3,263 | 592,171 | 35,871 | 49,809 | **681,114** |
| **Cumulative amortization and Depreciation** | | | | | |
| Balance as of January 1, 2010 | (5,372) | (255,933) | (33,700) | (5,982) | **(300,987)** |
| Amortization expense | (535) | (69,588) | — | (6,151) | (76,274) |
| Depreciation expense | — | — | — | — | — |
| Business combinations | (8) | (3,673) | — | (4,858) | (8,539) |
| Disposal of Coditel | 5,155 | 2,373 | — | — | 7,528 |
| Reclassification | — | 80,688 | (960) | (5,777) | 73,951 |
| Balance as of December 31, 2010 | (760) | (246,133) | (34,660) | (22,767) | **(304,320)** |
| **Net book value** | | | | | |
| Balance as of January 1, 2010 | 2,400 | 317,309 | 244 | 17,510 | **337,463** |
| Balance as of December 31, 2010 | 2,503 | 346,038 | 1,211 | 27,041 | **376,793** |

**13 Other intangible assets (Continued)**

Usage rights represent the majority of the ''usage rights, patents and licenses'' balances. They reflect the rights to use the civil engineering installations and infrastructure built by the historical operator, France Telecom.

The application of this principle had the following impacts on the 2012 combined statement of financial position:

- Recognition of the net book value of €17.2 million classified in ''Other intangible assets'' (€26.6 million of investments less €9.5 million of grants received at December 31, 2011);
- Recognition of €26.4 million of capital expenditures in 2012 in ''Usage rights, patents and licenses'' (€38.0 million of investments less €11.5 million of grants received in 2012).

In addition, €26.4 million of capital expenditures have been incurred in relation to the public service delegation arrangement with the department of Hauts-de-Seine (Délégation de Service Public 92) and are classified in investing activities in the combined statements of cash flows.

**14 Property, plant and equipment**

| | Land | Buildings | Network and technical equipment | Work in progress | Other | Total |
|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | |
| **Gross value** | | | | | | |
| Balance as of January 1, 2012 | 1,321 | 70,154 | 2,459,782 | 91,739 | 99,488 | **2,722,484** |
| Capital expenditures and additions | 1 | 4,083 | 244,244 | 2,470 | 8,934 | 259,732 |
| Business combinations | — | — | — | — | — | — |
| Disposals | — | (1,496) | (31,058) | — | (625) | (33,179) |
| Reclassification | — | 69,435 | (62,919) | (4,087) | (2,522) | (93) |
| IFRIC 12 | — | — | (8,095) | (9,100) | — | (17,195) |
| Balance as of December 31, 2012 | 1,322 | 142,176 | 2,601,954 | 81,022 | 105,275 | **2,931,749** |
| **Cumulative amortization and Impairment** | | | | | | |
| Balance as of January 1, 2012 | 0 | (41,206) | (1,241,599) | (1,333) | (89,782) | **(1,373,920)** |
| Amortization expense | (2) | (5,194) | (191,812) | — | (5,247) | (202,255) |
| Depreciation expense | — | — | — | (3,355) | — | (3,355) |
| Reversal of depreciation expense | — | — | — | — | — | — |
| Disposals | — | 1,295 | 24,028 | — | 618 | 25,941 |
| Reclassification | — | (68,394) | 77,622 | — | 2,535 | 11,763 |
| IFRIC 12 | — | — | 9 | — | — | 9 |
| Balance as of December 31, 2012 | (2) | (113,499) | (1,331,752) | (4,688) | (91,876) | **(1,541,817)** |
| **Net book value** | | | | | | |
| Balance as of January 1, 2012 | 1,321 | 28,948 | 1,218,183 | 90,406 | 9,706 | **1,348,564** |
| Balance as of December 31, 2012 | 1,320 | 28,677 | 1,270,202 | 76,334 | 13,399 | **1,389,932** |

## 14 Property, plant and equipment (Continued)

| | Land | Buildings | Network and technical equipment | Work in progress | Other | Total |
|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | |
| **Gross value** | | | | | | |
| Balance as of January 1, 2011 | 1,352 | 54,532 | 2,307,505 | 72,318 | 92,708 | **2,528,415** |
| Capital expenditures and additions | — | 1,952 | 217,190 | 19,421 | 7,702 | 246,265 |
| Business combinations | — | — | — | — | — | 0 |
| Disposals | (31) | (273) | (35,383) | — | (1,753) | (37,440) |
| Reclassification | — | 13,943 | (29,530) | — | 831 | (14,756) |
| Balance as of December 31, 2011 | 1,321 | 70,154 | 2,459,782 | 91,739 | 99,488 | **2,722,484** |
| **Cumulative amortization and Impairment** | | | | | | |
| Balance as of January 1, 2011 | | (24,649) | (1,080,272) | (678) | (81,913) | **(1,187,512)** |
| Amortization expense | — | (5,143) | (199,322) | — | (9,314) | (213,779) |
| Depreciation expense | — | — | — | (1,333) | — | (1,333) |
| Reversal of depreciation expense | — | — | — | 678 | — | 678 |
| Disposals | — | 272 | 26,016 | — | 1,749 | 28,037 |
| Reclassification | — | (11,686) | 11,979 | — | (304) | (11) |
| Balance as of December 31, 2011 | 0 | (41,206) | (1,241,599) | (1,333) | (89,782) | **(1,373,920)** |
| **Net book value** | | | | | | |
| Balance as of January 1, 2011 | 1,352 | 29,883 | 1,227,233 | 71,640 | 10,795 | **1,340,903** |
| Balance as of December 31, 2011 | 1,321 | 28,948 | 1,218,183 | 90,406 | 9,706 | **1,348,564** |

## 14 Property, plant and equipment (Continued)

| | Land | Buildings | Network and technical equipment | Work in progress | Other | Total |
|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | |
| **Gross value** | | | | | | |
| Balance as of January 1, 2010 | 1,422 | 48,612 | 2,172,666 | 79,357 | 104,504 | **2,406,561** |
| Capital expenditures and additions | — | 862 | 208,387 | 651 | 4,060 | 213,960 |
| Business combinations | — | 5,764 | 19,414 | 288 | 4,033 | 29,499 |
| Disposals, other than Coditel | — | — | (46,690) | (4,361) | (793) | (51,844) |
| Disposal of Coditel | (70) | (706) | (51,168) | — | (19,150) | (71,094) |
| Reclassification | — | — | 4,896 | (3,617) | 54 | 1,333 |
| Balance as of December 31, 2010 | 1,352 | 54,532 | 2,307,505 | 72,318 | 92,708 | **2,528,415** |
| **Cumulative amortization and Depreciation** | | | | | | |
| Balance as of January 1, 2010 | — | (19,323) | (924,084) | — | 14,551 | **(928,856)** |
| Amortization expense | — | (4,170) | (201,112) | — | (20,521) | (225,803) |
| Depreciation expense | — | — | — | (678) | — | (678) |
| Business combinations | — | (2,933) | (10,041) | — | (3,238) | (16,212) |
| Reversal of depreciation expense | — | — | 29,685 | — | 765 | 30,450 |
| Disposals, other than Coditel | — | — | 328 | — | — | 328 |
| Disposal of Coditel | — | 222 | 14,061 | — | 12,978 | 27,261 |
| Reclassification | — | 1,555 | 10,891 | — | (86,448) | (74,002) |
| Balance as of December 31, 2010 | — | (24,649) | (1,080,272) | (678) | (81,913) | **(1,187,512)** |
| **Net book value** | | | | | | |
| Balance as of January 1, 2010 | 1,422 | 29,289 | 1,248,582 | 79,357 | 119,055 | **1,477,705** |
| Balance as of December 31, 2010 | 1,352 | 29,883 | 1,227,230 | 71,641 | 10,796 | **1,340,903** |

The net book value of assets classified as finance leases breaks down as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Land | 1,029 | 1,029 | 1,029 |
| Buildings | 6,868 | 7,179 | 7,489 |
| Technical equipment | 31,632 | 25,897 | 18,886 |
| Other | 160 | 108 | 200 |
| | **39,689** | **34,213** | **27,604** |

## 15 Impairment test

### *15.1 Allocation of goodwill to the cash-generating units (''CGU'')*

In accordance with IAS 36 *Impairment of assets* (''**IAS 36**''), goodwill has been allocated to two CGUs. The first CGU, ''B2C operations'' includes the operational subsidiaries from the Ypso group, namely Numericable, NC Numericable and Est Videocommunication. The second CGU, ''B2B operations'', corresponds to the main operating entity of the Altice group, Completel SAS.

### *15.2 Key assumptions used to determine the recoverable amount of the CGUs*

The impairment test of goodwill is done based on the respective cash generating units defined above. In accordance with IAS 36 *Impairment of Assets*, the impairment test is performed by comparing the

**15 Impairment test (Continued)**

carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow approach.

The determination of the value in use has been established by using cash flow projections based on financial budgets approved by senior management covering a planning period of respectively 8 years (CGU B2C) and 6 years (CGU B2B). The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers.

The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

As mentioned in Note 3, the determination of the value in use is based on assumptions such as the weighted average cost of capital and the growth rate beyond the projection period. These assumptions can vary, which may result in the recoverable amount to decrease below the carrying amount, and therefore to the recognition of an impairment charge.

No impairment has been recognized for any of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2012, 2011 and 2010:

| CGU ''B2C operations'' | 2012 | 2011 | 2010 |
|---|---|---|---|
| Length of projection period | 8 years | 8 years | 8 years |
| Discount rate applied to the cash flow projections | 7.56% | 8.18% | 8.02% |
| Growth rate beyond (''GTP'') projection period for terminal value | 1.75% | 1.75% | 1.50% |

In terms of sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by approximately €145 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €100 million.

As of December 31, 2012, the amounts by which the key assumptions would have to change for the change to result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 7.56% to 10.60%;
- GTP rate decrease point from 1.75% to −3.62%;
- Gross margin fall by 10.1% from an average gross margin of 49.4% to an average gross margin of 39.3%.

| CGU ''B2B operations'' | 2012 | 2011 | 2010 |
|---|---|---|---|
| Length of projection period | 6 years | 6 years | 6 years |
| Discount rate applied to the cash flow projections | 9.42% | 10.25% | 9.77% |
| Growth rate beyond projection period for terminal value | 1.00% | 1.00% | 1.00% |

In terms of sensitivity of recoverable amounts, a change of plus or minus 0.25% in the discount rate would decrease or increase the recoverable amount by roughly €60 million. Likewise, a change of plus or minus 0.25% in the GTP rate would increase or decrease the recoverable amount by approximately €40 million.

As at December 31, 2012, the amounts by which the key assumptions would have to change where the change would result in the recoverable amount equaling the carrying amount are as follows:

- WACC increase from 9.42% to 18.75%;

**15 Impairment test (Continued)**

- GTP rate decrease from 1% to −26.25%;
- Gross margin fall from an average gross margin of 38.9% to an average gross margin of 24.4%.

**16 Investment in associates**

The Combined Group exercises significant influence over Alsace Connexia Participation, an associate accounted for under the equity method of accounting. Alsace Connexia Participation was initially owned 38.14% by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the equity interest held by Sogetrel Réseaux and now holds a controlling interest (61.86%) in Alsace Connexia Participation.

Alsace Connexia Participation owns a 70% stake in Alsace Connexia, which has been granted a public service concession by the regional authority of Alsace to design, build, fund, operate and market telecommunications infrastructure in the region over a 15-year period. The concession contract took effect on February 3, 2005.

The following tables provide information on the net assets and operating results of Alsace Connexia Participation:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Net assets | 8,888 | 9,413 | 10,227 |
| Share of net assets of Ypso France SAS | 3,378 | 3,577 | 3,886 |

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Turnover (Alsace Connexia) | 13,050 | 12,027 | 12,674 |
| Net income (loss) | (524) | (815) | 968 |
| Share of net income (loss) of Ypso France SAS | (199) | (310) | 368 |

**17 Other current and non-current financial assets**

| | Current | | | Non-current | | |
|---|---|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2010 | December 31, 2012 | December 31, 2011 | December 31, 2010 |
| | | | (in thousands of euros) | | | |
| Interest-rate derivatives | — | — | — | 5 | 313 | 2,380 |
| Investments in entities that are not comprised in the combination classified as available-for-sale | — | — | — | 35 | 52 | 71 |
| Other financial assets | 4,034 | 42 | 249 | 6,791 | 7,396 | 4,920 |
| **Total financial assets** | **4,034** | **42** | **249** | **6,831** | **7,761** | **7,371** |

As disclosed in Note 27.3, the Combined Group enters into interest rate caps to manage its interest rate exposure but these derivatives do not qualify as hedges for accounting purposes according to IAS 39. Accordingly, changes in the fair value of any of these derivative instruments are recognized immediately

### 17 Other current and non-current financial assets (Continued)

in the statement of income as part of finance costs, net as these interest-rate derivatives are directly related to the application of our interest rate risk management policy even though they do not qualify for hedge accounting under IAS 39.

Such interest-rate derivatives are presented as non-current financial assets because they are not held primarily for trading purposes, designated under a non-qualifying hedge accounting relationship.

In 2009, the Combined Group entered into interest rate options, referred to as caps in order to compensate if interest rates rise above a predetermined rate (strike rate). Caps are measured at their fair values and classified as a non-current financial asset for €5 thousand as of December 31, 2012 and €313 thousand as of December 31, 2011.

The investments in entities not comprised in the combination and classified as available-for-sale financial assets are related to equity interests held by the Combined Group in entities not comprised in the combination such as Cable Toulousain de Videocom, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the combination due to the Combined Group's lack of control or influence over them.

As at December 31, 2012, other financial assets include €4 million of cash pledged in the context of the DSP 92 (see Note 2.11). Remaining amounts correspond to deposits made by the group (building leases, ...).

### 18 Inventories

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Gross value | 46,808 | 40,033 | 35,035 |
| Valuation allowance | (1,199) | (1,035) | (1,035) |
| Net book value | **45,609** | **38,998** | **33,843** |

Inventories are primarily comprised of set-top boxes used to receive programming distributed via digital channels. The amount of inventory write-downs to net realizable value recognized is immaterial for 2012, 2011 and 2010.

### 19 Trade receivables and other receivables

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Trade receivables | 272,864 | 248,239 | 242,379 |
| Valuation allowance | (27,167) | (26,770) | (33,069) |
| **Trade receivables, net** | **245,697** | **221,469** | **209,310** |
| Advances and down payments | 2,211 | 2,090 | 4,691 |
| Current accounts receivable | 50 | 50 | 2,075 |
| Tax and social security receivables | 141,806 | 117,961 | 117,358 |
| Prepaid expenses | 18,025 | 8,155 | 9,019 |
| Other current receivables | 9,582 | 13,256 | 14,637 |
| **Trade receivables and other receivables, net** | **417,371** | **362,981** | **357,090** |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost. Due to their short-term maturity, fair value and amortized cost approximate the

**19 Trade receivables and other receivables (Continued)**

nominal amount of trade receivables. Trade receivables are primarily from our B2C customers, a large number of customers, spread across diverse geographical areas.

*B2C Customers*

The average credit term for residential customers is 5 days. No interest is charged on outstanding balances. As of December 31, 2012, the Combined Group has reserved 81% of the B2C customers receivables that were over 90 days past due. This reserve was estimated considering that historically only 19% of receivables that are over 90 days past due are recoverable. Allowances for doubtful accounts are recognized against trade receivables that are between 0 and 90 days past due based on estimated uncollectible amounts which are determined based upon to the counterparty's past default experience and an analysis of the counterparty's current financial position.

*B2B Customers*

As at December 31, 2012, the Combined Group has reserved 60% of the B2B customers' receivables that were over 90 days past due based on historical experience evidencing that 40% of receivables that are past due beyond 90 days are collectable.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Combined Group has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered collectable. The Combined Group does not hold any collateral or other credit enhancements against these balances nor does it have a legal right of offset against any amounts owed by the Combined Group to the counterparty.

| Ageing of past due receivables | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Not due | 121,232 | 101,927 | 73,809 |
| 0-90 days | 62,825 | 43,983 | 53,739 |
| >90 days | 88,808 | 102,329 | 114,831 |
| **Total** | **272,864** | **248,239** | **242,379** |

The concentration of credit risk is limited due to the customer base being large and unrelated. There is no customer which represents more than 5% of the total balance of trade receivables.

Change in valuation allowance for trade receivables is as follows:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Balance as of the beginning of the year** | **(26,770)** | **(33,068)** | **(32,558)** |
| Additional allowance | (9,322) | — | (6,435) |
| Bad debt expense | 8,925 | 4,395 | 3,746 |
| Reversal of valuation allowance | — | 1,903 | — |
| Receivables classified as held for sale | — | — | 2,924 |
| Business combinations | — | — | (745) |
| **Balance as of the end of the year** | **(27,167)** | **(26,770)** | **(33,068)** |

**20 Cash and cash equivalents**

Cash and cash equivalents presented in the combined statements of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the combined

**20 Cash and cash equivalents (Continued)**

statements of cash flows and cash and cash equivalents presented in the combined statements of financial position is presented below:

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Cash on hand | 7,996 | 40,580 | 30,897 |
| Cash equivalents | — | — | — |
| **Cash and cash equivalents presented in the combined statements of financial position** | **7,996** | **40,580** | **30,897** |
| Cash from discontinued operations | — | — | 3,656 |
| Bank overdrafts classified as financial liabilities in the combined statements of financial position | — | — | — |
| **Cash and cash equivalents presented in the combined statements of cash flows** | **7,996** | **40,580** | **34,553** |

As of December 31, 2012, 2011 and 2010, the Combined Group had no cash equivalents.

**21 Invested equity**

As of December 31, 2012, 2011, 2010 and January 1, 2010, the invested equity consisted of the sum of the individual share capital amounts and consolidated reserves of the Ypso and Altice B2B sub-groups.

***21.1 Dividends***

During the years ended December 31, 2012, 2011 and 2010, the Combined Group did not distribute dividends to its shareholders. The Combined Group does not expect to distribute dividends in 2013.

***21.2 Capital risk management***

The Combined Group manages its capital to ensure that entities in the Combined Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balances, especially through early repayments of debt. The Combined Group's overall strategy remains unchanged from 2010 to 2012.

The capital structure of the Combined Group consists of net debt (financial liabilities as detailed in Note 22 offset by cash and cash equivalents) and equity of the Combined Group (including reserves, retained earnings and non-controlling interests as detailed above and in the combined statements of changes in equity).

## 22 Financial liabilities

Total financial liabilities are comprised of:

| | Note | Current | | | Non-current | | |
|---|---|---|---|---|---|---|---|
| | | December 31, 2012 | December 31, 2011 | December 31, 2010 | December 31, 2012 | December 31, 2011 | December 31, 2010 |
| | | (in thousands of euros) | | | | | |
| Financial liabilities under Senior Facility Agreements | 22.1 | 93,187 | 170,300 | 186,453 | 2,707,498 | 2,701,109 | 2,953,503 |
| Perpetual subordinated notes | 22.2 | — | — | — | 35,208 | 32,880 | 30,710 |
| Financial liabilities under finance leases | 29.2 | 19,432 | 19,967 | 9,618 | 7,886 | 9,631 | 14,776 |
| Other financial liabilities | 22.4 | 2,113 | 1,297 | 1,097 | 131,234 | 125,359 | 118,316 |
| **Total loans and financial liabilities** | | **114,732** | **191,564** | **197,168** | **2,881,826** | **2,868,979** | **3,117,306** |
| Interest-rate derivatives | | — | — | 21,580 | — | 1,106 | 6,508 |
| Deposits received from customers | 22.3 | — | — | — | 44,517 | 42,896 | 50,712 |
| Bank overdrafts | | — | — | — | — | — | — |
| **Total financial liabilities** | | **114,732** | **191,564** | **218,748** | **2,926,343** | **2,912,981** | **3,174,526** |

The schedule of financial liabilities under the *Senior Facility Agreement* has been modified as a result of the renegotiations that occurred in July and August 2013 as described in note 32.

### *22.1 Financial liabilities under Senior Facility Agreements*

#### Senior Facility agreement granted to Ypso

The Combined Group entered into a 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 and September 8, 2011 and as amended by a letter dated January 12, 2012 and accepted by the Agent on January 24, 2012 and amended most recently by a letter dated September 25, 2012 and accepted by the Agent on October 12, 2012) with BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch and Morgan Stanley Bank International Limited, as the Mandated Lead Arrangers, BNP Paribas as Agent and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €3,225 million. The outstanding balance on this loan amounts to €2,347 million as of December 31, 2012.

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

#### Senior Facility agreement granted to Altice

The Combined Group entered into a Senior Facility Agreement dated August 29, 2007 (as amended and restated on March 12, 2008, on August 12, 2008, on September 30, 2009, on December 10, 2010 and on February 28, 2011) with CALYON as Mandated Lead Arranger and Security Agent and others lenders (the ''Senior Facility Agreement'' or the ''SFA''). In addition, certain subsidiaries of the Combined Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors under the SFA.

The initial amount available under the SFA was €551 million. The outstanding balance on this loan amounts to €453 million as of December 31, 2012.

**22 Financial liabilities (Continued)**

The SFA contains financial covenants, which may affect the interest rates to be paid by the Combined Group as well as the applicable margins on the SFA (see details below).

**Refinancing of the debt in 2012**

In 2012, as disclosed in the Significant Events note, the Group issued three bonds in order to refinance part of its existing short-term debt under the SFA. The issuer of the bonds is Numericable Finance & Co. S.C.A. (an unregulated securitization company in the form of a corporate partnership limited by shares incorporated under the laws of the Grand Duchy of Luxembourg).

The proceeds from the notes have been used by Numericable Finance & Co. to fund three new loans issued by the Lending Bank (JP Morgan) under the Senior Facility Agreement to Ypso France SAS:

- a C-One facility of €360 million;
- a C-Two A facility of €225 million;
- a C-Two B facility of €275 million.

In 2012, the September 2011 Senior Facility Amendment and Restatement became effective. This Amendment and Restatement split all the Facilities in two, with non-extended and extended facilities referred to Facility I and Facility II respectively. Extended and non-extended facilities have different maturity dates (extended facilities maturities are two year later than the ones of the non-extended maturities) and a different pricing (see table below).

| Facility | Maturity |
|---|---|
| A (Recap) I | June 15, 2013 |
| A (Recap) II | June 6, 2015 |
| A (Acq) I | June 15, 2013 |
| A (Acq) II | June 6, 2015 |
| B (Recap) I | June 15, 2014 |
| B (Recap) II | June 6, 2016 |
| B (Acq) I | June, 15, 2014 |
| B (Acq) II | June 6, 2016 |
| C (Recap) I | December 31, 2015 |
| C (Recap) II | December 31, 2017 |
| C (Acq) I | December 31, 2015 |
| C (Acq) II | December 31, 2017 |
| Capital Investment I | June 15, 2013 |
| Capital Investment II | June 6, 2015 |
| Additional Revolving Facility | No earlier than March 31, 2016 |

**Guarantees and Security**

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several bases by each guarantor under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge over the shares of Ypso France SAS and certain of its subsidiaries.

**Covenants**

The availability of the senior facilities mentioned in Note 22.1 is not dependent upon the Combined Group's credit ratings but rather is conditioned upon its compliance with a financial covenant related to the capacity of the Combined Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain

**22 Financial liabilities (Continued)**

agreed exceptions, including covenants restricting the ability of the Combined Group to, among other things:

- amalgamate, merge or consolidate with any other person or be the subject of any reconstruction or materially change the nature of the business of the Combined Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or all or any part of its undertaking or agree to do so;
- enter into a material transaction that would not be on an arm's length basis and for full market value;
- make acquisitions or investments;
- open or maintain an account with a bank or other financial institution providing like services other than a bank or credit institution entitled to engage in banking transactions in France, Belgium or Luxembourg;
- allot or issue shares or securities;
- change the end of its fiscal year.

The Senior Facility Agreement also requires the Combined Group to comply with the following financial covenants:

- a maximum ratio of consolidated total net borrowings to annualized EBITDA;
- a minimum ratio of consolidated cash flows to consolidated total debt service;
- a minimum ratio of annualized EBITDA to consolidated total net cash interest payable; and
- a maximum level of capital expenditures per fiscal year.

Compliance is tested quarterly and audited annually as of December 31 when we release our consolidated financial statements under French GAAP. Since the SFA was established, the Combined Group has complied every year with the financial covenants included in the agreement.

As required under the SFAs, the covenants are based on financial measures that are determined in accordance with French GAAP and not IFRS and, as a result, the definition of ''Annualized EBITDA'' set forth in the SFA is different from the EBITDA as it appears in the combined statement of income in accordance with IFRS.

Annualized EBITDA is calculated by adding EBITDA for the last two quarters and multiplying the result by two, and thus cannot be reconciled with EBITDA disclosed in the financial statements prepared under French GAAP.

***22.2 Perpetual subordinated notes (''TSDI'')***

In 2006, €23.7 million of perpetual subordinated notes (''Titres Subordonnés à Durée Indéterminée'' or ''**TSDI**'') were issued by a subsidiary of the Combined Group, NC Numericable to a single subscriber, the GDF Suez Group (Vilorex) (excluding capitalized interest). The proceeds of this borrowing are to be used for financing the construction of connectors in towns in the southern part of the SIPPEREC (''Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication''), which is a group of cities located in the Paris metropolitan area. The perpetual subordinated notes bear interest at a rate of 7% per annum. Interest on the notes is capitalized. Interest amortization is conditional. The total accrued interest payable on the notes amounted to €11.6 million and €9.2 million as of December 31, 2012 and 2011, respectively, and has been classified as non-current in the table above in Note 22.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Combined Group to reimburse the notes according to the terms of the

**22 Financial liabilities (Continued)**

contract. Pursuant to this contract, the payment of interest and the reimbursement of the debt are contingent upon the level of cash inflows generated; however, the Combined Group does not have an unconditional right to avoid delivering cash. As a consequence, the instrument is recognized as a financial liability at amortized cost according to IAS 32.

***22.3 Deposits received from customers***

Deposits received from customers amount to €44.5 million, €42.9 million and €50.7 million as of December 31, 2012, 2011 and 2010 respectively. These deposits are made when customers receive equipment from the company and are reimbursed when customers terminate their subscriptions only if the customers have paid all outstanding invoices and have returned the equipment. For each year end, the guarantee deposits were recorded as items due within more than one year.

