ALTICE S.A.

(a public limited liability company (société anonyme), incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B 183.391)

ADMISSION TO TRADING ON THE REGULATED MARKET OF EURONEXT IN AMSTERDAM OF 24,751,873 NEW SHARES

This prospectus (the "Prospectus") relates to the listing and admission to trading on the regulated market of NYSE Euronext in Amsterdam ("Euronext Amsterdam") which constitutes a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments (the "MiFID") of 24,751,873 ordinary shares (the "New Shares") of Altice S.A., a public limited liability company (*société anonyme*), incorporated and existing under the laws of the Grand Duchy of Luxembourg ("Luxembourg"), having its registered office at 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register under number B 183.391 (the "Company").

Following the issuance of the New Shares by the Company (the "Issuance") to Carlyle Cable Investment SC ("Carlyle", an affiliate of the Carlyle Group) and CCI (F3) S.à r.l. ("Cinven", an affiliate of Cinven) on or about July 22, 2014 in exchange for a contribution in kind of 25,517,396 shares in Numéricable Group S.A. (the "Numericable Shares") ("Numericable Group"), the New Shares will be listed and admitted to trading on Euronext Amsterdam. Prior to the admission to trading of the New Shares, a public market for the ordinary shares in the capital of the Company (the "Existing Shares" and together with the New Shares, the "Ordinary Shares") exists as all the shares of the same class as the New Shares issued by the Company are listed and traded on Euronext Amsterdam. The Company has applied for listing and admission to trading of the New Shares on Euronext Amsterdam. We expect that the New Shares will be admitted, and that trading in the New Shares will commence on Euronext Amsterdam, on or about July 25, 2014 (the "Admission").

This Prospectus constitutes a prospectus for the purposes of article 5.3 of the European Union (EU) Directive 2003/71/EC, as amended (the "Prospectus Directive") and has been prepared in accordance with the Luxembourg law of July 10, 2005, as amended, implementing the 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 *Commission de Surveillance du Secteur Financier* (the "CSSF") for the purposes of the listing and admission to trading of the New 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 website of the Luxembourg Stock Exchange at https://www.bourse.lu and the website of the Company at https://www.altice.net.

Investing in the New Shares involves risks. See ''Risk Factors'' beginning on page 22.

Exchange Ratio: 0.97[1] New Shares of the Company for one (1) share in Numéricable Group S.A.

This Prospectus cannot be used except in connection with the Admission to trading of the New Shares. It does not constitute or form part of, and should not be construed as, an offer or invitation to sell Ordinary Shares of the Company or the solicitation of an offer to subscribe for or purchase Ordinary Shares of the Company to the public and shall not be and may not be considered to be a public offering of the Ordinary Shares. Any decision to purchase any Ordinary Shares of the Company should be made solely on the basis of the information contained in the relevant prospectus (other than this Prospectus) produced in connection with the offering of any such Ordinary Shares. Any such prospectus may contain information different from the information contained in this Prospectus.

In making an investment decision, investors must rely on their own examination of the Company, including the merits and risks involved with respect to an investment in the Ordinary Shares. The Company is not making any representation to any investor in or purchaser of Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such

---

[1] Please note that 0.97 is a rounded number.

investor under the laws applicable to such investor or purchaser. Each investor should consult with its own advisors as to the legal, tax, business and financial and related aspects of a purchase of Ordinary Shares.

The New Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States of America or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The date of this Prospectus is July 21, 2014.

TABLE OF CONTENTS

PR Art. 25.1.1

PART I
SUMMARY

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

PR Art. 24.1

Annex XXII

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. Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor. 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 the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. 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 such New 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 subsequent resale of securities or final placement of securities after and in connection with the publication of this Prospectus.