***22.4 Other financial liabilities***

As of December 31, 2012, other financial liabilities are mainly comprised of the following:

- Debt of €128,962 thousand owed by Ypso Holding Lux S.a.r.l. to the shareholders. This subordinated shareholder debt is planned to be entirely reimbursed when the shares of the Company are admitted for negotiations on Euronext Paris.
- Debt of €2,374 thousand owed by Numericable to several banks (mainly *Caisse d'Epargne d'Alsace-Lorrraine*).

**23 Provisions and contingent liabilities**

The nature and change in provisions for the years ended December 31, 2012, 2011 and 2010 are as follows:

| | January 1, 2012 | Increase | Utilization | Reversal | Reclass. | December 31, 2012 |
|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | |
| Provisions for retirement benefits | 6,101 | 2,357 | — | (3) | — | 8,455 |
| Provisions for litigation with employees | 3,604 | 1,183 | (719) | — | — | 4,068 |
| Provisions for commercial litigation | 21,935 | 6,252 | (8,829) | (1,315) | — | 18,043 |
| Tax contingencies* | 26,977 | 212 | (2,093) | — | — | 25,096 |
| Other | 13,227 | 1,395 | (3,902) | — | — | 10,720 |
| | 71,845 | 11,399 | (15,543) | (1,318) | — | 66,382 |

* Refer to Note 11.5.

**23 Provisions and contingent liabilities (Continued)**

| | January 1, 2011 | Increase | Utilization | Reversal | Reclass.* | December 31, 2011 |
|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | |
| Provisions for retirement benefits | 5,545 | 576 | — | (20) | — | 6,101 |
| Provisions for litigation with employees | 7,789 | 749 | (689) | (3,495) | (750) | 3,604 |
| Provisions for commercial litigation | 865 | 11,441 | (215) | (2,068) | 11,912 | 21,935 |
| Tax contingencies | 16,224 | 10,861 | (108) | — | — | 26,977 |
| Other | 18,254 | 6,135 | — | — | (11,162) | 13,227 |
| | 48,677 | 29,762 | (1,012) | (5,583) | — | 71,845 |

* this reclassification made in 2011 mainly relates to Commercial risks that were classified as ''Other'' at January 1, 2011 and reclassified as ''Provisions for commercial litigation'' at December 31, 2011.

| | January 1, 2010 | Increase | Utilization | Reversal | Reclass. | Disposal of Coditel | December 31, 2010 |
|---|---|---|---|---|---|---|---|
| | | | (in thousands of euros) | | | | |
| Provisions for retirement benefits | 10,697 | 1,078 | — | (21) | 1 | (6,210) | 5,545 |
| Provisions for litigation with employees | 6,396 | 3,598 | (1,003) | (1,411) | 209 | — | 7,789 |
| Provisions for commercial litigation | 9,219 | 197 | (162) | (5,102) | (3,287) | — | 865 |
| Tax contingencies | 13,045 | 4,959 | — | (1,395) | — | (385) | 16,224 |
| Other | 7,841 | 9,558 | (1,373) | — | 3,078 | (851) | 18,253 |
| | 47,198 | 19,390 | (2,538) | (7,929) | 1 | (7,446) | 48,677 |

Provisions are primarily non-current as of December 31, 2012, 2011 and 2010.

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

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

Other than as discussed below, the Combined Group does not expect the legal proceedings in which it is involved, or with which it has been threatened, to have a material adverse effect on its business or on its combined financial position.

***23.1 Tax matters***

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

**23 Provisions and contingent liabilities (Continued)**

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 multiple-play packages of the Group and proposed adjustments for fiscal years 2006 to 2010.

The Combined Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Combined 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 Combined Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for fiscal 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 €17.3 million (except penalties of 40%) for fiscal years 2006 to 2009, were communicated to the Combined 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, calculated in the same manner as for fiscal years 2007 to 2009, for a total amount of €6.1 million (except penalties of 40%). The Combined Group contested the proposed assessments at the end of August 2013.

The Tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million). The Combined Group asked for a payment deferral and deposited a complaint in September 2012 which was rejected by the Tax authorities on June 27, 2013. The Combined Group filed an additional request on August 20, 2013.

As of December 31, 2012, a tax provision of €25.1 million was recognized, including all the risks related to VAT (except the penalties of 40% which represents €7.1 million) related to the reassessments notified for fiscal years 2006 to 2010 (i.e. €23.5 million). The Group contested the proposed notifications on August 21, 2013. Fiscal year 2011 is not subject to a tax audit.

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

***23.2 Commercial disputes***

**23.2.1 Dispute with Orange relating to certain IRUs**

The Combined Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in connection with the acquisition by the Combined Group of certain companies which 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 the Combined Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years. Following the ARCEP's decision 2008-0835 of July 24, 2008, Orange published on September 15, 2008, a technical and commercial offer made to telecommunication operators pursuant to which such operators can roll-out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms that the Combined Group benefit from under the Orange IRUs. As a result, Orange requested the Combined Group to comply with the general rules regarding accessing Orange's ducts for the purpose of maintaining and upgrading its network. This issue was litigated and both the ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. We appealed the decision before the French Supreme Court (Cour de Cassation) but it upheld, for the most significant part, the decision of the Paris Court of Appeal on September 25, 2012.

Moreover, on October 21, 2011, the ARCEP initiated penalty proceedings against the Combined Group, arguing that it had not complied with its November 4, 2010 decision. Consequently, in December 2011, the Combined Group executed Orange amendments to the IRUs in order to comply with the

**23 Provisions and contingent liabilities (Continued)**

November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in the Orange generic technical and commercial offer.

In the meantime, the penalty proceedings initiated by the ARCEP were not stopped by the execution of the amendments to the IRUs and we were sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with the ARCEP November 4, 2010 decision. The Combined Group appealed this decision before the Conseil d'Etat. The case is still pending. Within the framework of this appeal, Numericable raised a constitutionality question, that was sent back to the Constitutional Council, on the conformity with the Constitution of the Article L. 36-11 of the CPCE which plans the powers of penalty of the ARCEP. On July 5, 2013, the Constitutional Council granted Numericable's request and invalidated paragraphs 1 to 12 of the Article L. 36-11 of the CPCE on the foundation of which the decision of penalty of the ARCEP of December 20, 2011 mentioned above was returned. Numericable asked the Council of State to give effect to this decision and to accordingly invalidate the decision of the ARCEP of December 20, 2011.

Lastly, Numericable 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 Combined 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. Numericable appealed this decision before the Paris Court of Appeal and claimed the same amount of damages. Orange, in turn, claims that the proceedings materially impaired its brand and image and claims damages of €50 million. The Paris Court of Appeal is expected to render its decision during the second quarter of 2014.

#### 23.2.2 Dispute with Free relating to the advertising of mobile services

On August 3, 2011, a claim was filed against Numericable SAS and NC Numéricable before the Commercial Court of Paris by telecommunication operator Free in relation to the launch of the mobile offer by the Combined 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 our campaign led to customer confusion and damaged its brand and image. Free claims damages of €10.0 million. The case is currently pending before the Paris commercial court. After the hearing, the Court asked for an opinion of the ''direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF)'' as to whether the assertions of Free were justified with regards to the laws of advertising. The DGCCRF issued an opinion in which it indicated that the questions raised by Free did not constitute a fault under unfair competition law. The ruling of the Commercial Court of Paris is expected during the second half of 2013.

#### 23.2.3 Dispute with Orange relating to unpaid invoices

Orange filed a claim against Numericable before the Paris Commercial Court on September 6, 2011. Orange claimed that invoices in the amount of €3.1 million remained unpaid. These invoices related to physical infrastructure occupied by Numericable between 2005 and 2007, following the sale by Orange of its cable networks for Numericable. Numericable argued that Orange prevented the Combined Group from moving out of these infrastructures and therefore that the litigation's invoices were not due. Orange filed another claim against Numericable before the Paris Commercial Court on February 1, 2012 and, for similar grounds, claiming that invoices in the amount of €0.5 million remained unpaid. These cases are still pending before the Paris Commercial Court. The date of the hearing has not been settled yet.

## 23 Provisions and contingent liabilities (Continued)

### 23.2.4 Disputes with various providers of value-added services (VAS)

By related complaints dated February 10th, 2013, five providers of value-added telephony services which offer their services to the public through surcharged numbers (0899), commenced litigation against Completel before the Commercial Court of Nanterre. Those companies asked for the condemnation of Completel to the payment of €350,000 for the repayment of sums corresponding to restraints made by Completel from the amounts it collected on their behalf.

Completel withheld these amounts in response to the practices of these these companies which in Completel's view violate their agreements with Completel as well as the industry's ethics rules. They seek damages of a global amount of €12 million.

Furthermore, in November 2012, Completel decided to terminate this activity, and suspended certain repayments and applied various contractual penalties to companies marketing this kind of value-added telephony services. Some of these companies assigned Completel before several Commercial Courts and asked for its condemnation to the payment of the sums retained by Completel and/or the cancellation of the penalties applied by Completel. The global claim amounts to approximately €900 000, including €850,000 in amounts collected on behalf of these companies.

### 23.2.5 Dispute with Orange relating to access to the DSL market

On August 5, 2010, Completel filed a claim against Orange before the Paris Commercial Court, claiming damages of approximately €500 million resulting from anticompetitive practices from Orange which would have delayed the access to the DSL market for the competitors of Orange during the years 1999 to 2003. On December 13, 2011, the Paris Commercial Court rejected the request of Completel. Completel appealed this decision. The decision of the Paris Court of Appeal should intervene during the course of the year 2014.

### 23.2.6 Labor disputes

The Group is involved in a certain number of labor disputes, of which a significant amount result from the last period of substantial mergers in 2006-2007 involving UPC-Noos, which until 2009 gave rise to potentially contentious adjustments and harmonization in labor practices . The claims related to these disputes could amount to approximately €4 million. These disputes largely consist of employees contesting the reasons or the form of their dismissals.

## 24 Employee benefits

In France, employees of the Combined Group benefit from a retirement indemnity plan. Accordingly, the Combined Group participates in mandatory social security plans organized at the state level, for which contributions expenses correspond to the contributions due to the French state. The plan is considered to be a defined contribution plan as defined in IAS 19. Employees of the Combined Group are covered by the Telecom Industry Branch Social Agreement (''Convention Collective Nationale des Télécommunications'', which determines the amount of retirement indemnity to be paid to the employee upon retirement).

The rights to conventional retirement benefits vested by employees were evaluated individually, based on various parameters and assumptions such as the employee's age, position, length of service in the Combined Group and salary, according to the terms of their employment agreement.

## 24 Employee benefits (Continued)

### *24.1 Assumptions used for defined benefit plans*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Discount rate | 3.0% | 4.75% | 4.75% |
| Expected salary increase rate | 3.0% | 3.0% | 3.0% |
| Inflation rate | 2.0% | 2.0% | 2.0% |
| Turnover—managers (mean) | 7.0% | 7.0% | 7.0% |
| Turnover—other employees (mean) | 15.0% | 15.0% | 15.0% |

The turnover rate can vary significantly depending on length of service.

### *24.2 Components of Net Periodic Benefit (Cost)*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Service cost | 713 | 660 | 555 |
| Interest cost | 287 | 263 | 221 |
| Expected return on plan assets | — | — | — |
| Recognition of actuarial net (gain) loss | 1,496 | (244) | 281 |
| Past service cost | — | — | — |
| Amounts recognized due to plan combinations | — | 22 | 58 |
| Curtailments/Settlements | (57) | (145) | — |
| **Net periodic (benefit) cost** | **2,439** | **556** | **1,115** |
| Experience loss (gain) on plan liabilities | 1,496 | (244) | 281 |
| Percentage of present value of plan liabilities | 17.7% | (4.0%) | 5.1% |

Actuarial gains and losses arising from changes in actuarial assumptions are recognized in profit and loss when they are incurred.

Impact of discounting provisions for retirement benefits is recognized in operating income in ''Staff costs and employee benefits expense'' with the related charges.

### *24.3 Change in defined benefit obligation*

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| **Defined benefit obligation—beginning of year** | **6,101** | **5,545** | **3,936** |
| Service cost | 713 | 660 | 555 |
| Interest cost | 287 | 263 | 221 |
| Contributions paid | — | — | — |
| Amortization of actuarial net gain (loss) | 1,496 | (244) | 281 |
| Benefits paid | (87) | — | — |
| Past service cost | — | — | — |
| Amounts recognized due to plan combinations | — | 22 | 58 |
| Curtailments/Settlements | (57) | (145) | — |
| **Defined benefit obligation—end of year** | **8,455** | **6,101** | **5,545** |

## 25 Other non-current liabilities

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Non-current deferred revenue (more than one year) | 105,791 | 94,777 | 101,402 |
| Non-current trade payables | 5,175 | 5,906 | 6,634 |
| Non-current tax and social security payables | 300 | 300 | 2,303 |
| **Other non-current liabilities** | **111,266** | **100,983** | **110,339** |

Deferred revenue at the end of the reporting period mainly represents unrecognized network lease revenue.

For certain arrangements entered into with its non-residential customers, the Combined Group receives up-front cash payments, namely in relation to indefeasible right of use arrangements (''IRUs'') and connection fees. For these arrangements, the revenue is generally recognized reliably over the duration of the lease contract.

The non-current part of deferred revenue disclosed in the above table corresponds to revenue that will be recognized in more than one year.

The current-part of deferred revenue (i.e. revenue to be recognized in less than one year) is presented in ''Trade payables and other payables''.

## 26 Trade payables and other payables

| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
|---|---|---|---|
| | (in thousands of euros) | | |
| Trade payables—general | 416,183 | 424,334 | 392,170 |
| Trade payables—acquisition of assets | 87,145 | 65,640 | 69,492 |
| Advances and down payments received | 19,884 | 30,564 | 34,703 |
| Current accounts payables | 21,219 | 13,062 | 232 |
| Liabilities related to tax and duties | 87,358 | 64,353 | 58,927 |
| Corporate and social security contributions | 45,871 | 39,937 | 38,490 |
| Current deferred revenue (less than one year) | 45,319 | 37,574 | 36,189 |
| Other payables | 3,054 | 23,206 | 53,670 |
| **Trade payables and other payables** | **726,033** | **698,670** | **639,282** |

## 27 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Notes 2.15 and 2.19.

### *27.1 Fair value of financial instruments*

**Valuation techniques and assumptions applied to measure fair value for derivative instruments**

The fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

**27 Financial instruments (Continued)**

In accordance with the amendments to IFRS 7, the Combined Group classifies its financial instruments measured at fair value into three levels (the fair value hierarchy):

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

Level 2 fair value measurements have been used for interest-rate derivatives. There are no significant financial instruments for which level 1 or level 3 measurements have been used and no transfer of financial instruments between levels have occurred.

**Fair value measurement other financial assets**

Due to their short-term nature, the fair value of cash and cash equivalents, trade receivables and other current receivables and trade payables and other payables, approximates the net carrying amount.

Investments in entities not included in the combination are unquoted equity securities. As a result, their fair value cannot be measured reliably and accordingly, these investments are measured at cost.

**Financial guarantees and collaterals**

Under the SFA, the assets of the Combined Group have been given as collateral to the bank lenders.

***27.2 Financial assets***

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | | | Financial assets at fair value through profit and loss | | |
| | Available-for-sale | Loans and receivables | Designated at fair value through profit and loss | Held for trading | Total Assets |
| | (in thousands of euros) | | | | |
| Non-current financial assets | 35 | 6,791 | — | 5 | 6,831 |
| Trade receivables and other receivables | — | 442,020 | — | — | 442,020 |
| Interest-rate derivatives | — | — | — | — | — |
| Cash and cash equivalents | — | 7,996 | — | — | 7,996 |
| **Financial assets** | **35** | **456,807** | **—** | **5** | **456,847** |

**27 Financial instruments (Continued)**

| | December 31, 2011 | | | | |
|---|---|---|---|---|---|
| | | | Financial assets at fair value through profit and loss | | |
| | Available-for-sale | Loans and receivables | Designated at fair value through profit and loss | Held for trading | Total Assets |
| | (in thousands of euros) | | | | |
| Non-current financial assets | 52 | 7,396 | — | 313 | 7,761 |
| Trade receivables and other receivables | — | 362,981 | — | — | 362,981 |
| Interest-rate derivatives | — | — | — | — | — |
| Cash and cash equivalents | — | 40,580 | — | — | 40,580 |
| **Financial assets** | **52** | **410,957** | **—** | **313** | **411,322** |

| | December 31, 2010 | | | | |
|---|---|---|---|---|---|
| | | | Financial assets at fair value through profit and loss | | |
| | Available-for-sale | Loans and receivables | Designated at fair value through profit and loss | Held for trading | Total Assets |
| | (in thousands of euros) | | | | |
| Non-current financial assets | 71 | 4,920 | — | 2,380 | 7,371 |
| Trade receivables and other receivables | — | 357,090 | — | — | 357,090 |
| Interest-rate derivatives | — | — | — | — | — |
| Cash and cash equivalents | — | 30,897 | — | — | 30,897 |
| **Financial assets** | **71** | **392,907** | **—** | **2,380** | **395,358** |

### *27.3 Financial liabilities*

Except for interest-rate derivatives, financial liabilities are measured at amortized cost, which is the amount at which the financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

Interest-rate derivatives held for trading are measured at fair value through profit and loss.

### *27.4 Financial risk management objectives*

**Objective of the Corporate Treasury function**

The Combined Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Combined Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Combined Group's activities does not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Combined Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Combined Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports monthly to the Group's chief operating decision maker, which monitors risks and policies implemented to mitigate risk exposures.

**27 Financial instruments (Continued)**

**Interest rate risk management**

The Combined Group is exposed to interest rate risk because the Combined Group borrows funds, mostly at floating interest rates. The risk is managed by the Combined Group through the use of interest rate swap contracts and caps interest rate contracts. Even though the Combined Group does not apply IAS 39 in terms of hedge accounting, hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied, in compliance with the requirements of the SFA.

The Combined Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

**Interest rate sensitivity analysis**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Combined Group's net income (loss) for the year ended December 31, 2012 would decrease/increase by €13 million. This is mainly attributable to the Combined Group's exposure to interest rates on its variable rate borrowings.

**Interest rate swap contracts**

Under interest rate swap contracts, the Combined Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Combined Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

**Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Combined Group.

Financial instruments that could potentially subject the Combined 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 the financial statements, which is net of impairment losses, represents the Combined Group's maximum exposure to credit risk.

As mentioned in Note 19, the Combined Group considers 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. In addition, the maximum value of the counterparty risk on these financial assets is equal to their recognized net book value. An analysis of credit risk on net trade receivables past due is provided in Note 19.

The Combined 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 Combined Group's enters into interest rate contracts with leading financial institutions and currently believes that

**27 Financial instruments (Continued)**

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.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the Combined 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 swaps. There is currently a claim with Lehman Brothers for a total amount of approximately €11.2 million. In 2012, the Combined Group received a first payment €2.8 million in relation to this claim. Thus a contingent gain of €8.4 million remains for the Company but has not been recognized as at December 31, 2012.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Combined Group's short-, medium- and long-term funding and liquidity management requirements. The Combined 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 the maturity profiles of financial assets and liabilities.

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

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | 5+ years | Total |
| | (in thousands of euros) | | | |
| Financial liabilities under Senior Facility Agreements | 93,187 | 1,851,552 | 855,946 | 2,800,686 |
| Perpetual subordinated notes | — | — | 35,208 | 35,208 |
| Financial liabilities under finance leases | 19,432 | 6,359 | 1,527 | 27,318 |
| Other financial liabilities | 2,113 | 2,012 | 129,222 | 133,347 |
| **Total bonds and loans** | **114,732** | **1,859,23** | **1,021,903** | **2,996,559** |
| Interest-rate derivatives | — | — | — | — |
| Deposits received from customers | — | 44,517 | — | 44,517 |
| Bank overdrafts | — | — | — | — |
| **Total financial liabilities** | **114,732** | **1,904,440** | **1,021,903** | **3,041,075** |

**27 Financial instruments (Continued)**

Because of the renegotiations that occurred in July and August 2013 as described in Note 32, the schedule of Financial liabilities under the *Senior Facility Agreement*.

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | 5+ years | Total |
| | (in thousands of euros) | | | |
| Financial liabilities under Senior Facility Agreements | 170,300 | 2,701,109 | — | 2,871,409 |
| Perpetual subordinated notes | — | — | 32,880 | 32,880 |
| Financial liabilities under finance leases | 19,967 | 7,919 | 1,712 | 29,598 |
| Other financial liabilities | 1,297 | 124,931 | 428 | 174,214 |
| **Total bonds and loans** | **191,564** | **2,833,959** | **35,020** | **3,060,543** |
| Interest-rate derivatives | — | 1,106 | — | 1,106 |
| Deposits received from customers | — | 42,896 | — | 42,896 |
| Bank overdrafts | — | — | — | — |
| **Total financial liabilities** | **191,564** | **2,877,961** | **35,020** | **3,104,545** |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Less than 1 year | 1-5 years | 5+ years | Total |
| | (in thousands of euros) | | | |
| Financial liabilities under Senior Facility Agreements | 186,453 | 2,870,711 | 82,792 | 3,139,956 |
| Perpetual subordinated notes | — | — | 30,710 | 30,710 |
| Financial liabilities under finance leases | 9,618 | 12,384 | 2,393 | 24,395 |
| Other financial liabilities | 1,097 | 3,249 | 115,067 | 119,413 |
| **Total bonds and loans** | **197,168** | **2,886,344** | **230,962** | **3,314,474** |
| Interest-rate derivatives | 21,580 | 6,508 | — | 28,088 |
| Deposits received from customers | — | 50,712 | — | 42,895 |
| Bank overdrafts | — | — | — | — |
| **Total financial liabilities** | **218,748** | **2,943,564** | **230,962** | **3,393,274** |

The Combined Group considers that its available cash and cash equivalent balances and the expected operating cash flows to be generated are sufficient to cover its operating expenses, capital expenditures and its financial debt requirements for the next twelve months.

**28 Related party transactions**

The ultimate shareholders of the Combined Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Combined Group have been eliminated in preparing the Combined Financial Statements and are not disclosed herein. Details of transactions between the Combined Group and other related parties are disclosed below.

## 28 Related party transactions (Continued)

### *28.1 Trading and financing transactions*

During the year, group entities entered into the following trading transactions with related parties that are not members of the Combined Group:

| | Purchase of goods and services | | | Amounts owed by related parties | | | Amounts owed to related parties | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| | (in thousands of euros) | | | | | | | | |
| *Shareholders* | | | | | | | | | |
| Cinven | 610 | 622 | 641 | — | — | — | — | 185 | 748 |
| Altice | 1,214 | 10,287 | 13,410 | — | — | — | — | — | 2,091 |
| Carlyle | 600 | 600 | 600 | — | — | — | 450 | — | 875 |
| *Associate* | | | | | | | | | |
| Alsace Connexia Participation SAS | — | — | — | 2,235 | 2,574 | 2,518 | — | — | — |

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (€2,424 thousands in 2012 compared to €11,509 thousands in 2011 and €14,651 thousands in 2010).

The shareholders of the Combined Group also provided several subordinated shareholder financings.

### *28.2 Related party relationships*

#### (1) Relationships with our Shareholders

***Relationships with Altice***

On June 30, 2011, we completed the sale of Coditel Belgium and Coditel Luxembourg to a consortium of investors, including Altice, for a purchase price of €369.2 million.

Altice owns cable networks in the French West Indies (*Antilles*). We pay telephony termination fees to such networks for the calls originating from our subscribers to subscribers of such networks, and receive telephony termination fees from such networks for the calls originating from their subscribers to our subscribers.

Finally, Altice owns Auberimmo which is a company that rents infrastructures to the Combined Group. Auberimmo has a sole client, Completel SAS which is a member of the Combined Group.

***Relationships with Carlyle***

Sagemcom, one of our key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

#### (2) Relationships with Coditel

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, we entered into a services agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations

***Services Agreement***

On June 30, 2011, Numericable SAS entered into a services agreement (the ''Coditel Services Agreement'') with Coditel. Pursuant to the Coditel Services Agreement, we will continue to provide Coditel with all the services we were providing prior to its sale, including:

- VOD platform services and VOD content services;

**28 Related party transactions (Continued)**

- television, IP and voice engineering services;
- support and assistance in purchasing hardware and devices needed for its operations, in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VOD content;
- delivery of television channels signals and existing data flows over our backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in our premises or currently supported from our systems.

In consideration of the services provided, Coditel agreed to pay to us a total of €100,000 per year. In addition, Coditel will pay to us 10% of its monthly VOD revenues.

***Trade Mark License Agreement***

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the ''Trade Mark Agreement''). Pursuant to the Trade Mark Agreement, we will provide Coditel with a license to use our trademark ''Numericable'', registered under Ma14502, exclusively in Belgium and Luxembourg in relation to the offering, promotion and commercialization of television, Internet and telephone products and services. The license fee is included in the €100,000 annual fee under the Services Agreement. The Trade Mark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Services Agreement or upon expiry of the Services Agreement.

***28.3 Compensation of key management personnel***

Compensation of directors and other members of key management personnel (i.e. members of our Executive Committee) during the year was €2,100 thousands, €2,039 thousands and €2,325 thousands for 2012, 2011 and 2010 respectively. These amounts only comprise short-term benefits such as wages, salaries and bonuses.

The Combined Group does not offer any share-based arrangement and employment benefits related to key management personnel are insignificant in aggregate.

**29 Leases arrangements**

***29.1 The Combined Group as a lessor***

**Finance leases**

The Combined Group has not contracted finance leases as a lessor.

**Operating leases**

Operating leases relate to the investment property owned by the Combined Group and leased to other companies in the telecommunications industry, with lease terms of between 15 to 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**29 Leases arrangements (Continued)**

Future minimum rental income under non-cancellable operating leases is as follows:

| | Future minimum rental income | | |
|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2010 |
| | (in thousands of euros) | | |
| Not later than 1 year | 45,318 | 38,815 | 35,459 |
| Later than 1 year and not later than 5 years | 40,930 | 30,621 | 34,848 |
| Later than 5 years | 64,545 | 62,381 | 64,214 |
| | **150,793** | **131,817** | **134,521** |

***29.2 The Combined Group as a lessee***

**Finance leases**

The Combined Group entered into various finance leases related to property, for which the lease term is generally between 20 and 30 years, and office equipment, for which the lease term is 4 years.

The most significant finance lease arrangements relate to network equipment bought from Cisco and to the property lease for the headquarters offices of the Combined Group in Champs-sur-Marne for which the Combined 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.

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 (i.e. a percentage increase).

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| | (in thousands of euros) | | | |
| Not later than 1 year | 11,685 | 20,219 | 11,302 | 19,529 |
| Later than 1 year and not later than 5 years | 13,883 | 7,229 | 12,830 | 6,621 |
| Later than 5 years | 721 | 928 | 595 | 753 |
| | **26,288** | **28,376** | **24,728** | **26,903** |
| Less future finance charges | (1,560) | (1,473) | — | — |
| Present value of minimum lease payments | 24,728 | 26,903 | 24,728 | 26,903 |
| Financial liabilities related to finance leases—current portion | | | 11,302 | 19,529 |
| Financial liabilities related to finance leases—non-current portion | | | 13,426 | 7,374 |

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.24% and 3.53% per annum for 2012 and 2011 respectively.

**Operating leases**

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

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

## 29 Leases arrangements (Continued)

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

As of December 31, 2012, non-cancellable operating lease commitments amounted to:

| (in thousands of euros) | December 31, 2012 |
|---|---|
| Not later than 1 year | 5,554 |
| Later than 1 year and not later than 5 years | 19,513 |
| Later than 5 years | 5,717 |
| | **30,784** |

## 30 Non current assets held for sale and discontinued operations

This section provides details of the contents of the items relating to the activities of the Combined Group in Belgium and Luxembourg classified as discontinued operations as reported in the Combined Statement of Income and Combined Statement of Cash Flows. As explained in Note 4, discontinued operations correspond to the Coditel subsidiaries in Belgium and Luxembourg.

Details of statement of income items included in discontinued operations in 2011 and 2010 are as follows:

| | 2011 6 months | 2010 12 months |
|---|---|---|
| | (in thousands of euros) | |
| Revenue | 31,978 | 62,256 |
| **Operating income** | **16,525** | **42,290** |
| Finance costs, net | (4,074) | (7,800) |
| **Profit (loss) of discontinued operations before tax** | **12,451** | **34,490** |
| Income tax expense | (1,296) | (3,252) |
| **Net income (loss)** | **11,154** | **31,237** |
| Proceeds from the sale of Coditel | 118,486 | — |
| Fees paid in connection with the sale of Coditel | (3,580) | — |
| **Net income (loss) from discontinued operations** | **126,059** | **31,237** |

**30 Non current assets held for sale and discontinued operations (Continued)**

As at December 31, 2010, assets and liabilities held for sale were presented separately on the face of the statement of financial position and may be analyzed as follows:

| | (in thousands of euros) |
|---|---|
| **ASSETS** | |
| Goodwill | 210,195 |
| Other intangible assets | 1,852 |
| Property, plant and equipment | 43,142 |
| Other non-current financial assets | 71 |
| **Non-current assets** | **225,260** |
| Inventories | 539 |
| Trade receivables and other receivables, net | 11,095 |
| Income tax receivable | — |
| Cash and cash equivalents | 3,655 |
| **Current assets** | **15,289** |
| **TOTAL ASSETS** | **270,549** |
| **EQUITY AND LIABILITIES** | |
| **TOTAL EQUITY** | **59,122** |
| Non-current portion of financial liabilities | 156,735 |
| Non-current provisions | 2,137 |
| Deferred tax liabilities | 3,958 |
| Other non-current liabilities | 113 |
| **Non-current liabilities** | **162,943** |
| Current portion of financial liabilities | 18,765 |
| Current provisions | — |
| Trade payables and other current liabilities | 29,719 |
| **Current liabilities** | **48,484** |
| **TOTAL LIABILITIES** | **211,427** |
| **TOTAL EQUITY AND LIABILITIES** | **270,549** |

**30 Non current assets held for sale and discontinued operations (Continued)**

Details of cash flows from discontinued operations in 2011 and 2010 are as follows:

| | December 31, 2011 6 months | December 31, 2010 12 months |
|---|---|---|
| | (in thousands of euros) | |
| **Net income from discontinued operations** | **126,060** | **31,237** |
| Depreciation and amortization | 3,887 | 4,858 |
| Gains and losses on disposals | (118,501) | 116 |
| Other non-cash operating gains and losses | 130 | — |
| **Net cash provided (used) by operating activities before changes in working capital, finance costs and income tax** | **11,577** | **36,210** |
| Finance costs, net | 4,105 | 7,828 |
| Income tax paid | 84 | 628 |
| Changes in working capital | (15,246) | 2,271 |
| **Net cash provided (used) by operating activities** | **519** | **46,937** |
| Capital expenditures | (4,776) | (9,696) |
| Proceeds from disposal of tangible and intangible assets | 19 | 147 |
| Decrease (increase) in loans and other non-current financial assets | — | 17 |
| **Net cash provided (used) by investing activities** | **(4,758)** | **(9,532)** |
| Cash received from the sale of Coditel | 350,184 | |
| Issuance of debt | 1,101 | 2,654 |
| Repayment of debt | (186,684) | (17,035) |
| Interest paid | (4,105) | (7,828) |
| **Net cash provided (used) by financing activities** | **160,497** | **(22,209)** |
| **Net cash flow from discontinued operations** | **156,258** | **15,196** |

**31 Commitments and contractual obligations**

***31.1 Commitments given***

*Guarantees in relation to the Senior Facility Agreement*

As part of the SFA entered into by the subsidiaries of the Combined Group, the following commitments were given to the lending banks:

- Compliance with financial covenants;
- Stable tax consolidation scope;
- Compliance with conditions governing the acquisition, disposal, use and control of assets.

All the assets of the Combined Group's subsidiaries have been pledged to the banks.

*Commitments in relation to business operations*

The Combined Group is committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Combined Group needs licenses, authorizations or usage rights to infrastructure in the public and private domain. Consequently, the Combined 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 company has also entered into outsourcing contracts, particularly for certain network maintenance services.

**31 Commitments and contractual obligations (Continued)**

In 2010, the Combined Group entered into several long-term MVNO agreements for voice and data transmission with Bouygues Telecom, pursuant to which we provide mobile telephony services to residential customers under our own brand but through the nationwide network of Bouygues Telecom. The agreements relating to voice transmission services are due to expire in 2017 and those relating to data transmission services are due to expire in 2013, and each of these will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiry dates. Pursuant to the financial terms of each of these agreements, we are under obligation to pay Bouygues Telecom a flat fee corresponding to a minimum level of consumption by our end-customers of the relevant voice or data transmission services.

*Lease commitments in relation to business operations*

As disclosed in Note 29, the Combined Group has entered into various lease arrangements.

**Contractual obligations**

| | Maturity | | | Total December 31, 2012 |
|---|---|---|---|---|
| | < 1 year | 1–5 years | > 5 years | |
| | (in thousands of euros) | | | |
| Loans and financial liabilities | 114,732 | 1,904,440 | 1,021,903 | 3,041,075 |
| Operating leases arrangements | 5,554 | 19,513 | 5,717 | 30,784 |
| **Total** | **120,286** | **1,923,953** | **1,027,620** | **3,071,859** |

***31.2 Commitments received***

The Combined Group has received a commitment of a total amount of €25 million from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Combined Group has already received €23.8 million in principal from GDF Suez as at December 31, 2012.

Within the framework of the transfer of NC Numericable on March 31, 2005 by the groups France Télécom, TDF and Vivendi / Canal+, the transferors granted specific guarantees until 2014 to the Combined Group, including in particular fiscal and social risks as well as specific risks connected to cable networks exploited by NC Numéricâble.

**32 Events after the end of the reporting period**

**Refinancing of the debt in July 2013**

In July and August 2013, the Combined Group amended its debt under the Senior Facility Agreements which allowed the Combined Group to reschedule a large portion of its debt.

The new scheduling of the debt under Senior Facility Agreements is as follows:

| Maturity | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| | (in millions of euros) | | | | | | | |
| | 41.7 | 26.3 | 63.1 | 102.2 | 1,246.7 | 698.4 | 584.4 | 2,762.8 |

The scheduling of the debt under Senior Facility Agreements before the refinancing which occurred in July and August 2013 was as follows:

| Maturity | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| | (in millions of euros) | | | | | | | |
| | 54.0 | 125.0 | 453.9 | 808.7 | 465.2 | 271.6 | 584.4 | 2,762.8 |

**32 Events after the end of the reporting period (Continued)**

As part of the refinancing of the debt of August 2013, the Combined Group also obtained a new Revolving Credit Facility (the *Revolving Credit Facility)* of €24 million. Thus, the total available under the revolving facilities amounts to €89 million.

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

On July 17, 2013 the European Commission indicated that it decided to open an investigation to verify whether the transfer of public cable infrastructure between 2003 and 2006 by several French municipalities to Numericable was in line with European Union State aid rules. At this stage, the European Commission has doubts that such aid could be found compatible with EU rules because of the economic advantage that would have resulted from these transfers, depending on their conditions.

**ORANGE DOMINICANA, S.A.**

Unaudited Condensed interim standalone Financial Statements

as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012

Deloitte.

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**INDEPENDENT AUDITORS' REVIEW REPORT**

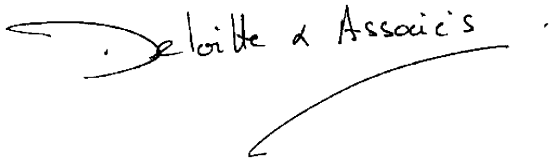
To the Board of Directors and Shareholders of Orange Dominicana

We have reviewed the accompanying condensed statement of financial position of Orange Dominicana (the ''Company'') as of September 30, 2013, and the related condensed statements of income, shareholders' equity and of cash flows for the nine-month periods ended September 30, 2013 and 2012 (the ''interim financial statements''). These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with auditing standards generally accepted in the United States of America (''US GAAS'') applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with US GAAS, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such interim financial statements for them to be in conformity with International Financial Reporting Standards as issued by the IASB.

DELOITTE & ASSOCIES



Neuilly-sur-Seine, France

November 8, 2013

Societe anonyme au capital de 1 723 040 €
Societe d'Expertise Comptable inscrite au Tableau de l'Ordre du Conseil Regional de Paris ile-de France
Societe de Commissaires aux Comptes, membre de la Compagnie regionale de Versailles
572 028 04 t RCS Nanterre
TVA FR 02 572 028 041
Member of Deloitte Touche Tohmatsu Limited

**Orange Dominicana, S.A.**

**INDEX**


| | Page |
|---|---|
| Interim Income statement | F-229 |
| Interim Statement of financial position | F-230 |
| Interim Statement of cash flows | F-231 |
| Statements of changes in equity | F-232 |
| Notes to the financial statements | F-233 |

## Orange Dominicana, S.A.

## Unaudited interim income statement

| Income statement | Notes | 30 September 2013 | 30 September 2012 |
|---|---|---|---|
| | | (in Dominican pesos) | |
| **Revenues** | **2.1** | **17,953,623,352** | **16,943,056,706** |
| Cost of equipment sold | 3.1 | (2,233,113,679) | (2,142,869,777) |
| Selling, distribution and traffic costs | 3.2 | (4,634,645,907) | (4,397,888,405) |
| Advertising and sponsoring costs | | (558,839,468) | (694,526,326) |
| Offices and technical sites costs | | (460,915,458) | (420,459,308) |
| Labor expenses | | (913,106,344) | (880,444,330) |
| Corporate fees | | (463,576,479) | (424,899,623) |
| Maintenance costs | | (237,235,126) | (240,420,765) |
| Other costs and income | 3.3 | (1,758,774,800) | (1,862,560,142) |
| Depreciation and amortization | | (2,565,020,605) | (2,544,776,512) |
| Total costs and operating expenses | | (13,825,227,867) | (13,608,845,188) |
| **Operating income** | | **4,128,395,485** | **3,334,211,519** |
| Bank commissions | | (56,524,122) | (53,030,486) |
| Interest income | | 10,772,788 | 28,710,113 |
| Foreign currency exchange gains (losses) | | 16,451,647 | 27,756,910 |
| Other | | (12,833,299) | (11,290,289) |
| Non-operating income (expenses) | | (42,132,986) | (7,853,751) |
| **Profit before income tax** | | **4,086,262,499** | **3,326,357,767** |
| Income tax | 5.1 | (1,157,726,258) | (678,075,213) |
| **Net income** | | **2,928,536,241** | **2,648,282,554** |
| Other comprehensive income | | — | — |
| **Total comprehensive income for the period** | | **2,928,536,241** | **2,648,282,554** |

## Orange Dominicana, S.A.

## Unaudited interim statement of financial position

| Statement of financial position | Notes | 30 September 2013 | 31 December 2012 |
|---|---|---|---|
| | | (in Dominican pesos) | |
| Intangible assets, net | | 2,083,854,439 | 2,211,688,949 |
| Property, plant and equipment, net | | 13,582,224,499 | 13,873,521,204 |
| Other non-current assets | | 54,553,673 | 55,133,105 |
| Deferred tax assets | 5.4 | 1,689,177,934 | 1,622,149,160 |
| **Total non-current assets** | | **17,409,810,545** | **17,762,492,418** |
| Inventories | | 749,343,236 | 882,961,123 |
| Trade receivables | 2.2 | 2,798,086,600 | 2,570,781,717 |
| Other receivables | 2.3 | 1,658,008,675 | 629,454,718 |
| Income tax receivable | 5.2 | — | 235,499,637 |
| Prepaid expenses | | 380,664,144 | 197,925,846 |
| Cash and cash equivalents | | 1,195,762,606 | 1,159,590,768 |
| **Total current assets** | | **6,781,865,261** | **5,676,213,809** |
| **Total assets** | | **24,191,675,806** | **23,438,706,227** |
| Share capital | | 5,800,000,000 | 5,800,000,000 |
| Legal reserve | | 580,000,000 | 580,000,000 |
| Hyperinflation reserve | | 1,680,984,200 | 1,680,984,200 |
| Retained earnings | | 9,268,872,610 | 8,182,305,384 |
| **Total Shareholders' equity** | **6** | **17,329,856,810** | **16,243,289,584** |
| Non-current liabilities | 4 | 675,411,098 | 644,675,778 |
| **Total non-current liabilities** | | **675,411,098** | **644,675,778** |
| Trade payables | 3.4 | 3,654,539,431 | 4,138,024,612 |
| Other current liabilities | 3.5 | 639,704,539 | 697,728,614 |
| Deferred income | 2.4 | 1,621,475,503 | 1,714,987,638 |
| Income tax payable | 5.2 | 270,688,424 | — |
| **Total current liabilities** | | **6,186,407,898** | **6,550,740,864** |
| **Total equity and liabilities** | | **24,191,675,806** | **23,438,706,227** |

**Orange Dominicana, S.A.**

**Unaudited interim statement of cash flows**

| Statement of cash flows | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| **Operating activities** | | |
| Net income | 2,928,536,241 | 2,648,282,554 |
| *Adjustments to reconcile net profit to cash provided by operating activities* | | |
| Depreciation and amortization | 2,565,020,605 | 2,544,776,512 |
| Gains (losses) on disposal | — | 761,266 |
| Change in provisions (Litigations, dismantling and others) | (46,242,738) | 5,697,755 |
| Income tax | (67,028,774) | (315,110,931) |
| *Change in inventories, accounts receivable and payable* | | |
| Decrease (increase) in inventories, net | 133,617,887 | 183,581,099 |
| Decrease (increase) in trade receivables, net | (227,304,883) | (57,402,854) |
| Decrease (increase) in other receivables, net | (1,028,553,957) | (1,708,378,628) |
| Increase (decrease) in trade payables | (470,104,195) | (1,282,314,308) |
| *Other changes in working capital requirements* | | |
| Decrease (increase) in prepaid expenses | (182,738,298) | (17,071,152) |
| Decrease (increase) in other non-current assets | 579,432 | (841,696) |
| Decrease (increase) in other non-current liabilities | 23,766,156 | 11,704,639 |
| Decrease (increase) in other current liabilities | (58,024,074) | 213,905,373 |
| Deferred income | (93,512,135) | (111,407,413) |
| Change in income tax receivable/payable | 506,188,061 | 558,593,269 |
| **Net cash provided by operating activities** | **3,984,199,326** | **2,674,775,484** |
| **Investing activities** | | |
| Purchase of PPE and intangible assets | (2,092,677,488) | (1,928,169,285) |
| **Net cash used in investing activities** | **(2,092,677,488)** | **(1,928,169,285)** |
| **Financing activities** | | |
| Dividends paid | (1,855,350,000) | (1,137,080,000) |
| **Net cash used in financing activities** | **(1,855,350,000)** | **(1,137,080,000)** |
| Net increase (decrease) in cash and cash equivalents | 36,171,837 | (390,473,802) |
| Cash and cash equivalents—opening balance | 1,159,590,768 | 1,144,656,534 |
| **Cash and cash equivalents—closing balance** | **1,195,762,606** | **754,182,731** |

## Orange Dominicana, S.A.

## Unaudited statement of change in equity

| Statement of changes in equity | Capital | Legal Reserve | Hyperinflation reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| | | | (in Dominican pesos) | | |
| **Balance at 12/31/2012** | 5,800,000,000 | 580,000,000 | 1,680,984,200 | 8,182,305,384 | 16,243,289,584 |
| Net income | — | — | — | 2,928,536,241 | 2,928,536,241 |
| Other comprehensive income | — | — | — | — | — |
| **Total comprehensive income** | — | — | — | — | — |
| Dividends paid (note 9.3) | — | — | — | (1,855,350,000) | (1,855,350,000) |
| Other movement | — | — | — | 13,380,986 | 13,380,986 |
| Capital increase | — | — | — | — | — |
| **Balance at 09/30/2013** | **5,800,000,000** | **580,000,000** | **1,680,984,200** | **9,268,872,610** | **17,329,856,810** |

## 1—Basis of preparation of the condensed interim standalone financial statements

This note describes the changes in accounting policies which were used by Orange Dominicana S.A. (hereafter called ''ODO'') to prepare its condensed interim financial statements as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012 (the ''Interim Financial Statements''). The financial statements as of December 31, 2012 and 2011 and for the two years then ended were audited by Deloitte & Associés and signed off on September 18, 2013 (the Financial Statements).

### *1.1 Basis of presentation and purpose of the financial statements*

The condensed financial statements and notes were prepared for the purpose of the disposal of ODO by the Orange Group.

The Interim Financial Statements were prepared in accordance with IAS 34 ''Interim Financial Reporting'', as issued by the IASB.

The Interim Financial Statements were prepared using the same accounting policies as the Financial Statements, with the exception of the specific requirements of IAS 34 and the application of the new standards presented in note 1.4.

Where a specific transaction is not dealt with any standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

present fairly ODO's financial position, financial performance and cash flows;
reflect the economic substance of the transactions;
are neutral;
are prepared on a prudent basis; and
are complete in all material respects.

### *1.2 Uses of estimates and judgment*

In preparing ODO's financial statements, ODO's management is required to make estimates insofar as many elements included in the financial statements cannot be measured with precision. The underlying assumptions used for the main estimates are similar to those described in the Financial Statements. The management revises these estimates if the underlying circumstances evolve or in light of new information or experience. Consequently, estimates made at September 30, 2013 may subsequently be changed. ODO's management also uses its 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.

### *1.3 New standards and interpretations*

Standard applied from January 1, 2013

| Standard | | Consequences for ODO |
|---|---|---|
| IFRS 13 . . . . . | Fair Value Measurement | This standard is applicable prospectively and has no effect on the fair value currently measured by ODO:<br><br>The requirements provided by the standard have no effect on the measurements of the fair value of the Company's financial assets and liabilities. |

## 1—Basis of preparation of the condensed interim standalone financial statements (Continued)

Interpretation issued but not earlier applied

| Standard | | Consequences for ODO |
|---|---|---|
| IFRIC 21 | Levies | The principal issue raised by this interpretation is about when an entity should recognise a liability to pay a levy imposed by government (other than income taxes).<br><br>The application of this interpretation might impact the interim net income and its effects are currently being analyzed by ODO.<br><br>This interpretation is applicable retrospectively from January 1, 2014. |

## 2—Sales

### *2.1 Revenues*

| Revenues | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in thousand Dominican pesos) | |
| Mobile | 15,142,964 | 14,553,765 |
| Wholesale | 1,365,315 | 1,236,343 |
| Internet | 459,201 | 374,726 |
| Equipment | 771,756 | 591,411 |
| Other | 214,387 | 186,812 |
| **Revenues** | **17,953,623** | **16,943,057** |

### *2.2 Trade receivables*

| Trade receivables | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Customers (gross) | 3,266,636,847 | 3,058,316,537 |
| Provision for doubtful accounts | (468,550,247) | (487,534,820) |
| **Customers (net of provision)** | **2,798,086,600** | **2,570,781,717** |

### *2.3 Other receivables*

| Other receivables | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Advances to suppliers | 185,844,522 | 296,156,659 |
| VAT | 136,103,685 | 158,393,560 |
| Cash pooling—current account | 1,320,953,268 | 135,623,414 |
| Others | 15,107,200 | 39,281,085 |
| **Total** | **1,658,008,675** | **629,454,718** |

## 2—Sales (Continued)

### *2.4 Deferred income*

| Deferred income | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Prepaid telephone cards | 898,858,666 | 768,069,643 |
| Loyalty program | 511,072,839 | 511,072,839 |
| Monthly fee | 114,583,592 | 130,045,686 |
| Handsets | 89,708,698 | 237,384,310 |
| Sim & Kit and other deferred income | 7,251,708 | 68,415,159 |
| **Total** | **1,621,475,503** | **1,714,987,638** |

## 3—Purchases and other expenses

### *3.1 Cost of equipment sold*

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

| Cost of equipment sold | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Handsets | 2,016,771,981 | 1,920,113,769 |
| SIM cards | 84,803,957 | 99,664,291 |
| Import duties and freight costs | 95,389,394 | 85,955,075 |
| Other (phone cards, accessories) | 36,148,347 | 37,136,642 |
| **Total** | **2,233,113,679** | **2,142,869,777** |

### *3.2 Selling, distribution and traffic costs*

| Selling, distribution and traffic costs | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Selling and distribution costs | 1,655,106,345 | 1,659,834,246 |
| National voice mobile terminations | 1,340,220,824 | 1,342,292,409 |
| National voice fixed line terminations | 129,579,046 | 145,237,567 |
| International terminations | 372,397,291 | 366,537,604 |
| Data terminations (SMS) | 175,845,298 | 176,539,347 |
| International roaming | 59,495,541 | 57,510,340 |
| LDB | 841,620,155 | 602,020,596 |
| Other | 60,381,407 | 47,916,298 |
| **Total** | **4,634,645,907** | **4,397,888,405** |

## 3—Purchases and other expenses (Continued)

### *3.3 Others*

| Other costs and income | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Disposal of fixed assets | 1,210,715 | 4,478,401 |
| Cost recovery | 2,816,613 | 6,330,051 |
| Other operating income | 144,644,683 | 95,941,218 |
| Other income | 148,672,011 | 106,749,670 |
| Purchase of services | (349,875,305) | (327,533,002) |
| Electricity | (166,434,360) | (147,669,887) |
| Gas | (210,472,642) | (174,103,954) |
| Network energy | (376,907,002) | (321,773,841) |
| Consulting. contractors & prof. serv. | (189,576,002) | (228,709,264) |
| Bad debt expense | (163,196,881) | (149,045,074) |
| IT expenses | (129,538,136) | (131,518,941) |
| Temporary staff/interim net[(a)] | (55,059,865) | (58,282,361) |
| Purchases of supplies | (99,737,121) | (101,767,006) |
| Operating tax | (36,813,171) | (119,244,964) |
| Security | (67,814,720) | (66,430,751) |
| Spectrum fees | (63,744,900) | (56,462,353) |
| Storage costs | (55,541,061) | (50,346,727) |
| Travels | (18,917,142) | (27,762,142) |
| Other operating provision | 30,133,591 | 24,434,113 |
| Other | (330,859,095) | (354,867,500) |
| Other | (506,743,327) | (531,435,360) |
| **Total** | **(1,758,774,800)** | **(1,862,560,142)** |

(a) The temporary labor expenses attributable to the network development are net of costs capitalized

### *3.4 Trade payables*

| Trade payables | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Fixed assets and operating suppliers | 2,590,346,613 | 3,044,652,663 |
| Related companies | 368,786,370 | 314,449,212 |
| Distributors (dealers) | 207,869,622 | 229,265,172 |
| Merchandises suppliers | 445,068,152 | 540,481,470 |
| Others | 42,468,675 | 9,176,095 |
| **Total** | **3,654,539,431** | **4,138,024,612** |

### *3.5 Other current liabilities*

| Other current liabilities | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Taxes and VAT | 377,696,434 | 455,803,544 |
| Staff bonuses | 155,458,438 | 213,293,577 |
| Vacations and other | 106,549,667 | 28,631,492 |
| **Total** | **639,704,539** | **697,728,614** |

## Note 3—Purchases and other expenses (Continued)

### 3.6 Intangible assets, property, plant and equipment

| Intangible assets | September 2013 | | | | 2012 |
|---|---|---|---|---|---|
| | Frequencies | Software licenses & IRU | Right of use corporate solutions | Total | |
| | (in Dominican pesos) | | | | |
| Gross value (opening balance) | 1,192,676,947 | 4,094,656,073 | 132,852,964 | 5,420,185,983 | 4,782,110,363 |
| Acquisitions | — | 322,654,772 | 17,796,570 | 340,451,342 | 696,046,488 |
| Disposals | — | (9,204,595) | — | (9,204,595) | (14,352,199) |
| Reallocations | (1,213,414) | (81,669,305) | — | (82,882,719) | (43,618,668) |
| **Gross value (closing balance)** | **1,191,463,533** | **4,326,436,945** | **150,649,534** | **5,668,550,011** | **5,420,185,983** |
| Depreciation (opening balance) | (593,324,201) | (2,525,276,116) | (89,896,717) | (3,208,497,034) | (2,534,475,883) |
| Depreciation expense | (94,331,958) | (388,527,353) | (15,416,067) | (498,275,378) | (688,373,350) |
| Disposals | — | 9,204,595 | — | 9,204,595 | 14,352,199 |
| Reallocation | 1,213,414 | 111,658,831 | — | 112,872,245 | — |
| **Depreciation (closing balance)** | **(686,442,745)** | **(2,792,940,043)** | **(105,312,784)** | **(3,584,695,572)** | **(3,208,497,035)** |
| **Net total value** | **505,020,788** | **1,533,496,902** | **45,336,750** | **2,083,854,439** | **2,211,688,949** |

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 70

| Plant, property and equipment | September 2013 | | | | | | 2012 |
|---|---|---|---|---|---|---|---|
| | Lands | Buildings | Network and transition equipment | IT infrastructure | Others | Total | |
| | (in Dominican pesos) | | | | | | |
| Gross value (opening balance) | 158,783,979 | 1,720,670,474 | 25,760,775,864 | 2,159,692,072 | 188,739,491 | 29,988,661,879 | 27,229,194,068 |
| Acquisitions | — | 108,198,102 | 1,416,882,031 | 217,768,184 | 9,377,828 | 1,752,226,145 | 2,941,068,823 |
| Disposals | — | — | (7,195,915) | (4,462,842) | (12,556) | (11,671,313) | (91,446,590) |
| Reallocations | 17,803,154 | (88,563,081) | (1,197,562,201) | (122,953,656) | (3,800,390) | (1,395,076,174) | (90,154,421) |
| **Gross value (closing balance)** | **176,587,133** | **1,740,305,495** | **25,972,899,780** | **2,250,043,758** | **194,304,373** | **30,334,140,538** | **29,988,661,879** |
| Depreciation (opening balance) | — | (814,069,448) | (13,670,410,515) | (1,529,631,424) | (101,029,288) | (16,115,140,675) | (13,384,994,371) |
| Depreciation expense | — | (157,040,625) | (1,708,852,847) | (189,288,219) | (11,563,537) | (2,066,745,228) | (2,820,831,628) |
| Disposals | — | — | 7,195,915 | 4,462,842 | 12,556 | 11,671,313 | 90,685,324 |
| Reallocation | — | 70,811,451 | 1,220,784,576 | 122,953,656 | 3,748,865 | 1,418,298,548 | — |
| **Depreciation (closing balance)** | **—** | **(900,298,622)** | **(14,151,282,871)** | **(1,591,503,145)** | **(108,831,404)** | **(16,751,916,042)** | **(16,115,140,675)** |
| **Net total value** | **176,587,133** | **840,006,873** | **11,821,616,909** | **658,540,613** | **85,472,969** | **13,582,224,497** | **13,873,521,205** |

For the period ended September 30, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 1,461

## 4—Non-current liabilities

| Non-current liabilities | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Customer deposit | 214,017,203 | 203,084,345 |
| Provisions | 301,104,336 | 343,923,698 |
| ARO provisions | 160,289,559 | 97,667,735 |
| **Total** | **675,411,098** | **644,675,778** |

## 5—Income tax

The computation of the income tax for these Interim Financial Statements is similar the one used for the Financial Statements.