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

		We have a high quality cable and fiber based network infrastructure. In France, in the portion of Numericable's cable network that has been upgraded to Docsis 3.0 (approximately 5.2 million homes as of December 31, 2013) we are able to offer download speeds of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited network and customer premises equipment upgrades. Following the SFR Acquisition, our cable footprint will be complemented by SFR's near national DSL presence and SFR's fiber network, which comprises 1.5 million households passed with FTTH technology and offers download speeds of up to 200 Mbps (although a significant portion of the existing fiber networks of the Numericable Group and SFR overlap). Outside France and the Overseas Territories, our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. Given the existing technological capability of our networks, in the short to medium term, we expect that the substantial majority of our cable networks outside the Overseas Territories will offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades. Prior to the SFR Acquisition, we passed 14.0 million cable homes with 2.9 million Cable Customer Relationships, 6.6 million cable-based RGUs, an average of 2.3 RGUs per Cable Customer Relationship and had 5.0 million mobile telephony RGUs and 0.3 million xDSL Broadband RGUs, as at December 31, 2013. Pro forma for the SFR Acquisition, we expect our cable homes passed, Cable Customer Relationships, cable-based RGUs, and the average RGUs per Cable Customer Relationship to remain materially the same. In addition, pro forma for the SFR Acquisition, we passed 1.6 million FTTH homes with 0.2 million FTTH customer relationships and had 5.5 million xDSL Broadband RGUs and 26.3 million mobile telephony RGUs, as at December 31, 2013. We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In France, through Numericable Group's one million digital multi-play subscribers, SFR's 197,000 FTTH subscribers and Numericable Group's 363,000 white label subscribers (through an agreement with Bouygues Telecom), the Numericable Group will be the market leader in the fixed very high speed broadband Internet market (which is defined by the *French Autorité de Régulation des Communications Electroniques et des Postes* ("ARCEP") as broadband Internet with above 30 Mbps speed capability) representing 60% of the total very high speed connections in France as of December 31, 2013 (78% including white label subscribers). Pro forma for the SFR Acquisition, we are the second largest mobile operator in France by number of subscribers. In a significant majority of our footprint, we are the sole major cable operator and are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In most of the markets in which we operate, we offer bundled triple-play services, and where possible, quadruple-play services, at attractive prices, and focus our marketing efforts on our multiple-play offerings.	
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. **Pay TV** After adding 47 million subscribers to reach a total of 864 million subscribers in 2012, the global pay TV market continued its growth in the first half of 2013, with 23 million new subscribers, representing a 3% growth, according to ABI Research.	Annex I R 12.1 R 12.2

<table>
<tr><td></td><td></td><td>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).
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.</td></tr>
<tr><td>B.5</td><td>Description of Company’s Group and the Company’s position within the Group</td><td>We are a multinational cable and telecommunications company with presence in three regions—Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), Israel, the French Overseas Territories (currently comprising the French Caribbean and the Indian Ocean regions) and the Caribbean. 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 nine such transactions over the past five years, we have entered into an agreement to purchase additional shares in Numericable Group that will enable us to acquire control over the Numericable Group through which we conduct our operations in France.
The Company is the holding company of the Group.</td></tr>
<tr><td>B.6</td><td>Shareholders</td><td>At the date of this Prospectus, insofar as is known to the Company, the following are interested in 5% or more of the Company’s capital:
Next L.P. which is controlled by Patrick Drahi (63.2%), Capital Group Companies Inc. (5.58%).
All Ordinary Shares have the same voting rights.
Each Ordinary Share (including each New Share) entitles its holder to one vote at the general meeting of shareholders of the Company (the “General Meeting”).</td></tr>
<tr><td>B.7</td><td>Selected key historical financial information</td><td>Income Statement Data
<table>
<tr><th></th><th colspan="3">Historical Consolidated Financial Information</th><th>Historical Consolidated Financial Information</th></tr>
<tr><th></th><th colspan="3">For the year ended December 31,</th><th>As at March 31, 2014</th></tr>
<tr><th>Statement of Income Items</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><th></th><th colspan="3">€ in millions</th><th>€ in millions</th></tr>
<tr><td>Revenue...</td><td>784.2</td><td>1,092.4</td><td>1,286.8</td><td>578.4</td></tr>
<tr><td>Operating income before depreciation and amortization$^{(1)}$ ....</td><td>297.7</td><td>403.1</td><td>518.0</td><td>259.1</td></tr>
</table></td></tr>
</table>

Annex I
R 3.1

Operating profit/(loss)	**104.9**	**(42.0)**	**41.5**	**68.7**

(1) Further referred to as EBITDA.

Consolidated Cash Flow Statements

	Historical Consolidated Financial Information			**Historical Consolidated Financial Information**
	For the year ended December 31,			**As at March 31, 2014,**
	2011	**2012**	**2013**	**2014**
	€ in millions			**€ in millions**
Cash and cash equivalents at beginning of period	26.9	24.2	129.7	**61.6**
Net cash provided by operating activities	306.1	464.5	439.1	**230.5**
Net cash used in investing activities	(576.6)	(574.2)	(2.157.5)	**(381.5)**
Net cash provided by financing activities*	268.7	215.1	1,649.8	**436.5**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1	-
Cash and cash equivalents at end of year	**24.2**	**129.7**	**61.6**	**344.6**

*- Includes cash received from short term overdraft facilities for a total of EUR 2.6 million.