### *5.1 Income tax charge*

| Income tax | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Current income tax | 1,248,913,501 | 1,103,276,284 |
| Deferred income tax | (67,028,773) | (278,722,960) |
| Dividends credits | — | (136,102,753) |
| Tax credit from Law 57-2007 incentives | (24,158,469) | (10,375,358) |
| **Total** | **1,157,726,259** | **678,075,214** |

### *5.2 Income tax receivable/liability*

| Income tax | 30 September 2013 | 31 December 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Advances of the period | 681,466,294 | 497,442,249 |
| Prior year tax credit carry forward | 272,600,314 | 796,762,816 |
| Tax credit from Law 57-2007 incentives | 24,158,469 | 10,387,949 |
| Credit arising from dividends withholdings | — | 329,753,087 |
| Current tax provision | (1,248,913,501) | (1,398,846,464) |
| **Total** | **(270,688,424)** | **235,499,637** |

### *5.3 Tax proof*

| Tax proof | 30 September 2013 | 30 September 2012 |
|---|---|---|
| | (in Dominican pesos) | |
| Profit before income tax | 4,086,262,499 | 3,326,357,767 |
| 29% Income tax rate on profit before income tax | 1,185,016,125 | 964,643,752 |
| **Tax effect of:** | | |
| Dividends credits | — | (136,102,753) |
| Impact of assets annual reevaluation for tax purpose (inflation) | (128,930,555) | (219,374,058) |
| Effect of change in tax rate on deferred income tax | (15,965,873) | — |
| Adjustment to current tax of prior year | (9,418,271) | 27,326,457 |
| Other | 127,024,833 | 41,581,815 |
| **Effective income tax** | **1,157,726,259** | **678,075,213** |
| Effective tax rate | 28.3% | 20.4% |

## 5—Income tax (Continued)

### *5.4 Deferred income tax*

| Deferred income tax | 30 September 2013 | | 31 December 2012 | |
|---|---|---|---|---|
| | Balance Sheet | Income Statement | Balance Sheet | Income Statement |
| | | (in Dominican pesos) | | |
| Provision for loyalty Program | 127,351,697 | 10,637,970 | 137,989,667 | 15,151,457 |
| Depreciable fixed assets | 1,169,040,910 | (68,145,177) | 1,100,895,733 | (257,394,884) |
| Provision for bad debts | 133,391,795 | 14,442,118 | 147,833,913 | (14,097,955) |
| Provision inventory obsolescence | 26,712,489 | (4,911,040) | 21,801,449 | (774,224) |
| Other provisions | 324,773,833 | 561,173 | 325,335,006 | (77,268,838) |
| Vacations and incentives provision | 8,945,746 | 765,535 | 9,711,281 | 1,119,279 |
| Deferred revenues/cost | 1,813,896 | 64,782 | 1,878,678 | (10,349,938) |
| Exchange difference | — | — | — | 1,554,733 |
| Deferred tax assets | 1,792,030,365 | (46,584,638) | 1,745,445,727 | (342,060,370) |
| **Deferred tax liabilities** | | | | |
| Exchange difference | (5,315,111) | 4,347,991 | (967,120) | — |
| Effect of IAS29 adjustement | (97,537,320) | (24,792,127) | (122,329,447) | 9,559,672 |
| Deferred tax liabilities | (102,852,431) | (20,444,135) | (123,296,566) | 9,559,671 |
| **Net deferred tax** | **1,689,177,934** | **(67,028,773)** | **1,622,149,161** | **(332,500,699)** |

## 6—Equity

### *6.1 Share capital*

At September 30, 2013, based on the number of issued shares at that date, ODO's share capital amounted to RD$5,800,000,000, comprising 58,000,000 shares with a par value of RD$100 each.

### *6.2 Legal reserve*

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to be used to pay dividends.

### *6.3 Dividends*

ODO's shareholders meeting approved the payment of dividends in May 2013 for a total amount of RD$1,855,350,000.

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity (accounted for as a reduction of equity in accordance with IAS 12—Income Tax). This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period.

## 7—Litigation and unrecognized contractual commitments

### *7.1 Litigation*

As of September 30, 2013, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

No significant litigation has occurred since December 31, 2012.

### *7.2 Unrecognized contractual commitments*

No event has significantly impacted the unrecognized contractual commitments since December 31, 2012.

## 8—Subsequent events

None.

**ORANGE DOMINICANA, S.A.**

Standalone Financial Statements

As of and for the two years ended December 31, 2012

Deloitte.

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**INDEPENDENT AUDITORS' REPORT**

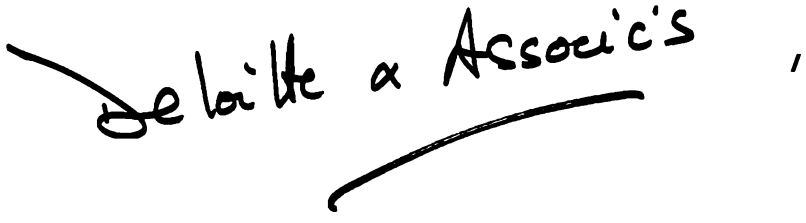
To the Board of Directors and Shareholders of Orange Dominicana

We have audited the accompanying balance sheets of Orange Dominicana (the ''Company'') as of December 31, 2012 and 2011, and the related statements of income, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards (''IFRS'') as issued by the IASB.

DELOITTE & ASSOCIES



Neuilly-sur-Seine, France
September 18, 2013

Societe anonyme au capital de 1 723 040 €
Societe d'Expertise Comptable inscrite au Tableau de l'Ordre du Conseil Regional de Paris ile-de France
Societe de Commissaires aux Comptes, membre de la Compagnie regionale de Versailles
572 028 04 t RCS Nanterre
TVA FR 02 572 028 041
Member of Deloitte Touche Tohmatsu Limited

**Orange Dominicana, S.A.**

**INDEX**


| | Page |
|---|---|
| Income statement | F-243 |
| Statement of financial position | F-244 |
| Statement of cash flows | F-245 |
| Statements of changes in equity | F-246 |
| Notes to the financial statements | F-247 |

## Orange Dominicana, S.A.

## Income statement

| Income statement | Notes | 2012 | 2011 |
|---|---|---|---|
| | | (in Dominican pesos) | |
| **Revenues** | **3.1** | **22,754,373,505** | **22,183,989,151** |
| Cost of equipment sold | 4.1 | (3,000,109,167) | (3,370,231,069) |
| Selling, distribution and traffic costs | 4.2 | (5,861,191,549) | (5,899,205,178) |
| Advertising and sponsoring costs | | (937,385,613) | (1,053,899,861) |
| Offices and technical sites costs | | (563,689,755) | (467,358,296) |
| Labor expenses | 5 | (1,174,728,970) | (1,061,299,445) |
| Corporate fees | | (582,695,613) | (580,165,980) |
| Maintenance costs | | (331,814,892) | (304,579,553) |
| Other costs and income | 4.3 | (2,572,513,250) | (1,975,054,438) |
| Depreciation and amortization | 6.1/6.2 | (3,509,204,978) | (3,354,660,775) |
| Total costs and operating expenses | | (18,533,333,788) | (18,066,454,595) |
| **Operating income** | | **4,221,039,717** | **4,117,534,556** |
| Bank commissions | | (70,778,482) | (65,901,033) |
| Interest income | | 36,522,740 | 64,620,300 |
| Foreign currency exchange gains (losses) | | 69,838,887 | 16,776,620 |
| Other | | (20,423,571) | — |
| Non-operating income (expenses) | | 15,159,574 | 15,495,887 |
| **Profit before income tax** | | **4,236,199,291** | **4,133,030,443** |
| Income tax | 7.1 | (789,931,748) | (7,803,044) |
| **Net income** | | **3,446,267,543** | **4,125,227,399** |
| Other comprehensive income | | — | — |
| **Total comprehensive income for the year** | | **3,446,267,543** | **4,125,227,399** |

## Orange Dominicana, S.A.

## Statement of financial position

| Statement of financial position | Notes | 2012 | 2011 |
|---|---|---|---|
| | | (in Dominican pesos) | |
| Intangible assets, net | 6.1 | 2,211,688,949 | 2,247,634,479 |
| Property, plant and equipment, net | 6.2 | 13,873,521,204 | 13,844,199,696 |
| Other non-current assets | | 55,133,105 | 53,018,958 |
| Deferred tax assets | 7.4 | 1,622, 149,160 | 1,289,648,460 |
| **Total non-current assets** | | **17,762,492,418** | **17,434,501,593** |
| Inventories | 4.4 | 882,961,123 | 987,614,178 |
| Trade receivables | 3.2 | 2,570,781,717 | 2,511,763,302 |
| Other receivables | 3.3 | 629,454,718 | 626,817,254 |
| Income tax receivable | 7.3 | 235,499,637 | 860,477,397 |
| Prepaid expenses | | 197,925,846 | 223,324,321 |
| Cash and cash equivalents | 8 | 1,159,590,768 | 1,144,656,534 |
| **Total current assets** | | **5,676,213,809** | **6,354,652,985** |
| **Total assets** | | **23,438,706,227** | **23,789,154,578** |
| Share capital | | 5,800,000,000 | 1,752,869,800 |
| Legal reserve | | 580,000,000 | 175,286,980 |
| Decrease (increase) in other non-current liabilities | | 1,680,984,200 | 1,680,984,200 |
| Retained earnings | | 8,182,305,384 | 12,532,661,061 |
| **Total Shareholders' equity** | **9** | **16,243,289,584** | **16,141,802,041** |
| Non-current liabilities | 6.3 | 644,675,778 | 618,016,036 |
| **Total non-current liabilities** | | **644,675,778** | **618,016,036** |
| Trade payables | 4.5 | 4,138,024,612 | 4,621,399,985 |
| Other current liabilities | 4.6 | 697,728,614 | 734,596,096 |
| Deferred income | 3.4 | 1,714,987,638 | I ,673,340,422 |
| **Total current liabilities** | | **6,550, 740,864** | **7,029,336,502** |
| **Total equity and liabilities** | | **23,438,706,227** | **23,789,154,578** |

**Orange Dominicana, S.A.**

**Statement of cash flows**

| Statement of cash flows | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| **Operating activities** | | |
| Net income | 3,446,267,543 | 4,125,227,399 |
| *Adjustments to reconcile net profit to cash provided by operating activities* | | |
| Depreciation and amortization | 3,509,204,978 | 3,354,660,775 |
| Gains (losses) on disposal | 761,266 | — |
| Change in provisions (Litigations, dismantling and others) | 67,719,013 | (279,430,828) |
| Income tax | (332,500,700) | (413,429,415) |
| *Change in inventories, accounts receivable and payable* | | |
| Decrease (increase) in inventories, net | 104,653,055 | 259,796,748 |
| Decrease (increase) in trade receivables, net | (59,018,415) | 124,215,885 |
| Decrease (increase) in other receivables, net | (2,637,465) | 493,004,912 |
| Increase (decrease) in trade payables | (483,375,372) | 152,067,437 |
| *Other changes in working capital requirements* | | |
| Decrease (increase) in prepaid expenses | 25,398,475 | (56,936,423) |
| Decrease (increase) in other non-current assets | (2,114,147) | (29,302,650) |
| Decrease (increase) in other non-current liabilities | 8,419,337 | 53,480,630 |
| Decrease (increase) in other current liabilities | 47,427,001 | 103,636,112 |
| Deferred income | 41,647,217 | (59,088,382) |
| Income tax paid | 624,977,760 | (369,650,775) |
| **Net cash provided by operating activities** | **6,996,829,544** | **7,458,251,424** |
| **Investing activities** | | |
| Purchase of PPE and intangible assets | (3,637,115,310) | (3,702,125,212) |
| **Net cash used in investing activities** | **(3,637,115,310)** | **(3,702,125,212)** |
| **Financing activities** | | |
| Dividends paid | (3,344,780,000) | (3,252,300,000) |
| **Net cash used in financing activities** | **(3,344,780,000)** | **(3,252,300,000)** |
| Net increase (decrease) in cash and cash equivalents | 14,934,234 | 503,826,212 |
| Cash and cash equivalents—opening balance | 1,144,656,534 | 640,830,322 |
| **Cash and cash equivalents—closing balance** | **1,159,590,768** | **1,144,656,534** |

## Orange Dominicana, S.A.

## Statement of change in equity

| Statements of changes in equity | Capital | Legal Reserve | Hyperinflation reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| | | | (in Dominican pesos) | | |
| **Balance at 12/31/2010** | 1,752,869,800 | 175,286,980 | 1,680,984,200 | 11,659,733,662 | 15,268,874,642 |
| Net income | — | — | — | 4,125,227,399 | 4,125,227,399 |
| Other comprehensive income | — | — | — | — | — |
| **Total comprehensive income** | **—** | **—** | **—** | **4,125,227,399** | **4,125,227,399** |
| Dividends paid (note 9.3) | — | — | — | (3,252,300,000) | (3,252,300,000) |
| **Balance at 12/31/2011** | **1,752,869,800** | **175,286,980** | **1,680,984,200** | **12,532,661,061** | **16,141,802,041** |
| Net income | — | — | — | 3,446,267,543 | 3,446,267,543 |
| Other comprehensive income | — | — | — | — | — |
| **Total comprehensive income** | **—** | **—** | **—** | **3,446,267,543** | **3,446,267,543** |
| Dividends paid (note 9.3) | — | — | — | (3,344,780,000) | (3,344,780,000) |
| Transfer to legal reserve | — | 404,713,020 | — | (404,713,020) | — |
| Capital increase | 4,047,130,200 | — | — | (4,047,130,200) | — |
| **Balance at 12/31/2012** | **5,800,000,000** | **580,000,000** | **1,680,984,200** | **8,182,305,384** | **16,243,289,584** |

## Note 1—Description of business and basis of preparation of the standalone financial statements

### *1.1 Description of business*

Orange Dominicana, S.A. (hereafter called ''ODO''), a company incorporated in accordance with the Dominican Republic laws, began operations on November 13th 2000. ODO is an indirectly wholly-owned subsidiary of Orange S.A., a French listed company.

ODO operates under a service concession agreement for the operation of telecommunications services.

ODO provides consumers, businesses and other telecommunication operators with a wide range of services including mobile telecommunications, data transmission and other value added services.

### *1.2 Basis of presentation and purpose of the financial statements*

These financial statements have been prepared in the context of the proposed sale of ODO by its sole shareholder and for use in any offering documents relating to securities that may be offered by ODO.

They have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The principles applied to prepare financial data are based on:

- all standards and interpretations compulsory as of December 31, 2012;
- the recognition and measurement alternatives allowed by the IFRSs:

| Standard | | Alternative used |
|---|---|---|
| IAS 2 . . . . . | Inventories | Measurement of inventories determined by the weighted average unit cost method |
| IAS 16 . . . . . | Property, Plant and Equipment | Measurement at amortized historical cost |
| IAS 38 . . . . . | Intangible Assets | Measurement at amortized historical cost |

- the available exemptions regarding the retrospective application of IFRSs at the transition date (January 1, 2004 for ODO):

| Standard | | IFRS 1 alternative used |
|---|---|---|
| IAS 16 and IAS 38 . . . . . | Property, Plant and Equipment and Intangible Assets | Measurement of property, plant and equipment and intangible assets at historical cost |

In the absence of any accounting standard or interpretation, management uses its judgment to define and apply an accounting policy that will result in relevant and reliable information, such that the financial statements:

- present fairly the ODO's financial position, financial performance and cash flows;
- reflect the economic substance of transactions;
- are neutral;
- are prepared on a prudent basis; and
- are complete in all material respects.

### *1.3 Standards and interpretations compulsory after December 31, 2012 with no early application elected by ODO*

IFRS 13—Fair value measurement—defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements, including the fair value hierarchy already set out in

**Note 1—Description of business and basis of preparation of the standalone financial statements (Continued)**

IFRS 7. This standard is applicable prospectively and has no expected effect on the fair value currently measured by ODO.

***1.4 Use of estimates and judgment***

In preparing ODO's financial statements, the management makes 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 or experience. Consequently, estimates made at December 31, 2012 may subsequently be changed.

ODO's management also uses its 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 |
|---|---|---|
| Note 3.1 . . . . . | Revenue | Identification of separable components of a bundled offer based on the individual components relative fair value |
| | | Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship |
| | | Reporting of revenue on a net versus gross basis (depending on an analysis of the ODO's involvement as either principal or agent) |
| Note 4 . . . . . | Purchases and other expenses | Provision for claims and litigation: assumptions underlying legal assessment and risk measurement |
| Note 6 . . . . . | Property, plant and equipment, intangible assets | Assessment of assets' useful life based on assessment of the technological, legal or economic environments |
| Note 7 . . . . . | Income tax | 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 |
| | | Assumptions used for recognition of deferred tax assets arising |

**Note 2—Accounting policies**

***2.1 Financial statements preparation principle***

**Presentation**

**Income statement**

Expenses are presented in the income statement based on their nature.

Operating income corresponds to net income before:

- finance income;
- finance costs;

**Note 2—Accounting policies (Continued)**

- income tax (current and deferred taxes) .

**Statement of financial position**

Current and non-current items are presented separately in the statement of financial position: assets and liabilities with a term of no more than twelve months are classified as current whereas, assets and liabilities with a term of more than twelve months are classified as noncurrent.

**Statement of cash flows**

The statement of cash flows is reported using the indirect method starting with the net income and is broken down into three categories:

- cash flows arising from operating activities (including finance costs and income taxes);
- cash flows arising from investing activities (mainly purchase and disposal of intangible and tangible assets);
- cash flows arising from financing activities (dividends paid).

**Foreign operations**

The financial statements are expressed in Dominican pesos.

Monetary assets and liabilities in foreign currency are translated into Dominican pesos at the year-end exchange rate at the end of each reporting period and the resulting translation differences are recorded in:

- in operating income for commercial transactions;
- in finance income or finance costs for financial transactions.

Foreign operations are recorded on initial recognition at the spot exchange rate at the date of the transaction.

***2.2 Revenues***

**Revenues**

**Revenues from ODO's activities are recognized as follows:**

**Separable components of bundled offers**

Certain service offers include two components: an equipment component (e.g. a mobile handset) and a service component (e.g. a talk plan).

For the sale of multiple products or services, ODO evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting. A delivered item is considered a separate unit of accounting if (i) it has value to the customer on a standalone basis and (ii) there is objective and reliable evidence of the fair value of the undelivered item(s). The total fixed or determinable amount of the arrangement is allocated to the separate units of accounting based on its relative fair value. However, when an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount. This case arises when selling bundled offers that include a handset sold at a discounted price and a telecommunications service contract. The handset is considered to have value on a standalone basis to the customer, and there is objective and reliable evidence of fair value for the telecommunications service to be delivered. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognized for the handset sale is generally limited to the amount of the arrangement that is not

**Note 2—Accounting policies (Continued)**

contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

For offers that cannot be separated into identifiable components, revenues are recognized in full over the life of the contract. The main example is connection to the service: this does not represent a separately identifiable transaction from the subscription and communications, and connection fees are therefore recognized over the average expected life of the contractual relationship.

**Equipment sales**

Revenues from mobile sales are recognized when the significant risks and rewards of ownership are transferred to the buyer.

When equipment—associated to the subscription of telecommunication services—is sold by a third party retailer who purchases it from ODO and receives a commission for signing up the customer, the related revenue is:

- recognized when the equipment is sold to the end-customer;
- measured by ODO taking into account the best estimate of the retail price and any subsidies granted to the retailer at the time of the sale and passed on to the end-customer in the form of a rebate on the equipment

**Service revenues**

Considerations from telephone service are recognized in revenue on a straight-line basis over the subscription period.

Revenue for airtime usage and messaging by customers is recognized as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

**Loyalty programs**

Points awarded to customers are treated as a separable component to be delivered in the transaction that triggered the acquisition of points. Part of the invoiced revenue is allocated to these points based on their fair value taking into account an estimated utilization rate, and deferred until the date at which the points are definitively converted into benefits. Fair value is defined as the excess price over the sales incentive that would be granted to any new customer. This principle is applied for both types of loyalty programs that exist within ODO, those with and those without a contractual renewal obligation.

**Trade receivables**

The trade receivables are mainly short-term, bearing no interest rate and measured at original invoice amount.

The valuation allowance on trade receivables is determined as follows:

- for mobile telephone services: the allowance is computed based on expected loss rates depending upon their aging. These rates are reviewed and adjusted periodically. When a client is determined to be in bankruptcy or subject to equivalent judicial proceedings, the associated receivables are then excluded from the statistical database and individually written-off;
- for dealers, wholesalers, interconnection (local and roaming) and carriers: the impairment loss is determined on a case by case analysis based on the ODO's experience.

**Note 2—Accounting policies (Continued)**

***2.3 Purchases and operating expenses***

**Subscriber acquisition and retention costs**

Subscriber acquisition and retention costs, other than loyalty programs costs, are recognized as an expense for the period in which they are incurred.

**Advertising and sponsoring costs**

Advertising, promotion, sponsoring, communications and brand marketing costs are expensed as incurred.

**Inventories**

The inventories comprise mainly mobile handsets either located in ODO's premises or at distributors until the customer service activation.

The inventories are stated at the lower of cost or net realizable value taking into account expected revenues from the sales of mobile phones. Cost corresponds to purchase cost determined using the weighted average cost method.

**Trade payables**

Payables are recorded at their nominal value

**Provisions and contingent liabilities**

**Provisions**

In the ordinary course of business, ODO is involved in certain legal and arbitration proceedings and administrative actions.

The costs which may result from these proceedings are accrued when ODO has a present obligation towards a third party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of that liability can be quantified or estimated within a reasonable range. The amount of provision recorded is based on a case-by-case assessment of the risk level, and events arising during the course of legal proceedings may require a reassessment of this risk.

**Contingent liabilities**

Contingent liabilities are:

- possible obligations that are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within ODO's control; or
- present obligations arising from past events that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

***2.4 Employee benefits***

Labor costs are expensed as incurred including social costs contributed by the Company in accordance with the law 87-01.

Employees are not provided with postemployment benefits.

**Note 2—Accounting policies (Continued)**

***2.5 Intangible assets, property, plant and equipment***

**Intangible assets**

Intangible assets comprise mainly licenses for software and international telecommunication, frequency rights and Indefeasible Rights of Use (IRUs).

IRUs acquired by ODO correspond to the right to use cable or capacity transmission cable granted for a fixed period. They are recognized as an asset when ODO has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life.

**Property, plant and equipment**

Property, plant and equipment comprised mainly network equipment.

The gross value of tangible assets corresponds to their acquisition or production cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Due to 2004 and 2005 hyperinflation in Dominican Republic, ODO restated its 2004 and 2005 financial statements applying IAS 29 Financial Reporting in Hyperinflationary Economies and adjusted consequently the gross value of assets with the corresponding balance within Shareholders' equity (i.e. Hyperinflation reserve).

The cost of networks includes design and construction costs. Maintenance and repair costs are expensed as incurred, except where they increase the asset's productivity or extend its useful life.

**Depreciation**

Assets are depreciated, generally with no residual value, on a basis that reflects the pattern in which their future economic benefits are expected to be consumed. The straight-line basis is usually applied. The useful lives are reviewed annually and are adjusted if current estimated useful lives differ from previous estimates: these changes in accounting estimates are recognized prospectively.

| Main assets categories | Useful life (in years) |
|---|---|
| Licences | 3–5 |
| Frequencies | 10–15 |
| IRU (Indefeasible rights of use) | 10–15 |
| Buildings | 30 |
| Antennas and technical equipment (sites) | 8–28 |
| Other technical equipment | 3–8 |
| Office material and software | 3–5 |
| Office furniture and equipment | 5–10 |
| Leasehold improvements | 10 |

**Dismantling**

ODO is required to dismantle equipment and restore sites.

The provision is based on dismantling costs (on a per-unit basis for telephone poles, terminals and public phones, and on a per-site basis for mobile antennae) incurred by ODO to meet its environmental commitments and annual estimated asset dismantling and site restorations. The provision is assessed on the basis of the identified costs for the current financial year, extrapolated for future years using the best estimate of the commitment settlement. It is discounted at a risk-free rate. This estimate is revised annually and adjusted where appropriate against the asset to which it relates.

## Note 2—Accounting policies (Continued)

### *2.6 Income tax*

Current tax is measured by ODO at the amount expected to be paid or recovered from the taxation authorities, based on its interpretation with regard to the application of tax legislation.

Deferred taxes are recognized for all temporary differences between the book values of assets and liabilities and their tax basis, using the liability method. Deferred tax assets are recognized only when their recovery is considered probable.

Deferred tax assets and liabilities are not discounted.

At reporting period end, ODO reviews the recoverable amount of the deferred tax assets.

In accordance with these principles, ODO calculates the tax assets, liabilities and accruals recognized in the statement of financial position based on the technical merits of the positions it defends versus that of the tax authorities.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the assets will be realized and the liabilities settled on the basis of tax rates in force or substantially in force at the period end.

### *2.7 Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash at banks as well as short-term investments with an original maturity of three months or less from the date of acquisition.

## Note 3—Sales

### *3.1 Revenues*

| Revenues | 2012 | 2011 |
|---|---|---|
| | (in thousand Dominican pesos) | |
| Mobile | 19,436,051 | 18,820,409 |
| Wholesale | 1,662,446 | 1,729,426 |
| Internet | 507,036 | 351,824 |
| Equipment | 866,134 | 977,656 |
| Other | 282,707 | 304,674 |
| **Revenues** | **22,754,374** | **22,183,989** |

### *3.2 Trade receivables*

| Trade receivables | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Customers (gross) | 3,058,316,537 | 2,966,998,426 |
| Provision for doubtful accounts | (487,534,820) | (455,235,124) |
| **Customers (net of provision)** | **2,570,781,717** | **2,511,763,302** |

The aging balance of gross trade receivables is as follows:

| Customers (gross) | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Not due or less than 30 days | 1,884,738,022 | 1,698,317,346 |
| Between 30 and 60 days | 654,176,575 | 744,877,784 |
| Between 60 and 90 days | 181,345,679 | 208,275,360 |
| More than 90 days | 338,056,261 | 315,527,936 |
| **Revenues** | **3,058,316,537** | **2,966,998,426** |

## Note 3—Sales (Continued)

### *3.3 Other receivables*

| Other receivables | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Advances to suppliers | 296,156,659 | 367,033,548 |
| VAT | 158,393,560 | 183,553,810 |
| Cash pooling—current account | 135,623,414 | 33,157,227 |
| Others | 39,281,085 | 43,072,668 |
| **Total** | **629,454,718** | **626,817,253** |

### *3.4 Deferred income*

| Deferred income | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Prepaid telephone cards | 768,069,643 | 798,076,352 |
| Loyalty program | 511,072,839 | 528,072,839 |
| Monthly fee | 130,045,686 | 156,357,506 |
| Handsets | 237,384,310 | 129,344,806 |
| Sim & Kit | 68,415,159 | 61,488,918 |
| **Total** | **1,714,987,638** | **1,673,340,422** |

## Note 4—Purchases and other expenses

### *4.1 Cost of equipment sold*

The costs of equipment sold comprise purchases of handsets and other Sim and phone cards, as well as all costs directly attributable to them (mainly import duties and freight charges).

| Cost of equipment sold | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Terminals | 2,691,685,132 | 2,995,259,870 |
| SIM cards | 134,380,975 | 160,659,833 |
| Import duties and freight costs | 123,264,823 | 135,181,721 |
| Phone cards | 50,750,362 | 73,841,184 |
| Accessories | (168,291) | 5,293,548 |
| Other | 196,166 | (5,088) |
| **Total** | **3,000,109,167** | **3,370,231,069** |

### *4.2 Selling, distribution and traffic costs*

| Selling, distribution and traffic costs | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Selling and distribution costs | 2,181,628,470 | 2,279, 184,762 |
| National voice mobile terminations | 1,766,511,266 | 1,835,171,015 |
| National voice fixed line terminations | 222,273,638 | 182,577,887 |
| International terminations | 497,571,059 | 467,727,888 |
| Data terminations (SMS) | 215,589,932 | 219,120,848 |
| International roaming | 76,658,280 | 95,913,747 |
| Other | 900,958,905 | 819,509,031 |
| **Total** | **5,861,191,549** | **5,899,205,178** |

## Note 4—Purchases and other expenses (Continued)

### *4.3 Others*

| Other costs and income | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Other income | 127,281,750 | 197,485,171 |
| Purchase of services | (453,543,414) | (381,759,212) |
| Network energy | (432,777,929) | (380,859,081) |
| Consulting. contractors & prof. serv. | (309,892,025) | (300,352,526) |
| Bad debt expense | (212,931,032) | (150,677,752) |
| IT expenses | (178,198,199) | (154,500,762) |
| Temporary staff/interim net[(a)] | (78,477,569) | (97,732,906) |
| Purchases of supplies | (137,730,818) | (126,324,827) |
| Operating tax | (137,062,235) | (143,214,269) |
| Other | (759,181,779) | (437,118,274) |
| **Total** | **(2,572,513,250)** | **(1,975,054,438)** |

(a) The temporary labor expenses attributable to the network development are net of costs capitalized (RD$ 71,335,720 and RD$ 41,264,818, respectively for 2012 and 2011).

### *4.4 Inventories*

| Inventories (net) | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| ODO's warehouse | 572,890,663 | 752,394,474 |
| ODO's distributors (dealers) | 310,070,460 | 235,219,703 |
| **Total** | **882,961,123** | **987,614,178** |

### *4.5 Trade payables*

| Trade payable | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Fixed assets and operating suppliers | 3,044,652,663 | 2,714,255,359 |
| Merchandises suppliers | 540,481,470 | 720,110,475 |
| Related companies (see note 11) | 314,449,212 | 506,839,042 |
| Distributors (dealers) | 229,265,172 | 316,863,286 |
| Others | 9,176,095 | 363,331,823 |
| **Total** | **4,138,024,612** | **4,621,399,985** |

### *4.6 Other current liabilities*

| Other current liabilities | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Taxes and VAT | 455,803,544 | 509,329,982 |
| Staff bonuses | 213,293,577 | 203,296,978 |
| Vacations and other | 28,631,492 | 21,969,136 |
| **Total** | **697,728,613** | **734,596,096** |

## Note 5—Labor expenses

| Labor expenses | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Salaries and wages | 758,861,075 | 663,868,224 |
| Employee profit sharing | 167,749,604 | 163,120,309 |
| Social contribution | 143,296,628 | 131,902,106 |
| Other | 104,821,663 | 102,408,807 |
| **Total** | **1,174,728,970** | **1,061,299,445** |

The labor expenses attributable to the network development have been capitalized in 2012 and 2011, for RD$266,039,069 and RD$292,084,111 respectively.

## Note 6—Intangible assets, property, plant and equipment

### *6.1 Intangible assets*

| | 2012 | | | | |
|---|---|---|---|---|---|
| **Intangible assets** | **Frequencies** | **Software licenses & IRU** | **Right of use corporate solutions** | **Total** | **2011** |
| | (in Dominican pesos) | | | | |
| Gross value (opening balance) | 1,188,849,360 | 3,480,175,483 | 113,085,520 | 4,782,110,363 | 4,080,480,827 |
| Acquisitions | 3,827,587 | 672,451,456 | 19,767,444 | 696,046,488 | 703,448,586 |
| Disposals | — | (14,352,199) | — | (14,352,199) | (1,149,249) |
| Reallocations | — | (43,618,668) | — | (43,618,668) | (669,801) |
| **Gross value (closing balance)** | **1,192,676,947** | **4,094,656,073** | **132,852,964** | **5,420,185,983** | **4,782,110,363** |
| Depreciation (opening balance) | (485,284,295) | (1,993,330,005) | (55,861,583) | (2,534,475,883) | (1,847,464,480) |
| Depreciation expense | (108,039,906) | (546,298,310) | (34,035,134) | (688,373,350) | (688,279,238) |
| Disposals | — | 14,352,199 | — | 14,352,199 | 1,149,249 |
| Reallocation | — | — | — | — | 118,585 |
| **Depreciation (closing balance)** | **(593,324,201)** | **(2,525,276,116)** | **(89,896,717)** | **(3,208,497,035)** | **(2,534,475,883)** |
| **Net total value** | **599,352,746** | **1,569,379,956** | **42,956,247** | **2,211,688,949** | **2,247,634,479** |

### *6.2 Plant, property and equipment*

| | 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Plant, property and equipment** | **Lands** | **Buildings** | **Network and transition equipment** | **IT infrastructure** | **Others** | **Total** | **2011** |
| | (in Dominican pesos) | | | | | | |
| Gross value (opening balance) | 157,705,194 | 1,532,467,464 | 23,526,966,922 | 1,847,467,428 | 164,587,060 | 27,229,194,068 | 24,207,301,424 |
| Acquisition | 1,078,785 | 190,743,505 | 2,385,800,052 | 339,294,050 | 24,152,431 | 2,941,068,823 | 2,998,676,625 |
| Disposals | — | (2,540,496) | (66,541,612) | (22,364,483) | — | (91,446,590) | (105,763,769) |
| Reallocations | — | — | (85,449,498) | (4,704,924) | — | (90,154,421) | 128,979,787 |
| **Gross value (closing balance)** | **158,783,979** | **1,720,670,474** | **25,760,775,864** | **2,159,692,072** | **188,739,491** | **29,988,661,879** | **27,229,194,067** |
| Depreciation (opening balance) | — | (625,395,394) | (11,358,045,050) | (1,323,052,269) | (78,501,658) | (13,384,994,371) | (10,810,256,183) |
| Depreciation expense | — | (191,184,156) | (2,378,353,041) | (228,766,800) | (22,527,631) | (2,820,831,628) | (2,666,381,537) |
| Disposals | — | 2,510,103 | 65,987,577 | 22,187,645 | — | 90,685,324 | 105,763,769 |
| Reallocation | — | — | — | — | — | — | (14,120,420) |
| **Depreciation (closing balance)** | **—** | **(814,069,448)** | **(13,670,410,515)** | **(1,529,631,424)** | **(101,029,288)** | **(16,115,140,675)** | **(13,384,994,371)** |
| **Net total value** | **158,783,979** | **906,601,026** | **12,090,365,349** | **630,060,648** | **87,710,203** | **13,873,521,205** | **13,844,199,696** |

## Note 6—Intangible assets, property, plant and equipment (Continued)

### *6.3 Non-current liabilities*

| Non-current liabilities | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Customer deposit | 203,084,345 | 215,088,579 |
| Provisions | 343,923,698 | 273,004,686 |
| ARO provisions | 97,667,735 | 129,922,770 |
| **Total** | **644,675,778** | **618,016,036** |

## Note 7—Income tax

### *7.1 Income tax charge*

| Income tax | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Current income tax | 1,462,560,893 | 1,306,410,817 |
| Deferred income tax | (332,500,700) | (413,429,415) |
| Dividends credits | (329,753,087) | (874,803,000) |
| Tax credit from Law 97-2007 incentives | (10,375,358) | (10,375,358) |
| **Total** | **789,931,748** | **7,803,044** |

### *7.2 Tax proof*

| Tax proof | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Profit before income tax | 4,236,199,291 | 4,133,030,444 |
| 29% Income tax rate on profit before income tax | 1,228,497,795 | 1,198,578,829 |
| **Tax effect of:** | | |
| Dividends credits | (329,753,087) | (874,803,000) |
| Impact of assets annual reevaluation for tax purpose (inflation) | (168,732,345) | (251,895,805) |
| Effect of change in tax rate on deferred income tax | (46,475,938) | (54,323,859) |
| Adjustment to current tax of prior year | 63,714,428 | 2,124,401 |
| Other | 42,680,895 | (11,877,522) |
| **Effective income tax** | **789,931,748** | **7,803,044** |
| Effective tax rate | 18.6% | 0.2% |

### *7.3 Income tax receivable*

| Income tax | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Advances of the period | 497,442,249 | 1,281,709,849 |
| Prior year tax credit carry forward | 796,762,816 | — |
| Tax credit from Law 97-2007 incentives | 10,387,949 | 10,375,358 |
| Credit arising from dividends withholdings | 329,753,087 | 874,803,000 |
| Adjustment to previous year tax | — | (2,124,401) |
| Current tax provision | (1,398,846,464) | (1,304,031,071) |
| Others | — | (255,338) |
| **Total** | **235,499,637** | **860,477,397** |

## Note 7—Income tax (Continued)

### *7.4 Deferred income tax*

| Deferred income tax | 2012 Balance Sheet | 2012 Income Statement | 2011 Balance Sheet | 2011 Income Statement |
|---|---|---|---|---|
| | | (in Dominican pesos) | | |
| Provision for loyalty Program | 137,989,667 | 15,151,457 | 153,141,122 | (30,813,196) |
| Depreciable fixed assets | 1,100,895,733 | (257,394,884) | 843,500,849 | (268,181,067) |
| Provision for bad debts | 147,833,913 | (14,097,955) | 133,735,958 | (27,675,400) |
| Provision inventory obsolescence | 21,801,449 | (774,224) | 21,027,225 | 10,120,454 |
| Other provisions | 325,335,006 | (77,268,838) | 248,066,168 | (66,175,285) |
| Vacations and incentives provision | 9,711,281 | 1,119,279 | 10,830,560 | (3,751,988) |
| Deferred revenues/cost | 1,878,678 | (10,349,938) | | |
| Exchange difference | — | 1,554,733 | 587,613 | (587,613) |
| Deferred tax assets | 1,745,445,727 | (342,060,370) | 1,410,889,495 | (387,064,095) |
| **Deferred tax liabilities** | | | | |
| Exchange difference | (967,120) | — | — | (471,817) |
| Deferred revenues/costs | — | — | (8,471,260) | (2,582,493) |
| Effect of IAS29 adjustement | (122,329,447) | 9,559,672 | (112,769,775) | (23,311,010) |
| Deferred tax liabilities | (123,296,566) | 9,559,672 | (121,241,035) | (26,365,320) |
| **Net deferred tax** | **1,622,149,160** | **(332,500,699)** | **1,289,648,460** | **(413,429,415)** |

The Jaw No.309-12 was enacted on December 7, 2012, with the objective of granting the possibility of a tax amnesty to tax payers regarding the following taxes: income tax, value added tax, asset tax, transfer tax, inheritance tax, property taxes and customs taxes. The main benefits of the tax amnesty include closing fiscal periods up to 2011 for tax audit purposes; waive of penalties regarding existing tax liabilities, including those appealed by the tax payer. Orange did not apply for the tax amnesty.

## Note 8—Cash and cash equivalents

| Cash and cash equivalents | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| Cash on hand | 944,811 | 1,901,350 |
| Cash at banks | 1,158,645,957 | 1,142,755,184 |
| **Total** | **1,159,590,768** | **1,144,656,534** |

## Note 9—Equity

### *9.1 Share capital*

The shareholders' meeting decided the conversion of the retained earnings into share capital on December 19, 2012. The share capital therefore, increased by 38,000,000 shares, and is now made of 58,000,000 shares each at a par value of RD$100. There are no outstanding shares as of December 31, 2012.

### *9.2 Legal reserve*

In accordance with the article 58 of the commercial Code of the Dominican Republic, the legal reserve is annually contributed by 5% of the net income until the total amount equals 10% of paid-in capital. This reserve cannot be capitalized, transferred to retained earnings or to use to pay dividends.

## Note 9—Equity (Continued)

### *9.3 Dividends*

ODO's shareholders meeting approved the payment of dividends in April, September and November 2012 for a total amount of RD$469,320,000; 667,760,000 and RD$2,207,700,000 respectively.

The Tax Reform Act, No. 253-12, enacted on November 9, 2012 establishes a 10% withholding tax on dividends due by the distributing entity. This new act supersedes the prior regime that consisted in a 29% withholding tax on dividends, which was subsequently refunded as a tax credit to the distributing entity, in the same fiscal period. The dividends paid in April and September 2012 were taxed under the former regime.

## Note 10—Foreign currency

ODO is exposed to foreign exchange risk due both to its revenues and purchases denominated in US dollars and euros. As a consequence, these foreign operations have a direct effect on the operating, finance income and the trade receivables and payables.

| Breakdown by currency | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| **Revenues** | | |
| DOP | 16,471,989,318 | 15,771,264,887 |
| EUR | 265,314,558 | 310,906,548 |
| USD | 6,017,069,386 | 6,101,817,717 |
| Multi currencies (Gas & Electricity) | 242 | — |
| **Total** | **22,754,373,505** | **22,183,989,151** |
| **Operating expenses** | | |
| DOP | (5,829,181,877) | (5,296,843,738) |
| EUR | (1,077,968,440) | (1,095,284,532) |
| USD | (7,581,584,880) | (7,842,386,587) |
| Multi currencies (Gas & Electricity) | (535,393,613) | (477,278,963) |
| **Total** | **(15,024,128,810)** | **(14,711,793,820)** |
| **Capex** | | |
| DOP | (1,533,906,442) | (1,714,898,981) |
| EUR | (901,068,402) | (683,153,573) |
| USD | (1,202,140,466) | (1,304,072,658) |
| **Total** | **(3,637,115,310)** | **(3,702,125,212)** |

## Note 11—Related parties transactions

ODO's financial position and income statement elements with Orange SA and its subsidiaries is detailed below:

| Related parties transactions | 2012 | 2011 |
|---|---|---|
| | (in Dominican pesos) | |
| **Statement of financial position** | | |
| Accounts receivable | 29,223,556 | 32,674,022 |
| Cash pooling—current account[a] | 135,623,414 | 33,157,227 |
| Accounts payable | (314,449,212) | (506,839,042) |
| **Income statement** | | |
| Revenue (Traffic, interconnection and other income) | 218,902,968 | 161,468,498 |
| Selling, distribution and traffic costs | (66,186,205) | (67,159,342) |
| Brand fees[b] | (351,549,524) | (336,388,654) |
| Corporate management fees[c] | (231,146,089) | (243,777,326) |
| General maintenance and services | (9,896,989) | (8,221,594) |
| Other operating expenses, net | (102,414,970) | (100,489,891) |
| Other operating income | 12,636,008 | — |

(a) In February 2009, Orange SA and ODO signed a centralized treasury management agreement (CTMA). Orange S.A. thus optimizes the Group liquidity. ODO lends or borrows its cash surplus/needs through a current account with Orange SA. The cash pooling accounts bear interest which is calculated on a daily balance and on a daily basis using:

- for the EUR account: EONIA rate for a credit balance and EONIA plus 2.15% margin for a debit balance
- for the USD account: LIBOR Overnight rate for a credit balance and LIBOR Overnight plus 2.15% margin for a debit balance

(b) The utilization of the Orange brand name is defined in a brand license agreement signed with Orange Group and costs a 1.6% fee of the ODO's monthly operating revenue.

(c) Management fees are determined in accordance with an agreement signed with Orange SA and are charged using a 1.03% on the monthly contributive operational revenue in 2012.

## Note 12—Unrecognized contractual commitments

### *12.1Leasing commitments*

| Rental commitments by year of expiration | <1 year | 1 - 5 years | over 5 years | Total |
|---|---|---|---|---|
| | | (in Dominican pesos) | | |
| **Total** | **474,094,831** | **1,100,473,583** | **400,133,861** | **1,974,702,275** |

The Company enters into operating lease agreements in its ordinary course of business (mainly commercial offices and antennas sites).

### *12.2Other purchase and investment commitments*

| Other purchase and investment commitments | 2012 |
|---|---|
| | (in Dominican pesos) |
| Other opex commitments | 458,756,888 |
| Cap ex commitments | 965,744,919 |
| Handset purchase commitments | 631,578,716 |

- Other opex commitment are relating to marketing, network, gas distribution and civil engineering.
- Capital expenditures mainly related to network projects.

### Note 13—Litigation

As of December 31, 2012, ODO is party to certain judicial procedures with former distributors or dealers, for which no provision is recorded as ODO considers at this stage of the procedure that the claims are without merit.

### Note 14—Subsequent events

None.

**ALTICE S.A.**

Unaudited Illustrative Aggregated Selected Combined Financial Information

as of and for the years ended December 31, 2012 and December 31, 2011

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

**ASSURANCE REPORT OF THE REVISEUR D'ENTREPRISES AGREE ON THE COMPILATION OF UNAUDITED ILLUSTRATIVE AGGREGATED SELECTED COMBINED FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of the Unaudited Illustrative Aggregated Selected Combined Financial Information of Altice S.A. (the ''Company'') by its Board of Directors (the ''Board of Directors''). The Unaudited Illustrative Aggregated Selected Combined Financial Information consists of selected statement of income and cash flow items for the years ended December 31, 2011 and December 31, 2012 (the ''Selected Items'') and related notes as set out in the Prospectus issued by the Company on or around January 31, 2014. The applicable criteria on the basis of which the Board of Directors has compiled Unaudited Illustrative Aggregated Selected Combined Financial Information are described in Note 1 thereto.

The Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled by the Board of Directors to illustrate the impact of the transactions set out in Note 1 on the Selected Items as if the transactions described in Note 1 (the ''Transactions'') had taken place on January 1, 2011. As part of this process, the Selected Items pertaining to the Company have been extracted by the Board of Directors from the Company's combined financial statements as of and for the years ended December 31, 2012 and December 31, 2011 on which an audit report has been published. Also, the Selected Items pertaining to the entities involved in the Transactions have been extracted by the Board of Directors from the relevant financial statements described in note 1 to the Unaudited Illustrative Aggregated Selected Combined Financial Information.

*Responsibility of the Board of Director for the Unaudited Illustrative Aggregated Selected Combined Financial Information*

The Board of Directors is responsible for compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information in accordance with the basis of preparation described in Note 1.

*Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion, about whether the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, by the Board of Directors in accordance with the basis of preparation described in Note 1.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the *réviseur d'entreprises agréé* complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Unaudited Illustrative Aggregated Selected Combined Financial Information in accordance with the basis of preparation described in Note 1.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Illustrative Aggregated Selected Combined Financial Information.

The purpose of the Unaudited Illustrative Aggregated Selected Combined Financial Information included in an Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events have occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at any date would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, in accordance

with the criteria within a defined basis of preparation involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Unaudited Illustrative Aggregated Selected Combined Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Illustrative Aggregated Selected Combined Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the judgment of the *réviseur d'entreprises agréé*, having regard to the *réviseur d'entreprise agréé*'s understanding of the nature of the company, the event or transaction in respect of which the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Illustrative Aggregated Selected Combined Financial Information.

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

*Opinion*

In our opinion, the Unaudited Illustrative Aggregated Selected Combined Financial Information has been compiled, in all material respects, in accordance with the basis of preparation described in Note 1 thereto.