Balance Sheet Data

	Historical Consolidated Financial Information**			**Historical Consolidated Financial Information ****	**Post-Transaction Pro Forma Financial Information[(1)]**
	As of December 31,			**As at March 31, 2014,**	**As of December 31,**
	2011	**2011**	**2013**	**2014**	**2013**
	€ in millions				
Total current assets	165.1	334.7	1,562.2	**2,067.6**	10,688.9
Total non-current assets	2,531.7	2,602.9	3,614.4	**7,875.3**	8,585.4

Total assets	**2,696.8**	**2,937.6**	**5,176.6**	**9,942.9**	**19,274.4**
Total current liabilities	569.5	583.3	737.0	**1,617.7**	1,652.3
Total non-current liabilities	1,409.1	2,076.1	4,344.2	**7,148.5**	20,721.1
Total liabilities	**1,978.6**	**2,659.4**	**5,081.2**	**8,766.2**	**22,373.4**
Total equity	**718.3**	**278.1**	**95.3**	**1,176.7**	**(3,099.1)**

** Prior to the Numericable Acquisition which was completed in February 2014, primarily reflects the operating results of Altice International excluding Tricom, Mobius and ODO. For further details, see "*Presentation of Financial and Other Information*".

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the ODO Acquisition, Numericable Acquisition. Following the Transactions, we will own 74.6% of the share capital of Numericable Group, Virgin Mobile or SFR (indirectly through Numericable Group) SFR. It does not give pro forma effect to the acquisitions of Tricom or Mobius. For details, see "*Presentation of Financial and Other Information Pro Forma Financial Information.*"

Save as set out in the quarterly financial information for the first quarter of 2014 into this Prospectus, and the occurrence of (i) the offering of the Notes, (ii) the offering of the New Numericable Senior Secured Notes, (iii) funding under the New Numericable Term Loan and the application of proceeds thereof (including the financing of the Existing Numericable Indebtedness) and (iv) the share capital increase of the Company implemented on June 27, 2014, there has been no significant change to the Company's financial condition and operating results during or subsequent to the period covered by the historical key financial information.

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, 2013

	€ in millions
Revenue	**3,221.2**
Operating income before depreciation & amortization	**1,356.2**
Operating profit[1]	**402.5**
Net income (loss) from continuing operation	**(881.7)**

---

(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, 2013, €134.4 million.

Balance Sheet Data

	Post-Transaction Pro Forma Financial Information As of December 31, 2013
	€ in millions
Total current assets	10,688.9
Total non-current assets	8,585.4
Total assets	19,274.4
Total current liabilities	1,652.3
Total non-current liabilities	20,721.1
Total liabilities	22,373.4
Total equity	(3,099.1)

EBITDA to Pro Forma Adjusted EBITDA

	Post-Transaction Pro Forma Financial Information[1]
	For the year ended December 31, 2013
	€ in millions
EBITDA[2]	**1,356.2**
Equity based compensation[3]	3.6
Adjusted EBITDA[4]	**1,359.8**
Pro Forma Synergies for 2013 Transactions[5]	12.5
HOT Mobile Network Sharing Savings[6]	41.0
Tricom EBITDA[7]	51.0
Pro Forma Synergies for ODO/Tricom[8]	20.0
Pro Forma Adjusted EBITDA	**1,484.3**

---

(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 Tricom Acquisition, the SFR Acquisition and the Virgin Mobile Acquisition.

(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 twelve 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 twelve months ended December 31, 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 twelve 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 XI 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 and we may incur significant costs in realizing the reorganization of ODO and Tricom. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

Pre-Transaction Pro Forma Financial Information
Income Statement Data

	Pre-Transaction Pro Forma Financial Information[1]
	For the nine months ended September 30,
	2013
	€ in millions
Statement of Income Items	
Revenue	
Total revenue	**1,460.7**
Operating income before depreciation and amortization[2]	**570.7**
Operating profit[3]	**49.1**
(Loss)/profit for the year	**(0.2)**

---

(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, €93.5 million.

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: In the opinion of the Company, it has sufficient working capital for its present requirements.

Annex III R 3.1

Section C – Securities

Element

C.1	**Description of type and class of securities being issued**	The New Shares comprise ordinary shares in the capital of the Company.