*Restriction on distribution and use*

The Unaudited Illustrative Aggregated Selected Combined Financial Information has been prepared for the purposes of inclusion within the Prospectus issued by the Company on or around January 31, 2014. As a result, the Unaudited Illustrative Aggregated Selected Combined Financial Information may not be suitable for any other purpose. Our report has been prepared solely for inclusion in the aforementioned Prospectus and may not be suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 9, 2014

## Altice S.A.

## Unaudited illustrative aggregated selected financial information

### (a) Selected Aggregated Statement of Income Items

| For the year ended December 31, 2012 | Note | Historical Financial Statements (note 1a) Altice S.A. | Pre-Acquisition Financial Information (note 1b) Cabovisao 2m— 2012 | OMT 12m— 2012 | ONI 12m— 2012 | Ma Chaine Sport 12m— 2012 | SportV 12m— 2012 | Adjustments (note 2a) Other adjustments | SUBTotal | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (in € millions) | | | | | |
| **Revenues** | 3a | 1,092.4 | 19.8 | 195.1 | 117.4 | 15.9 | 1.2 | — | 349.4 | 1,441.8 |
| Purchases and subcontracting services | | (302.1) | (8.8) | (63.9) | (66.8) | (7.3) | (0.3) | 4.7 | (142.3) | (444.4) |
| **Gross profit** | 3b | 790.3 | 11.0 | 131.2 | 50.6 | 8.6 | 1.0 | 4.7 | 207.1 | 997.4 |
| Other operating expenses | 3c | (248.9) | (4.6) | (41.2) | (21.1) | (2.8) | — | 3.3 | (66.4) | (315.3) |
| Other sales and marketing expenses | 3c | (80.1) | (2.4) | (17.0) | (2.6) | (0.6) | (0.1) | — | (22.7) | (102.8) |
| General and administrative expenses | 3c | (58.2) | (1.4) | (9.9) | (13.1) | (2.6) | (0.1) | — | (27.0) | (85.2) |
| **Operating income before depreciation & amortization** | 3d | 403.1 | 2.6 | 63.1 | 13.8 | 2.6 | 0.8 | 8.1 | 91.0 | 494.1 |

| For the year ended December 31, 2011 | Note | Historical Financial Statements (note 1a) Altice S.A. | Pre-Acquisition Financial Information (note 1b) Hot 3m— 2011 | Coditel Bel-7m— 2011 | Coditel Lux-7m— 2011 | Cabovisao 12m— 2011 | OMT 12m— 2011 | ONI 12m— 2011 | Ma Chaine Sport 12m— 2011 | Adjustments (note 2a) Other adjustments | SUBTotal | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (in € millions) | | | | | | |
| **Revenues** | 3a | 784.2 | 165.1 | 28.2 | 9.5 | 123.4 | 194.3 | 115.4 | 11.3 | (5.2) | 642.0 | 1,426.2 |
| Purchases and subcontracting services | | (175.4) | (48.0) | (4.5) | (1.7) | (54.7) | (64.7) | (58.8) | (3.9) | 12.1 | (224.2) | (399.6) |
| **Gross profit** | 3b | 608.8 | 117.1 | 23.7 | 7.8 | 68.7 | 129.6 | 56.6 | 7.3 | 6.9 | 417.8 | 1,026.6 |
| Other operating expenses | 3c | (195.4) | (38.6) | (2.9) | (0.6) | (20.7) | (39.7) | (21.0) | (1.9) | 1.2 | (124.1) | (319.5) |
| Other sales and marketing expenses | 3c | (64.4) | (9.8) | (1.3) | (0.3) | (12.8) | (17.3) | (2.9) | (0.3) | 0.2 | (44.5) | (108.9) |
| General and administrative expenses | 3c | (51.3) | (5.4) | (1.6) | (0.7) | (17.7) | (11.9) | (11.1) | (1.6) | 0.3 | (49.7) | (101.0) |
| **Operating income before depreciation & amortization** | 3d | 297.7 | 63.3 | 18.0 | 6.2 | 17.5 | 60.7 | 21.5 | 3.6 | 8.6 | 199.4 | 497.2 |

### (b) Selected Aggregated Statement of Cash Flow Items

| For the year ended December 31, 2012 | Note | Historical Financial Statements (note 1a) Altice S.A. | Pre-Acquisition Financial Information (note 1b) Cabovisao 2m— 2012 | OMT 12m— 2012 | ONI 12m— 2012 | Ma Chaine Sport 12m— 2012 | SportV 12m— 2012 | Adjustments (note 2a) Other adjustments | SUBTotal | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (in € millions) | | | | | |
| **Purchases of tangibles and intangibles assets** | 3e | 347.0 | 2.8 | 28.3 | 12.7 | 7.0 | — | — | 50.8 | 397.8 |

| For the year ended December 31, 2011 | Note | Historical Financial Statements (note 1a) Altice S.A. | Pre-Acquisition Financial Information (note 1b) Hot 3m— 2011 | Coditel Bel-7m— 2011 | Coditel Lux-7m— 2011 | Cabovisao 12m— 2011 | OMT 12m— 2011 | ONI 12m— 2011 | Ma Chaine Sport 12m— 2011 | Adjustments (note 2a) Other adjustments) | SUBTotal | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (in € millions) | | | | | | |
| **Purchases of tangibles and intangibles assets** | 3e | 189.8 | 23.8 | 4.0 | 0.9 | 19.4 | 36.0 | 15.0 | 5.1 | — | 104.0 | 293.8 |

**Altice S.A.**

**Notes to the unaudited illustrative aggregated selected financial information**

## 1—Basis of preparation

The accompanying selected items from the aggregated statements of income and aggregated statements of cash flows as of and for the years ended December 31, 2011 and 2012 (collectively, the ''Unaudited Illustrative Aggregated Selected Combined Financial Information'') present an aggregation of the corresponding amounts as derived from the audited combined financial statements of Altice S.A. or its predecessor entities Altice Six S.A. and Altice VII S.à r.l. (the ''Company'') as of and for the years ended December 31, 2011 and 2012 (the ''Historical Financial Statements''), the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013; with the exception of the acquisitions described in the following paragraph; if such amounts are not already included within the Historical Financial Statements (the ''Pre-Acquisition Financial Information'') and any adjustments needed to align the Pre-Acquisition Financial Information with the accounting policies adopted for the Historical Financial Statements. Such adjustments are made where the accounting policy elections used for the Pre-Acquisition Financial Information differ substantially from the accounting policies used for the purposes of the Historical Financial Statements. The Unaudited Illustrative Aggregated Selected Combined Financial Information has not been audited or reviewed.

The Unaudited Illustrative Aggregated Selected Combined Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act nor in accordance with the requirements of Commission Regulation (EC) 809/2004, as amended, regarding pro forma information. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Company'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 any period presented, nor is it intended to be indicative of expected results of operations or cash flows in future periods or the future financial position of the Company. 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 Illustrative Aggregated Selected Combined Financial Information does not give effect to the Mobius Acquisition, the Orange Dominicana Acquisition, the Numericable Acquisition and Tricom Acquisition and therefore does not include any financial information of the Mobius Group, Orange Dominicana, Numericable or Tricom.

The Unaudited Illustrative Aggregated Selected Combined Financial Information should be read in conjunction with the assumptions underlying the adjustments which are described in the notes accompanying them below as well as the historical and other financial statements of Altice S.A. included elsewhere in the Prospectus. See ''*Presentation of Financial and Other Information—Financial Data*''.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2012 for the purposes of the unaudited pro forma condensed combined statements of income and, if applicable, on September 30, 2013 for the purposes of the unaudited condensed combined pro forma statement of financial position:

- The acquisition by Altice S.A. or its predecessor entities of:
  - 77% of the share capital of OMT Invest S.A.S.,
  - 100% of the share capital of Cabovisao S.A. in two tranches of 60% and 40% respectively,
  - 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..
- Certain adjustments to accounting policies of the above mentioned entities, in order to better reflect Company applicable accounting standards.

## 1—Basis of preparation (Continued)

### (a) Compilation of available financial information for the Company and the Acquired Businesses

The Unaudited Illustrative Aggregated Selected Combined Financial Information for the years ended December 31, 2011 and 2012 has been compiled under the responsibility of the Board of Directors of Altice S.A. (the ''Company''); by aggregating for each of the selected financial statement items the following:

- the amounts relating to the selected financial statement items as derived from the audited historical combined financial statements of the Company or its predecessor entities Altice Six S.A. and Altice VII S.à r.l. as of and for each of the years ended December 31, 2011 and 2012 (collectively the ''Historical Financial Statements'') drawn up in accordance with the basis of preparation described in the notes to the combined financial statements of the Company;
- the amounts relating to the selected financial statement items as derived from the audited or reviewed financial information of each of the business undertakings acquired between January 1, 2011 and October 15, 2013 (the ''Acquired Businesses'') for the periods during which such amounts are not included within the Historical Financial Statements (collectively the ''the Pre-Acquisition Financial Information''); and
- the amounts relating to adjustments that have been identified for the purposes of aligning the Pre-Acquisition Financial Information the accounting policies adopted by the Company for the purposes of the Historical Financial Statements (the ''Alignment Adjustments'').

### (b) The Pre-Acquisition Financial Information

The Pre-Acquisition Financial Information has been derived from the following financial information pertaining to the Acquired Businesses:

***Year ended December 31, 2011***

- the financial statements of Outremer Telecom S.A. (''OMT'') as of and for the year ended December 31, 2011 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on March 23, 2012;
- the financial statements of Coditel Brabant S.p.r.l. (''CodiBe'') as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Belgium (''Belgian GAAP''). Such financial statements have been audited by Deloitte Réviseurs d'entreprises S.c r.l. who has issued an unmodified audit opinion thereon on October 1, 2011;
- the annual accounts of Coditel S.à r.l. (''CodiLu'') as of and for the period ended July 31, 2011 drawn up in accordance with accounting policies and practices applicable in Luxembourg (''Lux GAAP''). Such annual accounts have been audited by Deloitte S.A. who has issued an unmodified audit opinion thereon on May 31, 2012;
- the special-purpose financial statements of Cabovisao S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IASB IFRS. Such financial statements have been audited by Baker Tilly, PG & Associados, SROC S.A. who has issued a modified audit opinion thereon on November 21, 2013; and
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2011 drawn up in accordance with IFRS as endorsed by the European Union. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who has issued a modified audit opinion thereon on September 25, 2013; and

**1—Basis of preparation (Continued)**

- the financial statements of Ma Chaine Sport S.A.S. (''MCS'') as of and for the year ended December 31, 2011 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who has issued an unmodified audit opinion thereon on May 31, 2012.

***Year ended December 31, 2012***

- the financial statements of Outremer Telecom S.A. (''OMT'') as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on April 18, 2013;
- the special-purpose financial statements of Cabovisao S.A. as of and for the period ended February 29, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been reviewed by Baker Tilly, PG & Associados, SROC, S.A. who has issued a modified review report thereon on October 14, 2013;
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS as endorsed by the European Union. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who has issued a modified audit opinion thereon on September 25, 2013;
- the financial statements of Ma Chaine Sport S.A.S. (''MCS'') as of and for the year ended December 31, 2012 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who has issued an unmodified audit opinion thereon on May 23, 2013; and
- the unaudited financial statements of Sportv as of and for the year ended December 31, 2012 drawn up in accordance with IFRS.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired Businesses have been modified in order to align with the presentation and classification criteria that have been retained for the purposes of the Historical Financial Statements of the Company. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the Acquired Businesses to present the Unaudited Illustrative Aggregated Selected Combined Financial Information that is aligned with the presentation and classification criteria applied by the Company in the preparation of its Historical Combined Financial Information. All the Pre-Acquisition Financial Information and Historical Financial Statements and related audit/review reports can be found attached in the Prospectus to be issued on or around January 31, 2014.

**(c) The Alignment Adjustments**

The Alignment Adjustments are primarily composed of the following elements:

- In those instances where the amounts included in the Pre-Acquisition Financial Information 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, alignment adjustments have been prepared by the Board of Directors in order to substantially align the contribution of the Acquired Businesses to the Unaudited Illustrative Aggregated Selected Combined Financial Information with the measurement and recognition criteria of IFRS. The key adjustments and any exceptions thereto are described in note 2.
- In those instances where the amounts included in the Pre-Acquisition Financial Information have been drawn up in accordance with accounting policy elections that differ substantially from the accounting policies retained by the Company for the purposes of the Historical Financial Statements no alignment adjustments have been prepared by the Board of Directors in order to substantially align the contribution of the Acquired Businesses to the Unaudited Illustrative

**1—Basis of preparation (Continued)**

Aggregated Selected Combined Financial Information with the accounting policies retained by the Company.

**(d) Translation of historical financial information denominated in currencies other than the Euro**

The historical financial statements of HOT, from which amounts have been derived in preparing the Unaudited Illustrative Aggregated Selected Combined Financial Information for the year ended December 31, 2011, have been drawn up in Israeli Shekel (''NIS''). The relevant amounts have been translated into Euro (''EUR''), for the purposes of their inclusion within the Unaudited Illustrative Aggregated Selected Combined Financial Information, using the average daily exchange rates over the relevant period as described below:

Period from January 1, 2011 to March 16, 2011 . . . . . 1 NIS = 0.201 EUR

**(e) Key limitations to the basis of preparation**

The Unaudited Illustrative Aggregated Selected Combined Financial Information for the years ended December 31, 2011 and 2012 do not purport to represent the performance, cash flows or financial position that the Company would have reported had the Acquired Businesses been subsidiaries of the Company during the entire length of the periods presented. They also do not purport to represent the performance and cash flows of the Company for any future period or its financial position at any future date. The Unaudited Illustrative Aggregated Selected Combined Financial Information do not reflect the effect of any anticipated synergies and efficiencies associated with combining the ONI group, the OMT Group and the other subsidiaries of the Altice VII Group.

In addition, only a complete set of consolidated financial statements as defined in IAS 1 can provide a fair presentation of the financial position, financial performance and cash flows of an entity in accordance with IFRS. The Unaudited Illustrative Aggregated Selected Combined Financial Information do not purport to represent a complete set of financial statements drawn up in accordance with IFRS, and are solely prepared to illustrate the aggregation of the Historical Financial Statements with the Pre-Acquisition Financial Information. In preparing the Unaudited Illustrative Aggregated Selected Combined Financial Information, the Board of Directors has determined that the extent of any transactions between the Company and the Acquired Businesses is negligible, and hence no adjustments relating to the elimination of such transactions or balances have been made.

**2—Accounting framework alignment adjustments**

**(a) Revenues and expenses**

IFRS requires discounts to be recognized as a reduction of revenues over the length of the contractual arrangement with the customer. In addition, certain expenses may be restated as capital expenditure based on the nature of the expense.

*Alignment adjustment in relation to Coditel S.à r.l.*

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. is drawn up in accordance with the measurement and recognition criteria of Lux GAAP, which does not require mandatory accounting for disconnection fees. Had Coditel S.à r.l. adopted the aforementioned measurement and recognition criteria of IFRS, illustrative adjustments result in an increase in other operating expenses of 0.1 million EUR for the year ended December 31, 2011.

The Pre-Acquisition Financial Information relating to Coditel S.à r.l. relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Unaudited Illustrative Aggregated Selected Combined Financial Information the Board of Directors recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 1.4 million EUR;

**2—Accounting framework alignment adjustments (Continued)**

(ii) other operating expenses decreased by 0.1 million EUR; (iii) general and administrative expenses decreased by 0.1 million EUR.

*Alignment adjustment in relation to Coditel Brabant S.p.r.l.*

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l. is drawn up in accordance with the measurement and recognition criteria of Belgian GAAP, which permits such discounts to be recognized immediately as a reduction to revenues at inception of the contract. Alignment adjustments have been made to record the changes that would result to revenues had Coditel S.p.r.l. adopted the aforementioned measurement and recognition criteria of IFRS. Such illustrative adjustments result in increase to revenue of 0.2 thousand EUR for the year ended December 31, 2011. In addition, Coditel Brabant also applied IFRS adjustments related to the accounting for employee pension benefits and disconnection fees, which resulted in an increase in other operating expenses of 0.3 million EUR.

The Pre-Acquisition Financial Information relating to Coditel Brabant S.p.r.l relates to the period from January 1, 2011 to July 31, 2011. For the purpose of building the Unaudited Illustrative Aggregated Selected Combined Financial Information the Board of Directors recorded the following adjustments which reflect the activity for the period from July 1, 2011 to July 31, 2011: (i) revenues decreased by 4.0 million EUR; (ii) purchases and subcontracting services decreased by 0.6 million EUR; (iii) other operating expenses decreased by 0.4 million EUR; (iv) other sales and marketing expenses decreased by 0.2 million EUR; and (v) general and administrative expenses decreased by 0.2 million EUR.

*Alignment adjustment in relation to Ma Chaîne Sport SAS.*

The Pre-Acquisition Financial Information relating to Ma Chaîne Sport S.A.S. is drawn up in accordance with the measurement and recognition criteria of French GAAP, which permits no capitalisation of costs related to the acquisition of content for delivery to final customers. Given the exclusive nature of such content, IFRS rules allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaîne Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments result in a decrease in purchasing and subcontracting costs of 3.4 million EUR and in other operating expenses of 1.1 million EUR for the year ended December 31, 2011 and 4.7 million EUR and 1.6 million EUR for the year ended December 31, 2012.

## 3—Supplements notes to the unaudited illustrative statement of selected aggregated financial statement items

The Unaudited Illustrative Aggregated Selected Financial Information for the years ended December 31, 2011 and 2012 has been compiled, under the responsibility of the Board of Directors of Altice S.A. (the ''Company''), as follows:

### (a) Revenue

The revenue account balance per segments is as follows:

| For the year ended December 31, 2012 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Cabovisao S.A. (Altice VII) | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 677.9 | 59.7 | — | 19.8 | 98.2 | 118.0 | 24.4 | 63.4 | 87.8 | 2.4 | 945.7 |
| Mobile services | 172.5 | 0.2 | — | — | — | — | — | 131.7 | 131.7 | — | 304.4 |
| B2B Others | — | 11.5 | 117.4 | — | — | 117.4 | — | — | — | 62.7 | 191.6 |
| **Total** | **850.4** | **71.3** | **117.4** | **19.8** | **98.2** | **235.4** | **24.4** | **195.1** | **219.6** | **65.2** | **1,441.8** |

| For the year ended, December 31, 2011 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 664.9 | 58.5 | — | 123.4 | 123.4 | 23.6 | 68.5 | 92.0 | 2.4 | 941.2 |
| Mobile services | 180.6 | — | — | — | — | — | 125.8 | 125.8 | — | 306.5 |
| B2B Others | — | 8.8 | 115.4 | — | 115.4 | — | — | — | 54.3 | 178.5 |
| **Total** | **845.5** | **67.3** | **115.4** | **123.4** | **238.8** | **23.6** | **194.3** | **217.9** | **56.7** | **1,426.2** |

## 3—Supplements notes to the unaudited illustrative statement of selected aggregated financial statement items (Continued)

### (b) Gross profit

The gross profit per segments is as follows:

| For the year ended December 31, 2012 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Cabovisao S.A. (Altice VII) | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 518.9 | 49.6 | — | 11.0 | 59.1 | 70.1 | 20.4 | 41.0 | 61.3 | 1.9 | 701.9 |
| Mobile services | 102.7 | 0.1 | — | — | — | — | — | 90.2 | 90.2 | — | 193.0 |
| B2B Others | — | 10.6 | 50.6 | — | — | 50.6 | — | — | — | 41.2 | 102.4 |
| **Total** | **621.7** | **60.3** | **50.6** | **11.0** | **59.1** | **120.7** | **20.4** | **131.2** | **151.5** | **43.1** | **997.4** |

| For the year ended December 31, 2011 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 510.5 | 46.8 | — | 68.7 | 68.7 | 19.8 | 44.6 | 64.4 | 1.9 | 692.4 |
| Mobile services | 149.7 | — | — | — | — | — | 85.1 | 85.1 | — | 234.7 |
| B2B Others | — | 7.8 | 56.6 | — | 56.6 | — | — | — | 35.1 | 99.5 |
| **Total** | **660.2** | **54.7** | **56.6** | **68.7** | **125.3** | **19.8** | **129.7** | **149.5** | **36.9** | **1,026.6** |

## 3—Supplements notes to the unaudited illustrative statement of selected aggregated financial statement items (Continued)

### (c) Operating expenses

| For the year ended December 31, 2012 | Total Israel<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Total BeLux<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Oni<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Cabovisao S.A.<br>Jan 1, 2012 to Feb 29, 2012<br>EUR | Cabovisao S.A. (Altice VII)<br>Mar 1, 2012 to Dec 31, 2012<br>EUR | Total Portugal<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | French Overseas Territories (Altice VII)<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | OMT<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Total French Overseas Territories<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Others<br>Jan 1, 2012 to Dec 31, 2012<br>EUR | Total<br>Jan 1, 2012 to Dec 31, 2012<br>EUR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Other operating expenses | (223.4) | (6.2) | (21.1) | (4.6) | (8.0) | (38.3) | (3.8) | (41.2) | (45.1) | (2.3) | (315.2) |
| Other sales and marketing expenses | (63.7) | (4.4) | (2.6) | (2.4) | (8.7) | (12.6) | (2.5) | (17.0) | (19.5) | (2.6) | (102.8) |
| General and administrative expenses | (29.3) | (4.1) | (13.1) | (1.4) | (10.8) | (21.8) | (2.0) | (9.9) | (11.9) | (18.2) | (85.2) |
| **Total** | **(316.5)** | **(14.7)** | **(36.8)** | **(8.4)** | **(29.2)** | **(72.7)** | **(8.3)** | **(68.1)** | **(76.4)** | **(23.0)** | **(503.3)** |

| For the year ended December 31, 2011 | Total Israel<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Total BeLux<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Oni<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Cabovisao S.A.<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Total Portugal<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | French Overseas Territories (Altice VII)<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | OMT<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Total French Overseas Territories<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Others<br>Jan 1, 2011 to Dec 31, 2011<br>EUR | Aggregated<br>Jan 1, 2011 to Dec 31, 2011<br>EUR |
|---|---|---|---|---|---|---|---|---|---|---|
| Other operating expenses | (225.8) | (6.4) | (21.0) | (20.7) | (41.7) | (3.9) | (39.7) | (43.5) | (2.0) | (319.5) |
| Other sales and marketing expenses | (67.5) | (3.4) | (2.9) | (12.8) | (15.7) | (2.7) | (17.3) | (20.0) | (2.3) | (108.9) |
| General and administrative expenses | (39.7) | (3.9) | (11.1) | (17.7) | (28.8) | (1.6) | (11.9) | (13.6) | (14.9) | (101.0) |
| **Total** | **(333.0)** | **(13.7)** | **(35.0)** | **(51.2)** | **(86.3)** | **(8.1)** | **(68.9)** | **(77.1)** | **(19.3)** | **(529.3)** |

## 3—Supplements notes to the unaudited illustrative statement of selected aggregated financial statement items (Continued)

### (d) Operating income before depreciation & amortisation

| For the year ended December 31, 2012 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Cabovisao S.A. (Altice VII) | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Other | Aggregated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Operating income before depreciation & amortisation | 305.2 | 45.6 | 13.8 | 2.6 | 31.6 | 48.0 | 12.1 | 63.1 | 75.1 | 20.2 | 494.1 |

| For the year ended December 31, 2011 | Total Israel | Total BeLux | Oni | Cabovisao S.A. | Total Portugal | French Overseas Territories (Altice VII) | OMT | Total French Overseas Territories | Other | Aggregated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Operating income before depreciation & amortisation | 327.2 | 41.0 | 21.5 | 17.5 | 39.0 | 11.7 | 60.7 | 72.4 | 17.7 | 497.2 |

**3—Supplements notes to the unaudited illustrative statement of selected aggregated financial statement items (Continued)**

**(e) Purchase of tangibles and intangibles assets (the "Capital expenditures")**

| For the year ended December 31, 2012 | Israel | BeLux | Oni | Cabovisao S.A. | Cabovisao S.A. (Altice VII) | Portugal | French Overseas Territories (Altice VII) | OMT | French Overseas Territories | Others | Aggregated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 211.6 | 17.0 | — | 2.8 | 15.3 | 18.1 | 7.4 | 8.7 | 16.1 | — | 262.8 |
| Mobile services | 83.8 | — | — | — | — | — | — | 9.2 | 9.2 | — | 93.0 |
| B2B Others | — | — | 12.7 | — | — | 12.7 | — | 10.5 | 10.5 | 18.7 | 41.9 |
| **Total** | **295.4** | **17.0** | **12.7** | **2.8** | **15.3** | **30.8** | **7.4** | **28.3** | **35.7** | **18.7** | **397.8** |

| For the year ended December 31, 2011 | Israel | BeLux | Oni | Cabovisao S.A. | Portugal | French Overseas Territories (Altice VII) | OMT | French Overseas Territories | Others | Aggregated |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 | Jan 1, 2011 to Dec 31, 2011 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 126.8 | 10.6 | — | 19.4 | 19.4 | 17.5 | 10.7 | 28.1 | — | 185.0 |
| Mobile services | 47.1 | — | — | — | — | — | 17.2 | 17.2 | — | 64.3 |
| B2B Others | — | — | 15.0 | — | 15.0 | — | 8.1 | 8.1 | 21.5 | 44.6 |
| **Total** | **173.9** | **10.6** | **15.0** | **19.4** | **34.4** | **17.5** | **36.0** | **53.5** | **21.5** | **293.8** |

**ALTICE S.A.**

Unaudited Pro Forma Condensed Combined Financial Information

To the Board of Directors of
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg
Grand-Duchy of Luxembourg

**REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**

In our capacity as *réviseur d'entreprises agréé* of Altice S.A. (the ''Company''), we have completed our assurance engagement to report on the compilation of pro forma financial information of the Company by the Board of Directors. The pro forma financial information consists of an unaudited pro forma condensed combined statement of financial position as of September 30, 2013 and unaudited pro forma condensed combined statements of income for the twelve month period ended on December 31, 2012 and the nine month period ended on September 30, 2013 and related notes as set out in the Prospectus (collectively the ''Unaudited Pro Forma Condensed Combined Financial Information'') issued by the Company. The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are specified in Commission Regulation (EC) 809/2004 and described in note 2 within the Unaudited Pro Forma Condensed Combined Financial Information.

The Unaudited Pro Forma Condensed Combined Financial Information has been compiled by the Board of Directors to illustrate the impact of the transactions set out in note 2 (the ''Transactions'') to the Unaudited Pro Forma Condensed Combined Financial Information on the Company's financial position as at September 30, 2013, and its financial performance for the twelve month period ended on December 31, 2012 and the nine month period ended on September 30, 2013 as if the transactions had taken place at September 30, 2013 for the purposes of the unaudited pro forma condensed combined statement of financial position and at January 1, 2012 for the purposes of the unaudited pro forma condensed combined statements of income. As part of this process, information about the Company's financial position and financial performance has been extracted by the Board of Directors from the Company's combined financial statements as of and for the year ended December 31, 2012 on which an audit report has been published and the Company's combined condensed interim financial information as of and for the nine month period ended September 30, 2013 on which a review report has been published. Also, information about the financial position and financial performance of the entities involved in the Transactions have been extracted by the Board of Directors from the relevant financial statements described in note 2 to the Unaudited Pro Forma Condensed Combined Financial Information.

*Responsibility of the Board of Directors for the pro forma financial information*

The Board of Directors of the Company is responsible for compiling the Unaudited Pro Forma Condensed Combined Financial Information in accordance with the requirements of Commission Regulation (EC) 809/2004, as amended, regarding pro forma information.

*Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion, as required by Item 7 of Annex II of Commission Regulation (EC) 809/2004, as amended, about whether the Unaudited Pro Forma Condensed Combined Financial Information has been compiled, in all material respects, by the Board of Directors on the basis described in Note 2 thereto.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the *réviseur d'entreprises agréé* comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Unaudited Pro Forma Condensed Combined Financial Information on the basis described in Note 2 thereto.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Condensed Combined Financial Information, nor have we, in the course of this engagement, performed an audit or a

review of the financial information used in compiling the Unaudited Pro Forma Condensed Combined Financial Information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at September 30, 2013 or for the twelve month period ended December 31, 2012 or the nine month period ended September 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the *réviseur d'entreprises agréé*'s judgment, having regard to the *réviseur d'entreprises agréé*'s understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

*Opinion*

In our opinion, the Unaudited Pro Forma Condensed Combined Financial Information has been properly compiled on the basis stated; and such basis is consistent with the accounting policies of the Company.

*Restriction on distribution and use*

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared for the purposes of inclusion within the Prospectus issued by the Company on or around January 31, 2014. As a result, the Unaudited Pro Forma Condensed Combined Financial Information may not be suitable for any other purpose. Our report has been prepared solely for inclusion in the aforementioned Prospectus and may not be suitable for any other purpose.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

January 9, 2014

## Altice S.A.

## Unaudited pro forma condensed combined statement of income

## For the twelve month period ended December 31, 2012

| | Historical financial statements | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | SUBTotal 1 | Proforma adjustments | Proforma adjustments | SUBTotal 2 | Proforma adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Altice S.A. (note 2) | Cabovisao 2m—2012 (note 3A and 3B) | OMT 12m—2012 (note 3C) | ONI 12m—2012 (note 3D) | MCS 12m—2012 (note 3E) | SportV 12m—2012 (note 3F) | Issuance of new debt (note 3K) | Buy-out of minority stakes (note 3G and 3H) | Other adjustments (note 3E]) | SUBTotal 1 | Numericable Group (note 3J) | Other adjustments (note 3J) | SUBTotal 2 | Orange Dominicana (note 3I) | Total |
| | (in EUR millions) | | | | | | | | | | | | | | |
| **Revenue** | **1,092.4** | **19.8** | **195.1** | **117.4** | **15.9** | **1.2** | **—** | **—** | **—** | **1,441.8** | **1,302.4** | **(2.6)** | **2,741.6** | **457.7** | **3,199.3** |
| Purchases and subcontracting services | (302.1) | (8.8) | (63.9) | (66.8) | (7.3) | (0.3) | — | — | 4.7 | (444.4) | (602.1) | 8.9 | (1,037.6) | (127.1) | (1,164.7) |
| Other operating income | — | — | — | — | — | — | — | — | — | — | 89.2 | 0.1 | 89.3 | — | 89.3 |
| Other operating expenses | (387.2) | (8.4) | (68.1) | (36.8) | (5.9) | (0.2) | — | — | 3.3 | (503.3) | (198.8) | 24.8 | (677.3) | (51.3) | (841.2) |
| **Operating income before depreciation & amortisation** | **403.1** | **2.6** | **63.1** | **13.8** | **2.6** | **0.8** | **—** | **—** | **8.1** | **494.1** | **590.7** | **31.2** | **1,116.0** | **166.7** | **1,282.6** |
| Depreciation and amortization | (266.4) | (0.8) | (27.3) | (18.9) | (0.1) | (0.3) | — | — | (6.1) | (319.9) | (291.7) | (5.2) | (616.8) | (70.6) | (687.4) |
| Goodwill impairment | (121.9) | — | — | — | — | — | — | — | — | (121.9) | — | — | (121.9) | — | (121.9) |
| Management fees | (6.2) | — | — | — | (0.7) | — | — | — | — | (6.9) | — | (2.4) | (9.3) | (11.7) | (21.0) |
| Other expenses net | (29.8) | (0.3) | (1.2) | (3.8) | — | — | — | — | — | (35.1) | — | (21.0) | (56.1) | 0.1 | (56.0) |
| Reorganization and non-recurring costs | (20.8) | — | — | (0.8) | — | — | — | — | — | (21.7) | — | (2.6) | (24.3) | — | (24.3) |
| **Operating Profit/(loss)** | **(42.0)** | **1.5** | **34.5** | **(9.7)** | **1.9** | **0.5** | **—** | **—** | **2.0** | **(11.4)** | **299.0** | **—** | **287.6** | **84.5** | **372.2** |
| Financial income | 40.7 | — | 0.8 | 0.1 | — | — | — | — | — | 41.5 | 4.3 | (10.2) | 35.6 | 1.4 | 37.0 |
| Other financial expense | (225.4) | — | (5.2) | (9.5) | (0.1) | — | (160.0) | — | (1.7) | (401.9) | (215.8) | 10.2 | (607.5) | (0.7) | (608.2) |
| Share in net income of associates | 20.4 | — | — | — | — | — | — | — | — | 20.4 | (0.2) | (20.4) | (0.2) | — | (0.2) |
| **(Loss)/Profit before income tax expenses** | **(206.2)** | **1.5** | **30.1** | **(19.1)** | **1.8** | **0.5** | **(160.0)** | **—** | **0.3** | **(351.2)** | **87.3** | **(20.4)** | **(284.3)** | **85.2** | **(199.1)** |
| Income tax (expense)/benefit | 26.0 | (0.1) | (11.2) | (0.4) | (0.4) | (0.1) | 46.6 | — | 0.1 | 60.3 | (2.5) | — | 57.8 | (15.9) | 42.0 |
| **(Loss)/Profit for the year** | **(180.2)** | **1.4** | **18.9** | **(19.5)** | **1.4** | **0.4** | **(113.4)** | **—** | **0.4** | **(290.8)** | **84.8** | **(20.4)** | **(226.5)** | **69.3** | **(157.2)** |
| *Attributable to owners of the entity* | *(139.2)* | *1.4* | *14.6* | *(19.5)* | *1.4* | *0.4* | *(113.4)* | *(37.6)* | *0.4* | *(291.7)* | *33.9* | *(20.4)* | *(278.2)* | *69.3* | *(208.9)* |
| *Attributable to non-controlling interest* | *(41.0)* | — | *4.3* | — | — | — | — | *37.6* | — | *0.9* | *50.9* | — | *51.8* | — | *51.8* |

Subtotal 1 relates to the Altice S.A. Unaudited Pro Forma Condensed Combined Financial Information prior to the inclusion of pro forma adjustments to give effect to the acquisitions of Numericable Group S.A. and Orange Dominicana S.A. as if they occurred on January 1, 2012

Subtotal 2 relates to the Altice S.A. Unaudited Pro Forma Condensed Combined Financial Information prior to the inclusion of pro forma adjustments to give effect to the acquisition of Orange Dominicana S.A. as if it occurred on January 1, 2012

## Altice S.A.

## Unaudited pro forma condensed combined statement of income

## For the nine month period ended September 30, 2013

| | Historical financial statements | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | SUBTotal 1 | Proforma adjustments | Proforma adjustments | SUBTotal 2 | Proforma adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Altice S.A. (note 2) | OMT 6m—2013 (note 3C) | ONI 7m—2013 (note 3D) | MCS 9m—2013 (note 3E) | SportV 9m—2013 (note 3F) | Issuance of new debt (note 3K) | Buy-out of minority stakes (note 3G) | Other adjustments (note 3E) | SUBTotal 1 | Numericable Group (note 3J) | Other adjustments (note 3J) | SUBTotal 2 | Orange Dominicana (note 3I) | Total |
| | | | | | | | | (in EUR millions) | | | | | | |
| **Revenue** | **928.4** | **96.5** | **59.0** | **13.8** | **4.5** | **—** | **—** | **—** | **1,102.3** | **968.9** | **(2.4)** | **2,068.7** | **333.6** | **2,402.3** |
| Purchases and subcontracting services | (262.2) | (30.1) | (31.2) | (7.7) | (1.1) | — | — | 4.1 | (328.3) | (448.5) | 7.5 | (769.2) | (89.0) | (858.2) |
| Other operating income | — | — | — | — | — | — | — | — | — | 58.5 | — | 58.5 | — | 58.5 |
| Other operating expenses | (289.3) | (33.2) | (18.5) | (4.6) | (0.4) | — | — | 1.5 | (344.4) | (142.6) | 13.4 | (473.6) | (111.9) | (585.5) |
| **Operating income before depreciation & amortisation** | **376.9** | **33.2** | **9.2** | **1.6** | **3.0** | **—** | **—** | **5.6** | **429.6** | **436.3** | **18.6** | **884.4** | **132.7** | **1,017.1** |
| Depreciation and amortization | (277.6) | (11.4) | (9.9) | (0.3) | (1.1) | — | — | (4.4) | (304.7) | (219.0) | (4.2) | (527.9) | (47.7) | (575.6) |
| Management fees | (0.7) | (0.4) | — | (0.5) | — | — | — | — | (1.6) | — | (1.1) | (2.7) | (8.6) | (11.3) |
| Other expenses net | (8.9) | (2.0) | (1.7) | — | — | — | — | — | (12.6) | — | (12.2) | (24.8) | (0.1) | (24.7) |
| Reorganization and non-recurring costs | (3.4) | — | (0.5) | — | — | — | — | — | (3.9) | — | (1.1) | (5.0) | — | (5.0) |
| **Operating Profit/(loss)** | **86.3** | **19.4** | **(2.8)** | **0.8** | **1.9** | **—** | **—** | **1.2** | **106.8** | **217.3** | **—** | **324.1** | **76.5** | **400.6** |
| Financial income | 42.7 | 0.2 | — | — | — | — | — | — | 42.9 | 6.9 | (6.5) | 43.3 | 0.3 | 43.6 |
| Other financial expense | (196.6) | (2.2) | (5.7) | — | — | (72.9) | — | — | (277.5) | (155.7) | 6.5 | (426.6) | (.9) | (427.5) |
| Share in net income of associates | 14.4 | — | — | — | — | — | — | — | 14.4 | (0.1) | (14.4) | (0.1) | — | (0.1) |
| **(Loss)/Profit before income tax expenses** | **(53.1)** | **17.4** | **(8.5)** | **0.8** | **1.9** | **(72.9)** | **—** | **1.2** | **(113.3)** | **68.4** | **(14.4)** | **(59.3)** | **75.9** | **16.6** |
| Income tax (benefit)/expense | (27.5) | (6.5) | (0.3) | (0.3) | — | 21.3 | — | — | (13.3) | (8.3) | — | (21.6) | (21.5) | (43.1) |
| **(Loss)/Profit for the year** | **(80.6)** | **10.9** | **(8.8)** | **0.5** | **1.9** | **(51.6)** | **—** | **1.2** | **(126.6)** | **60.1** | **(14.4)** | **(80.9)** | **(54.4)** | **(26.5)** |
| *Attributable to owners of the entity* | *(80.6)* | *8.4* | *(8.8)* | *0.5* | *1.9* | *(51.6)* | *(4.8)* | *1.2* | *(127.8)* | *24.0* | *(14.4)* | *(118.1)* | *(54.4)* | *(63.7)* |
| *Attributable to non-controlling interests* | *(74.5)* | *2.5* | — | — | — | — | *4.8* | — | *1.2* | *36.1* | — | *37.2* | — | *37.2* |

Subtotal 1 relates to the Altice S.A. Unaudited Pro Forma Condensed Combined Financial Information prior to the inclusion of pro forma adjustments to give effect to the acquisitions of Numericable Group S.A. and Orange Dominicana S.A. as if they occurred on January 1, 2012

Subtotal 2 relates to the Altice S.A. Unaudited Pro Forma Condensed Combined Financial Information prior to the inclusion of pro forma adjustments to give effect to the acquisition of Orange Dominicana S.A. as if it occurred on January 1, 2012

## Altice S.A.

## Unaudited pro forma condensed combined statement of financial position

## September 30, 2013

| | Historical financial statements | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | Proforma adjustments | SUBTotal 1 | Proforma adjustments | Proforma adjustments | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Altice S.A. (note 2) | MCS (note 3E) | SportV (note 3F) | Buy-out of minority stakes (note 3G) | Acquisition of Numericable Group (note 3J) | Effect of the margin loan and acquisition of NG (note 3K) | SUBTotal 2 | Issuance of new debt (note 3K) | Acquisition of Orange Dominicana (note 3I) | Total |
| | | | | | | (In EUR millions) | | | | |
| ***ASSETS*** | | | | | | | | | | |
| **Current assets** | | | | | | | | | | |
| Cash and cash equivalents | 61.9 | 0.3 | 1.7 | — | 20.9 | — | 84.8 | — | 21.2 | 106.0 |
| Trade & other receivables | 286.4 | 6.5 | 2.5 | — | 417.0 | — | 712.5 | — | 85.8 | 798.3 |
| Inventories | 11.1 | — | — | — | 46.3 | — | 57.4 | — | 13.3 | 70.7 |
| Current tax assets | 10.8 | — | — | — | 3.2 | — | 14.0 | — | — | 14.0 |
| **Total current assets** | **370.2** | **6.8** | **4.2** | **—** | **487.4** | **—** | **868.7** | **—** | **120.4** | **989.1** |
| **Non-current assets** | | | | | | | | | | |
| Restricted cash | 10.2 | — | — | — | — | — | 10.2 | — | — | 10.2 |
| Deferred tax assets | 38.9 | — | 0.1 | — | — | — | 39.0 | — | 30.0 | 68.9 |
| Loans and receivables | 136.2 | — | — | — | — | (136.2) | — | — | — | — |
| Investments in financial assets held as available for sale | 39.2 | — | — | — | 3.2 | — | 42.4 | — | — | 42.4 |
| Investments in associates | 95.7 | — | — | — | — | (97.6) | — | — | — | — |
| Trade & other receivables | 37.8 | — | — | — | 7.6 | — | 45.4 | — | 1.0 | 46.4 |
| Property, Plant & Equipment | 1,141.2 | 0.9 | — | — | 1,443.6 | — | 2,585.8 | — | 241.0 | 2,826.8 |
| Other Intangible assets | 555.1 | 1.2 | 0.2 | — | 283.3 | — | 839.8 | — | 37.0 | 876.7 |
| Goodwill | 1,126.7 | — | — | — | 1,461.7 | 975.8 | 3,564.2 | 746.2 | — | 4,310.4 |
| **Total non-current assets** | **3,181.0** | **2.1** | **0.3** | **—** | **3,199.4** | **743,9** | **7,126.7** | **746.2** | **309.0** | **8,181.9** |
| **Total assets** | **3,551.2** | **8.9** | **4.5** | **—** | **3,686.8** | **743,9** | **7,995.4** | **746.2** | **429.3** | **9,170.9** |
| ***EQUITY AND LIABILITIES*** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Borrowings from banking corporations and debentures | 47.6 | — | 0.1 | — | 53.6 | — | 101.3 | — | — | 101.3 |
| Trade and other payables | 482.8 | 6.7 | 1.9 | — | 740.2 | — | 1,231.7 | — | 105.0 | 1,336.7 |
| Current loans from related parties | 13.5 | — | — | — | — | — | 13.5 | — | — | 13.5 |
| Current tax liabilities | 19.9 | — | 0.1 | — | 7.1 | — | 27.1 | — | 4.8 | 31.9 |
| Provisions | 2.2 | — | — | — | — | — | 2.2 | — | — | 2.2 |
| **Total current liabilities** | **566.0** | **6.7** | **2.2** | **—** | **800.9** | **—** | **1,375.8** | **—** | **109.8** | **1,485.6** |
| **Non-current liabilities** | | | | | | | | | | |
| Borrowings from banking corporations and debentures | 2,259.4 | — | — | — | 2,943.4 | 324,0 | 5,607.4 | 1,053.7 | — | 6,661.1 |
| Non-current loans from related parties | 329.6 | — | — | — | — | 175.8 | 505.3 | — | — | 505.3 |
| Other financial liabilities | 177.6 | — | — | (42.0) | — | — | 135.6 | — | — | 135.6 |
| Provisions | 27.2 | — | — | — | 61.8 | — | 89.0 | — | 8.2 | 97.2 |
| Other non-current liabilities | 49.8 | — | — | — | 107.9 | — | 157.7 | — | 3.8 | 161.5 |
| Retirement benefit obligations | 9.0 | — | — | — | — | — | 9.0 | — | — | 9.0 |
| Deferred tax liabilities | 219.6 | — | — | — | — | — | 219.6 | — | — | 219.6 |
| **Total non-current liabilities** | **3,072.2** | **—** | **—** | **38.6** | **3,113.1** | **499.8** | **6,723.6** | **1,053.7** | **12.0** | **7,789.3** |
| **Equity** | | | | | | | | | | |
| **Invested equity** | **(77.2)** | **2.2** | **2.4** | **(53.1)** | **(227.1)** | **416.7** | **63.8** | **(307.5)** | **307.5** | **63.9** |
| **Non-controlling interests** | **(9.8)** | **—** | **—** | **14.5** | **(0.2)** | **(172.6)** | **(168.1)** | **—** | **—** | **(168.1)** |
| **Total equity** | **(87.0)** | **2.2** | **2.4** | **(38.6)** | **(227.3)** | **244.1** | **(104.3)** | **(307.5)** | **307.5** | **(104.2)** |
| **Total equity and liabilities** | **3,551.2** | **8.9** | **4.5** | **—** | **3,686.8** | **743.8** | **7,995.4** | **746.2** | **429.3** | **9,170.9** |

Subtotal 1 relates to the Altice S.A. Unaudited Pro Forma Condensed Combined Financial Information prior to the inclusion of pro forma adjustments to give effect to the acquisition Orange Dominicana S.A. as if it occurred on January 1, 2012

**Altice S.A.**

**Notes to the unaudited pro forma condensed combined financial information**

## 1—General information

The accompanying unaudited pro forma condensed combined statements of income for the twelve month period ended December 31, 2012 and for the nine month period ended September 30, 2013 and the accompanying unaudited pro forma condensed combined statement of financial position as of September 30, 2013 (together the ''Unaudited Pro Forma Condensed Combined Financial Information'') present the pro forma financial statements of the Altice S.A. (the ''Company''), giving effect to each of the acquisitions and other transactions described in the basis of preparation below. The Company, its predecessor entities and their subsidiaries are referred to collectively as the ''Group''. The Unaudited Pro Forma Condensed Combined Financial Information does not give pro forma effect to the Mobius Acquisition, the Tricom Acquisition and the Outremer Share Exchange and therefore does not include any financial information of the Mobius Group or Tricom nor any adjustments to the non-controlling interests of OMT as the Board of Directors has concluded that these are not significant for the purpose of preparing the attached financial information. This financial information has not been audited or reviewed.

The Unaudited Pro Forma Condensed Combined 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 we believe are reasonable.

The Unaudited Pro Forma Condensed Combined 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 of Altice S.A. and its subsidiaries included elsewhere in the Prospectus. See ''*Presentation of Financial and Other Information—Financial Data*''.

## 2—Basis of preparation

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2012 for the purposes of the unaudited pro forma condensed combined statements of income and, if applicable, on September 30, 2013 for the purposes of the unaudited condensed combined pro forma statement of financial position:

- The acquisition by Altice S.A. or its predecessor entities of:
  - 77% of the share capital of OMT Invest S.A.S.,
  - 100% of the share capital of Cabovisao S.A. in two tranches of 60% and 40% respectively, and
  - 100% of the share capital of Winreason S.A.
  - A supplementary 34% of the share capital of Hot Telecommunications Limited
  - 100% of the share capital of Sportv S.A.
  - 100% of the share capital of Ma Chaîne Sport S.A.S.
  - 100% of the share capital of Orange Dominicana S.A.
  - A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.
- The planned acquisition by Altice S.A. or its predecessor entities of:
  - A supplementary 15,94% of the share capital of Numericable Group S.A. (including 2.6% through call options)
- The following Refinancing Transactions
- The issuance by subsidiaries within the Group of:
  - 9% EUR250 million Senior Notes falling due in 2023,
  - 8% EUR210 million Senior Secured Notes falling due in 2019,

**2—Basis of preparation (Continued)**

- 9⅞% $425 million Senior Notes falling due in 2020,
- 7⅞% $460 million Senior Secured Notes due in 2019,
- 6½% $900 million Senior Secured Notes due in 2022, and
- 8⅛% $400 million Senior Secured Notes due in 2024.

- The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to EUR795 million
- The obtaining of a margin loan for an amount equivalent to EUR464 million
- The obtaining of an intercompany loan for an amount equivalent to EUR365.3 million
- The repayment of the Coditel Senior Facility amounting to EUR138 million
- The repayment of the Cool loan amounting to NIS 879 million
- The repayment of the HOT bank facility amounting to NIS 1,902 million
- The repayment of the ABO credit facility amounting to EUR65.6 million
- The repayment of the Cabovisao facility amounting to EUR202,6 million
- The repayment of the ONI facility amounting to EUR 47,3 million
- The conversion of all existing non current loans from related parties into equity amounting to EUR329.6 million

On February 29, 2012, a member of the Group acquired 60% of the share capital of Cabovisao S.A. (''Cabovisao''). On April 23, 2013, a member of the Group acquired the remaining 40% of the share capital of Cabovisao. The Group 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 historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. The Cabovisao historical income statement for the period from January 1, 2012 through February 29, 2012 has been included in the unaudited pro forma condensed combined statement of income for the period ended December 31, 2012. 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 condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013, respectively.

On December 12, 2012 and December 20, 2012, Altice Financing S.A., a member of the Group, proceeded with the issuance of 7⅞% Senior Secured Notes for an aggregate principal of $460 million maturing in 2019. Such liabilities are reflected in the historical statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 12, 2012 have been included in the unaudited pro forma condensed combined statement of income for the year ended December 31, 2012.

On December 27, 2012, a member or the Group acquired an additional 34% of the share capital of Hot Telecommunications Limited (''HOT''), which resulted in the Group owning 100% of HOT's share capital. The assets acquired and liabilities assumed of HOT are reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in

**2—Basis of preparation (Continued)**

the Group's shareholding from 66% to 100% have been included in the unaudited pro forma condensed combined statement of income for the year ending on December 31, 2012.

On December 12, 2012 and December 20, 2012, Altice Finco S.A., a member of the Group, proceeded with the issuance of 9⅞% Senior Notes for an aggregate principal of $425 million maturing in 2020. Such liabilities are reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 20, 2012 have been included in the unaudited pro forma condensed combined statement of income for the year ended December 31, 2012.

On December 12, 2012 and December 20, 2012, Altice Financing S.A., a member of the Group, proceeded with the issuance of 8% Senior Secured Notes for an aggregate principal of EUR 210 million maturing in 2019. Such liabilities are reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs for the period between January 1, 2012 and December 20, 2012 have been included in the unaudited pro forma condensed combined statement of income for the year ended December 31, 2012.

On December 27, 2012, HOT repaid its bank loans for an amount of NIS 1,902 million. The corresponding operation is reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and December 27, 2012 have been included in the unaudited pro forma condensed combined statement of income for the year ended on December 31, 2012.

On December 27, 2012, Cool Holdings Limited, a member of the Group, repaid its credit facility for an amount of NIS 879 million. The corresponding operation is reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and December 27, 2012 have been included in the unaudited pro forma condensed combined statement of income for the year ended on December 31, 2012.

On June 14, 2013, Altice Finco S.A., a member of the Group, proceeded with the issuance of 9% Senior Secured Notes for an aggregate principal of EUR250 million maturing in 2023. Such liabilities are reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and June 14, 2013 have been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013, respectively.

On June 24, 2013, Altice Financing S.A., a member of the Group, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of EUR795 million. As of September 30, 2013, an amount of EUR714.2 million has been drawn under this facility. The corresponding liability is reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and June 24, 2013 have been included in the unaudited pro forma condensed

**2—Basis of preparation (Continued)**

combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013, respectively.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of EUR202,6 million. The corresponding operation is reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and July 2, 2013 have been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013, respectively.

On July 4, 2013, a member of the Group acquired 77% of the share capital of Outremer Telecom S.A. (''OMT''). The acquisition was accounted for using the purchase 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 historical combined statement of financial position as of September 30, 2013, based on a preliminary purchase price allocation. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined statement of financial position. The results of operations for OMT have been included in the historical combined statement of income since the date of acquisition, July 4, 2013. The OMT historical combined statements of income for the period from January 1, 2012 through July 3, 2013 have hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On August 8, 2013, a member of the Group acquired 100% of the share capital of Winreason S.A. (''ONI''). The acquisition was accounted for using the purchase 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 historical combined statement of financial position as of September 30, 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 condensed combined statement of financial position. The results of operations for ONI have been included in the historical combined statement of income since the date of acquisition, August 8, 2013. The ONI historical statements of income for the period from January 1, 2012 through August 7, 2013 have been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On August 8, 2013, ONI repaid its credit facility for an amount of EUR47,3 million. The corresponding operation is reflected in the historical combined statement of financial position as of September 30, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma condensed combined 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, 2012 and August 8, 2013 have been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On October 1, 2013, a member of the Group acquired 100% of the share capital of Ma Chaîne Sport SAS (''MCS''). This acquisition was not accounted for using the purchase method of accounting as it was considered to qualify as a transaction performed under the common control of the ultimate beneficial owner of the Group at the date of acquisition. Given that such acquisition has occurred after September 30, 2013, the assets acquired and liabilities assumed of MCS are not included in the historical statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The MCS statements of income for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited

**2—Basis of preparation (Continued)**

combined pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On October 1, 2013, a member of the Group acquired 100% of the share capital of Sportv S.A. (''Sportv''). This acquisition was not accounted for using the purchase method of accounting as it was considered to qualify as a transaction performed under the common control of the ultimate beneficial owner of the Group at the date of acquisition. Given that such acquisition has occurred after September 30, 2013, the assets acquired and liabilities assumed of Sportv are not included in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The Sportv historical statements of income for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On November 29, 2013, a member of the Group acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. (''Coditel'') and repaid some Preferred Equity Certificates held by the non-controlling interests in this entity. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this contemplated transaction as if it had occurred on September 30, 2013. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Group's shareholding from 60% to 74% have been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013, respectively and the unaudited pro forma condensed combined statement of financial position as of September 30, 2013.

On December 5, 2013, Altice Financing S.A., a member of the Group, proceeded with the issuance of 6½% Senior Secured Notes for an aggregate principal of $ 900 million maturing in 2022. Given that such issuance has occurred after September 30, 2013, the liabilities assumed are not included in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The issuance has hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On December 5, 2013, Altice Finco S.A., a member of the Group, proceeded with the issuance of 8⅛% Senior Notes for an aggregate principal of $ 400 million maturing in 2024. Given that such issuance has occurred after September 30, 2013, the liabilities assumed are not included in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The issuance has hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

During the fourth quarter of 2013, Altice Six S.A., a member of the Group, entered into a margin loan agreement providing a total amount of EUR324 million together with an intercompany loan agreement for a total amount of EUR35.3 million granted by the sole shareholder of the Company (this amounts is expected to go up to EUR505,3 million in the first quarter of 2014). The corresponding liability is not reflected in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The issuance has hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

On November 12, 2013, Altice Six S.A., a member of the Group, acquired additional shares to get to 30% of the share capital of Numericable Group S.A. (''NG'') (including 2.6% under call options). Additionally,

**2—Basis of preparation (Continued)**

Altice Six is contemplating the acquisition of an additional 10% of the share capital so as to get control over the Board of Directors of NG. 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 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 NG. Given that such acquisitions will occur after September 30, 2013, the assets acquired and liabilities assumed of NG are not included in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The NG historical statements of income for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

During the first quarter of 2014, the Group contemplates acquiring 100% of the share capital of Orange Dominicana S.A. (''ODO''). 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 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 September 30, 2013, the assets acquired and liabilities assumed of ODO are not included in the historical combined statement of financial position as of September 30, 2013. Accordingly, adjustments have been made to the unaudited pro forma condensed combined statement of financial position in order to reflect this transaction as if it had occurred on September 30, 2013. The ODO historical statements of income for the period from January 1, 2012 through September 30, 2013 have hence been included in the unaudited pro forma condensed combined statements of income for the year and nine month period ending on December 31, 2012 and September 30, 2013 respectively.

Other referenced divestitures as disclosed in ''Presentation of Financial and Other Information'' in the Prospectus have not been reflected in the pro forma adjustments as they were not individually or in the aggregate deemed significant to Altice S.A..

The unaudited Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with Regulation S-X under the U.S. Securities Act. 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 do not give effect to the Mobius Acquisition, Outremer Share Exchange, Tricom Acquisition nor does it purport to indicate any entries to harmonize the accounting policies between ODO, NG and the Altice group as these have been considered immaterial by the Board of the Company.

The unaudited Pro Forma Financial Information should be read in conjunction with the notes thereto as well as the historical combined financial statements of the Company included herein.

Intercompany transactions between the entities included in the Unaudited Pro Forma Condensed Combined Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Condensed Combined 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.ch, World Satellite Group, Martinique TV Cable and Hot Telecom Ltd..

**2—Basis of preparation (Continued)**

**Historical combined financial statements**

The following represent the historical combined financial statements of Altice S.A.:

(a) the unaudited condensed combined financial statements of Altice S.A. as of September 30, 2013 and for the nine months ended September 30, 2013, prepared in accordance with the basis of preparation as described in the notes to the unaudited condensed combined financial statements; and

(b) the audited combined financial statements of Altice S.A. as of and for the years ended December 31, 2010, 2011 and 2012, prepared in accordance with the basis of preparation as described in the notes to the audited combined financial statements which combines the consolidated financial statements of Altice Six S.A. (''Altice Six'') and Altice VII S.à r.l. (''Altice VII'').

**Acquired Business Financial Information**

This Financial Information of Altice S.A. has been supplemented by the financial information pertaining to the Acquired Businesses :

***Year ended December 31, 2012***

- the financial statements of Outremer Telecom S.A. (''OMT'') as of and for the year ended December 31, 2012 drawn up in accordance with IFRS as endorsed by the European Union (''IFRS''). Such financial statements have been audited by Constantin Associes and Ernst & Young et Autres who have issued an unmodified audit opinion thereon on April 18, 2013;
- the special-purpose financial statements of Cabovisao S.A. as of and for the period ended February 29, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been reviewed by Baker Tilly, PG & Associados, SROC, S.A. who have issued a modified review opinion thereon on October 14, 2013;
- the special-purpose consolidated financial statements of Winreason S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS. Such financial statements have been audited by Deloitte & Associados SROC, S.A. who have issued a modified audit opinion thereon on September 25, 2013;
- the financial statements of Ma Chaine Sport S.A.S. (''MCS'') as of and for the year ended December 31, 2012 drawn up in accordance with French GAAP. Such financial statements have been audited by KPMG Audit who have issued an unmodified audit opinion thereon on May 23, 2013; and
- the combined financial statements of Numericable Group S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS as endorsed by the European Union. Such financial statements have been audited by Deloitte & Associés who have issued an unmodified audit opinion thereon on September 6, 2013;
- the financial statements of Orange Dominicana S.A. (''ODO'') as of and for the year ended December 31, 2012 drawn up in accordance with IASB IFRS. Such financial statements have been audited by Deloitte & Associés who have issued an unmodified audit opinion thereon on September 18, 2013; and
- the unaudited financial statements of SportV S.A. as of and for the year ended December 31, 2012 drawn up in accordance with IFRS.

***Period ended September 30, 2013***

- the unaudited condensed financial statements of OMT as of June 30, 2013 and for each of the six months ended June 30, 2013, prepared in accordance with IAS 34. Such financial statements have

**2—Basis of preparation (Continued)**

been reviewed by Constantin Associes who have issued an unmodified review report thereon on October 8, 2013;

- the special-purpose consolidated financial statements of Winreason S.A. as of and for the period ended July 31, 2013 drawn up in accordance with IAS 34. Such financial statements have been reviewed by Deloitte & Associados SROC, S.A. who have issued a modified limited review report thereon on October 17, 2013;
- the unaudited financial statements of MCS and Sportv as of and for the periods ended September 30, 2013 drawn up in accordance with IFRS;
- the unaudited condensed combined financial statements of Numericable Group S.A. as of September 30, 2013 and for the nine months ended September 30, 2013, prepared in accordance with IAS 34. Such financial statements have been reviewed by Deloitte & Associés and KPMG Audit who have issued an unmodified review report thereon on October 25, 2013;
- the unaudited condensed financial statements of Orange Dominicana S.A. as of September 30, 2013 and for each of the nine months ended September 30, 2013, prepared in accordance with IAS 34. Such financial statements have been reviewed by Deloitte & Associés who have issued an unmodified review report thereon on November 8, 2013.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired Businesses have been modified in order to align with the presentation and classification criteria that have been retained for the purposes of the Pro Forma Financial Information. Accordingly, certain reclassifications discussed below have been made to the selected financial statement items derived from the historical financial statements of the Acquired Businesses to present the Pro Forma Financial Information that is aligned with the presentation and classification criteria applied by Altice S.A in the preparation of its Historical Combined Financial Statements. All the Pre-Acquisition Financial Information and Historical Financial Statements and related audit/review reports can be found attached in the Prospectus to be issued on or around January 31, 2014.

**3—Pro-forma adjustments**

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 Post Transaction Pro Forma Financial Information for the year ended December 31, 2012 and as of and for the period ended September 30, 2013, have been shown up in Dominican Pesos (''DOP''). The amounts have been translated into Euro (''EUR''), for the purposes of their inclusion within the Post Transaction Pro Forma Financial Information, using the following notes

- As of September 30, 2013: DOP1.00 = EUR0.0177
- Period ended December 31, 2012 DOP1.00 = EUR0.024
- Period ended September 30, 2013 DOP1.00 = EUR0.0186

(a) Obtention of control over Cabovisao

Altice VII obtained control of Cabovisao on February 29, 2012 further to a purchase of 60% of its shares. These pro-forma adjustments relate to the historical income statement of Cabovisao for the period from January 1, 2012 through February 29, 2012 derived from the unaudited special-purpose financial statements of Cabovisao prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification to conform to the presentation of the accompanying unaudited pro forma statements of income.

(b) Purchase of Cabovisao non-controlling interests

**3—Pro-forma adjustments (Continued)**

On April 23, 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Cabovisao. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. 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 EUR 105.0 million.

(c) Acquisition of OMT

Altice Blue Two SAS, an indirectly fully-owned subsidiary of Altice VII 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, 2012 through July 4, 2013 derived from the audited and reviewed 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.

(d) Acquisition of Winreason S.A.

Cabovisao, an indirectly fully-owned subsidiary of Altice VII 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, 2012 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 as endorsed by the European Union, to which certain reclassification have been applied to conform to the presentation of the accompanying unaudited pro forma statements of income.

(e) Acquisition of Ma Chaîne Sport

On October 4, 2013, Altice VII 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 Chaîne Sport S.A.S.. The consideration for the acquisition on a cash free and debt free basis was EUR 23.0 million, split between EUR 13.0 million of vendor loan and EUR 10.0 million of cash.

The unaudited pro forma financial information for Ma Chaîne Sport has been prepared based on the audited historical financial statements of Ma Chaîne Sport as of and for the year ended December 31, 2012 prepared in accordance with French GAAP after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited consolidated financial information for French GAAP as of and for the year ended December 31, 2012 to conform to the financial statement presentation of unaudited pro forma financial information of Altice S.A..
- IFRS adjustments—the audited historical financial information for Ma Chaine Sport has been adjusted to give effect to significant differences between French GAAP and IFRS identified by management. This may not represent all impacts on the financial position or results of operations of Ma Chaine Sport had it been reported on an IFRS basis since inception. IFRS differs in certain material respects from French GAAP as discussed below.

The measurement and recognition criteria of 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, IFRS rules 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 EUR, a decrease in other operating expenses of 1.6 million EUR and an increase in depreciation and amortization of 6.1 million EUR for the year ended December 31, 2012 and 4.1 million EUR, 1.4 million EUR and 4.4 million EUR for the period ended September 30, 2013.

**3—Pro-forma adjustments (Continued)**

(f) Acquisition of Sportv

On October 4, 2013, Altice VII obtained control over Sportv S.A.. The consideration for the Acquisition on a cash free and debt free basis was EUR 12.0 million, split between EUR 7.0 million of vendor loan and EUR 5.0 million of cash. On a pro forma basis, this debt has been eliminated on consolidation. These pro-forma adjustments relate to the historical income statement of Sportv for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS.

(g) Acquisition of the non-controlling interests in Coditel

During the fourth quarter of 2013, Altice VII purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. and refinanced some Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis is expected to be EUR 80.6 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. 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 EUR 14.5 million for the period ended September 30, 2013 as well as EUR 42.0 million impacting Other financial liabilities as at September 30, 2013.

(h) Acquisition of the non-controlling interests in HOT

On December 27, 2012, Altice VII purchased the remaining 34% of the shares and voting rights of HOT. The cash consideration for the acquisition on a cash-free and debt-free basis was EUR 194.2 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. 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 EUR 172.9 million.

(i) Acquisition of Orange Dominicana S.A.

During the first quarter of 2014, Altice VII is expected to finalize the purchase 100% of the shares and voting rights of Orange Dominicana S.A. Based on September 30, 2013 figures, the cash consideration for the Acquisition on a cash-free and debt-free basis is expected to be EUR 1,054 million (including cash acquired at closing and transaction fees). Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of ODO prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been made to conform to the presentation of the accompanying unaudited pro forma condensed combined income.

The unaudited pro forma financial information for ODO has been prepared based on the audited historical financial statements of ODO as of and for the year ended December 31, 2012 prepared in accordance with IFRS and unaudited interim financial information of ODO as of and for the period ended September 30, 2013 after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited and unaudited historical financial information for IFRS as of and for the year ended December 31, 2012 and as of and for the period ended September 30, 2013 to conform to the financial information presentation of unaudited pro forma financial information of the 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

**3—Pro-forma adjustments (Continued)**

tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. 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 EUR746.2 million. This unaudited pro forma financial information has been prepared based on preliminary estimates of fair values. 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.

(j) Acquisition of additional shares in Numericable Group S.A.

During the fourth quarter of 2013, Altice Six acquired shares and voting rights of Numericable Group S.A. so as to get up to 30% of the voting rights of Numericable Group S.A. (including 2.6% under call options).

During the first quarter of 2014, Altice Six is expected to finalize the purchase of an additional 10% of the shares and voting rights of Numericable Group S.A.. The cash consideration for the Acquisition on a cash-free and debt-free basis is expected to be EUR 330 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the income statement and the statement of financial position as if such transaction took place on January 1, 2012. These pro-forma adjustments relate to the historical income statement of NG for the period from January 1, 2012 through September 30, 2013 derived from the audited and reviewed financial statements of NG prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been made to conform to the presentation of the accompanying unaudited pro forma condensed combined income.

The unaudited pro forma financial information for NG has been prepared based on the audited historical financial statements of NG as of and for the year ended December 31, 2012 prepared in accordance with IFRS and unaudited interim financial information of NG as of and for the period ended September 30, 2013 after giving effect to the following adjustments:

- Reclassification adjustments—certain reclassification adjustments have been made to the audited and unaudited historical financial information for IFRS as of and for the year ended December 31, 2012 and as of and for the period ended September 30, 2013 to conform to the financial information presentation of unaudited pro forma financial information of Altice S.A..
- The NG 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. 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 EUR833.8 million. This unaudited pro forma financial information has been prepared based on preliminary estimates of fair values. 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.

(k) Refinancing Transactions

The Pro forma adjustments relating to the refinancing transactions are composed as follows:

(i) Issuance of Senior and Senior Secured Notes on December 27, 2012, June 14, 2013 and December 5, 2013

On December 27, 2012, June 14, 2013 and December 5, 2013, the Altice VII Group issued Senior and Senior Secured Notes for an amount of EUR 2,136.0 million. The proceeds were used to refinance the following liabilities.

- The repayment of the HOT bank loans on December 27, 2012 for an amount of NIS 1,902 million

**3—Pro-forma adjustments (Continued)**

- The repayment of the Cool Holdings facilities on December 27, 2012 for an amount of NIS 879 million
- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of EUR202.6 million
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of EUR42.3 million
- The future purchase of Orange Dominicana for an amount of EUR1,054.0 million

(ii) Use of Term Loan

On June 24, 2013, the Altice VII Group secured a senior secured credit facility of EUR795 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 EUR95.7 million
- The repayment of the ONI credit facility on August 8, 2013 for an amount of EUR47.3 million
- The repayment of the ABO credit facility on July 2, 2013 for an amount of EUR65.6 million

(iii) Use of Margin Loan

During the fourth quarter of 2013, Altice Six secured a margin loan of EUR324 million together with an intercompany loan of EUR365.3 million granted by the sole shareholder of Altice S.A.. The proceeds will be used to finance the increase in the share capital of Numericable Group S.A. and reimburse some vendor loans due to existing shareholders of Altice VII.

Proforma adjustments of EUR113.4 million and EUR51.6 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2012 and for the period ended September 30, 2013 respectively, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2012.

**Other Information**

Other referenced acquisitions and divestitures as disclosed in the ‘‘Presentation of Financial Information’’ 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 effect of the Transactions as described in this Prospectus has not been included as a pro-forma adjustment as the Board of Directors is of the opinion that this will not affect significantly the financial position of the Altice S.A. combined group as the proceeds will be mainly used to acquire the 10% additional in the share capital and voting rights of Numericable Group S.A. and to refinance a bridge loan contracted with an affiliate of Next L.P., the sole ultimate beneficial owner of Altice S.A..

## 3—Pro-forma adjustments (Continued)

The tax effect of the transaction adjustments in the unaudited pro forma financial information has been calculated on an aggregate basis using an assumed effective tax rate of 29% for the twelve and nine months ended December 31 and 29.22% for the nine months ended September 30, 2013 which is expected to be the combined effective tax rate of the Altice S.A. Group.

## 4—Notes to the unaudited condensed combined financial information

(a) Revenue pre acquisition of NG and ODO

| for the period September 30, 2013 | Israel Total Jan 1, 2013 to Sep 30, 2013 | BeLux Total Jan 1, 2013 to Sep 30, 2013 | Cabovisao Jan 1, 2013 to Sep 30, 2013 | ONI Aug 1, 2013 to Sep 30, 2013 | ONI Jan 1, 2013 to July 31 2013 | Portugal Total Jan 1, 2013 to Sep 30, 2013 | Le Cable Jan 1, 2013 to Sep 30, 2013 | OMT July 1, 2013 to Sep 30, 2013 | OMT Jan 1, 2013 to Jun 30, 2013 | French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013 | Other Jan 1, 2013 to Sep 30, 2013 | Total Jan 1, 2013 to Sep 30, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 527.0 | 45.7 | 83.4 | — | — | 83.4 | 18.7 | 15.0 | 30.0 | 63.7 | 1.3 | 721.1 |
| Mobile services | 142.4 | 0.8 | — | — | — | — | — | 36.1 | 66.6 | 102.6 | — | 245.8 |
| B2B Others | — | 6.7 | — | 17.5 | 59.0 | 76.4 | — | — | — | — | 52.1 | 135.2 |
| Total | 669.4 | 53.1 | 83.4 | 17.5 | 59.0 | 159.8 | 18.7 | 51.1 | 96.5 | 166.3 | 53.4 | 1,102.3 |

(b) Purchases and subcontracting services pre acquisition of NG and ODO

| for the period ended September 30, 2013 | Israel Total Jan 1, 2013 to Sep 30, 2013 | BeLux Total Jan 1, 2013 to Sep 30, 2013 | Cabovisao Jan 1, 2013 to Sep 30, 2013 | ONI Aug 1, 2013 to Sep 30, 2013 | ONI Jan 1, 2013 to July 31 2013 | Portugal Total Jan 1, 2013 to Sep 30, 2013 | Le Cable Jan 1, 2013 to Sep 30, 2013 | OMT July 1, 2013 to Sep 30, 2013 | OMT Jan 1, 2013 to Jun 30, 2013 | French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013 | Other Jan 1, 2013 to Sep 30, 2013 | Total Jan 1, 2013 to Sep 30, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable based services | 101.6 | 7.2 | 26.2 | — | — | 26.2 | 2.6 | 5.0 | 9.6 | 17.2 | 0.3 | 152.4 |
| Mobile services | 82.8 | 0.7 | — | — | — | — | — | 11.1 | 20.5 | 31.6 | — | 115.1 |
| B2B Others | — | 1.3 | — | 10.3 | 31.2 | 41.5 | — | — | — | — | 18.1 | 60.8 |
| Total | 184.4 | 9.1 | 26.2 | 10.3 | 31.2 | 67.7 | 2.6 | 16.1 | 30.1 | 48.8 | 18.4 | 328.3 |

(c) Gross Profit pre acquisition of NG and ODO

| for the period ended September 30, 2013 | Israel Total Jan 1, 2013 to Sep 30, 2013 | BeLux Total Jan 1, 2013 to Sep 30, 2013 | Cabovisao Jan 1, 2013 to Sep 30, 2013 | ONI Aug 1, 2013 to Sep 30, 2013 | ONI Jan 1, 2013 to July 31 2013 | Portugal Total Jan 1, 2013 to Sep 30, 2013 | Le Cable Jan 1, 2013 to Sep 30, 2013 | OMT July 1, 2013 to Sep 30, 2013 | OMT Jan 1, 2013 to Jun 30, 2013 | French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013 | Other Jan 1, 2013 to Sep 30, 2013 | Total Jan 1, 2013 to Sep 30, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Cable | 425.4 | 38.5 | 57.3 | — | — | 57.3 | 16.1 | 10.0 | 20.4 | 46.5 | 1.0 | 568.7 |
| Mobile | 59.6 | 0.1 | — | — | — | — | — | 25.0 | 46.1 | 71.0 | — | 130.8 |
| B2B Other | — | 5.4 | — | 7.2 | 27.7 | 35.1 | — | — | — | — | 34.1 | 74.6 |
| Total | 485.0 | 44.1 | 57.3 | 7.2 | 27.7 | 92.3 | 16.1 | 34.9 | 66.4 | 117.5 | 35.1 | 774.0 |

(d) Other expenses pre acquisition of NG and ODO

| For the period ended September 30, 2013 | Israel Total Jan 1, 2013 to Sep 30, 2013 | BeLux Total Jan 1, 2013 to Sep 30, 2013 | Cabovisao Jan 1, 2013 to Sep 30, 2013 | ONI Aug 1 2013 to Sep 30, 2013 | ONI Jan 1, 2013 to July 31, 2013 | Portugal Total Jan 1, 2013 to Sep 30, 2013 | Le Cable Jan 1, 2013 to Sep 30, 2013 | OMT July 1, 2013 to Sep 30, 2013 | OMT Jan 1, 2013 to Jun 30, 2013 | French Overseas Territories Total Jan 1, 2013 to Sep 30, 2013 | Other Jan 1, 2013 to Sep 30, 2013 | Total Jan 1, 2013 to Sep 30, 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Other operating expenses | (157.9) | (2.7) | (14.1) | (3.4) | (11.2) | (28.7) | (2.3) | (10.1) | (19.8) | (32.2) | (4.9) | (226.4) |
| Other sales and marketing expenses | (36.4) | (1.2) | (6.4) | (0.4) | (1.3) | (8.1) | (0.9) | (3.0) | (7.3) | (11.1) | (3.6) | (60.4) |
| General and administrative expenses | (20.8) | (4.8) | (3.2) | (1.4) | (5.9) | (10.5) | (2.6) | (3.4) | (6.1) | (12.1) | (9.3) | (57.5) |
| **Total** | **(215.1)** | **(8.6)** | **(23.7)** | **(5.2)** | **(18.4)** | **(47.3)** | **(5.8)** | **(16.4)** | **(33.2)** | **(55.5)** | **(17.9)** | **(344.3)** |

## 4. Notes to the unaudited condensed combined financial information (Continued)

(e) Capital expenditures pre acquisition of NG and ODO

| | For the nine months ended September 30, 2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the period ended September 30, 2013** | **Israel Total** | **Belgium and Luxembourg Total** | **Cabovisao** | **Oni** | **Portugal Total** | **OMT 9m** | **Le cable 9m** | **French Overseas Territories Total** | **Others** | **Total** |
| | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| Cable based services | 100.0 | 13.5 | 14.7 | — | 14.7 | 2.0 | 6.4 | 8.4 | — | 136.6 |
| Mobile services | 36.0 | 1.2 | — | — | — | 8.9 | — | 8.9 | — | 46.1 |
| B2B and others | — | — | — | 3.6 | 3.6 | 9.8 | — | 9.8 | 13.4 | 26.8 |
| **Total capital expenditures** | 136.0 | 14.7 | 14.7 | 3.6 | 18.3 | 20.7 | 6.4 | 27.1 | 13.4 | 209.5 |

(f) Revenue post acquisition of NG and ODO

*For the year ended December 31, 2012*

| France | Israel | Cabovisao | Cabovisao | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| 1,299.8 | 850.4 | 19.8 | 98.2 | 117.4 | 235.4 | 71.3 | 24.4 | 195.1 | 219.6 | 457.7 | 65.2 | 3,199.3 |

*For the nine months ended September 30, 2013*

| France | Israel | Cabovisao | ONI | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to July 31, 2013 | Aug 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Jun 30, 2013 | Jul 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 |
| 966.5 | 669.4 | 83.4 | 59.0 | 17.5 | 159.8 | 53.2 | 18.7 | 96.5 | 51.1 | 166.3 | 333.6 | 53.4 | 2,402.2 |

(g) Operating income before depreciation and amortization post acquisition of NG and ODO

*For the twelve months ended December 31, 2012*

| France | Israel | Cabovisao | Cabovisao | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| 621.9 | 305.2 | 2.6 | 31.6 | 13.8 | 48.0 | 45.6 | 12.1 | 63.1 | 75.1 | 166.7 | 20.1 | 1,282.6 |

*For the nine months ended September 30, 2013*

| France | Israel | Cabovisao | ONI | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to July 31, 2013 | Aug 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Jun 30, 2013 | Jul 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 |
| 454.9 | 269.9 | 33.7 | 9.2 | 2.0 | 45.0 | 35.4 | 10.3 | 33.2 | 18.5 | 62.1 | 132.7 | 17.2 | 1,017.1 |

## 4. Notes to the unaudited condensed combined financial information (Continued)

(h) Purchase of tangibles and intangibles assets (the ''Capital expenditures'') post acquisition of NG and ODO

*For the twelve months ended December 31, 2012*

| France | Israel | Cabovisao | Cabovisao | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Feb 29, 2012 | Mar 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 | Jan 1, 2012 to Dec 31, 2012 |
| 285.7 | 295.4 | 2.8 | 15.3 | 12.7 | 30.8 | 17.0 | 7.4 | 28.3 | 35.7 | 73.2 | 18.7 | 756.5 |

*For the nine months ended September 30, 2013*

| France | Israel | Cabovisao | ONI | ONI | Total Portugal | Belgium & Luxembourg | Le Cable | OMT | OMT | Total French Overseas Territories | Dominican Republic | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to July 31, 2013 | Aug 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Jun 30, 2013 | Jul 1, 2013 to Sep 30, 2013 | | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 | Jan 1, 2013 to Sep 30, 2013 |
| 205.9 | 136.0 | 14.7 | 3.4 | 0.2 | 18.3 | 14.7 | 6.4 | — | 20.7 | 27.1 | 38.9 | 13.4 | 454.3 |

## TABLE OF CONTENTS


PART I—SUMMARY . . . . . 2
PART II—RISK FACTORS . . . . . 17
PART III—NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES . . . . . 68
PART IV—DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS . . . . . 69
PART V—EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS . . . . . 71
PART VI—IMPORTANT INFORMATION . . . . . 72
PART VII—DETAILS OF THE OFFER . . . . . 88
PART VIII—PLAN OF DISTRIBUTION . . . . . 94
PART IX—CAPITALISATION AND INDEBTEDNESS . . . . . 97
PART X—SELECTED HISTORICAL AND POST-TRANSACTION PRO FORMA FINANCIAL INFORMATION . . . . . 108
PART XI—SELECTED HISTORICAL AND PRE-TRANSACTION PRO FORMA FINANCIAL INFORMATION . . . . . 115
PART XII—OPERATING AND FINANCIAL REVIEW OF THE GROUP . . . . . 124
PART XIII—BUSINESS, INDUSTRY AND MARKET OVERVIEW OF ODO AND TRICOM AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO . . . . . 178
PART XIV—SELECTED FINANCIAL INFORMATION OF THE NUMERICABLE GROUP . . . . . 206
PART XV—OPERATING AND FINANCIAL REVIEW OF THE NUMERICABLE GROUP . . . 211
PART XVI—INDUSTRY AND MARKET OVERVIEW . . . . . 272
PART XVII—INFORMATION ABOUT THE COMPANY AND THE GROUP . . . . . 304
PART XVIII—REGULATORY OVERVIEW . . . . . 372
PART XIX—DESCRIPTION OF CERTAIN INDEBTEDNESS . . . . . 415
PART XX—SELLING AND TRANSFER RESTRICTIONS . . . . . 431
PART XXI—DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE . . . . . 436
PART XXII—TAX CONSIDERATIONS . . . . . 445
PART XXIII—GENERAL INFORMATION . . . . . 454
PART XXIV—GLOSSARY . . . . . 481
PART XXV—DEFINITIONS . . . . . 484
PART XXVI—INDEX OF FINANCIAL INFORMATION . . . . . 495