		The nominal value of the total issued ordinary share capital of the Company on the date of, and immediately following the, Issuance is, and immediately following Admission will be €2,477,224.90 divided into 247,722,490 Ordinary Shares of €0.01 each, which are issued fully paid. When admitted to trading, the New Shares will be registered with ISIN LU1014539529.
C.2	**Currency of issue**	The New Shares are denominated in euros.
C.3	**Number of Ordinary Shares issued and par value**	At the date of this Prospectus, the Company has issued 222,970,617 Ordinary Shares all of which are fully paid up. The Ordinary Shares have a nominal 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. 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. Pursuant to the Company's articles of association (the "Articles"), the Ordinary Shares are freely transferable and there are no restrictions on transfer (other than pursuant to applicable securities laws). Certain of the Ordinary Shares held by the Significant Shareholder and certain of the Ordinary Shares held by certain members of senior management are subject to a 365-day lock-up period. The New Shares are also subject to a contractual lock-up arrangement.
C.6	**Admission to trading**	An application has been made for the admission of the New Shares to listing and trading on the regulated market of Euronext Amsterdam. The Company expects trading of the New Shares to commence on or about July 25, 2014. Euronext Amsterdam is a regulated market for the purposes of MiFID.
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. 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 payments as well as share buy-backs if deemed adequate on the basis of its review of the opportunity set for acquisitions. All of the Ordinary Shares carry full dividend rights if and when declared by the Board of Directors or the General Meeting, as applicable, from the date the holder acquires such shares. The Company is not expected to generate distributable profits in the foreseeable future, because of limited free cash flows.

Annex I
R 4,
R 9.2.3.
Annex III
R.2

Section D- Risks		
Element		
D.1	**Key information on key risks that are specific to the Company or its industry**	**Risks Relating to Our Financial Profile** Our substantial leverage could adversely affect our business, financial condition and results of operations and may affect our ability to raise additional capital to fund our operations. We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, and may be subject to certain tax liabilities. The agreements and instruments governing our debt contain restrictions and limitations that could adversely affect our ability to operate our business. We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations. Currency fluctuations and interest rate and other hedging risks could adversely affect our earnings and cash flow. Negative changes in our credit rating may have a material adverse effect on our financial condition. **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. A weak economy and negative economic development in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland and the Dominican Republic, may jeopardise our growth targets and may have a material adverse effect on our business, financial condition and results of operations. The political and military conditions in Israel may adversely affect our financial condition and results of operations. 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. With the completion of the Tricom Acquisition on March 12, 2014 and the ODO Acquisition on April 9, 2014, we now have operations in the Dominican Republic and are exposed to economic, political and other risks related to the Dominican Republic. 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. 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. We are subject to increasing operating costs and inflation risks which may adversely affect our earnings. 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. The deployment of fiber or VDSL2 networks by our competitors may reduce, and ultimately eliminate, the speed and power gap between our cable network and the DSL networks of our main competitors. ODO’s activities may be affected by Indotel’s decisions regarding the granting, amendment or renewal of frequency licenses. ODO’s ability to extend its 4G/LTE service offering beyond its current limitations is subject to the finalisation of the public auction. 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. If we cannot obtain or maintain favorable roaming or network sharing arrangements for our mobile services, our services may be less attractive or less profitable. 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. We rely on third parties for access to and the operation of certain parts of our network. 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. 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 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. Failure in our technology or telecommunications systems could significantly disrupt our operations, which could reduce our customer base and result in lost revenue. Our reputation and financial condition may be affected by product quality issues, in particular in connection with LaBox. Customer churn, or the threat of customer churn, may adversely affect our business. 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 realising the strategic and financial goals contemplated at the time of any such transaction and thus adversely affect our business. 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. Pressure on customer service could adversely affect our business. Revenue from certain of our services is declining, and we may

be unable to offset this decline.

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.

Our brands are subject to reputational risks.

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

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.

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

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

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

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

The Pro Forma Financial Information, the Illustrative Aggregated Selected Financial Information and the Historical Consolidated 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 significant assumptions and limitations.

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

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

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.

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

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

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

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

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.

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

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.

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

We 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.

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

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.

We may be required to indemnify certain 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 could have a material adverse effect on our results of operations and cash flow.

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.

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.

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

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

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.

Risks Relating to the (i) SFR Acquisition and Virgin Mobile Acquisition; (ii) SFR's Business and Virgin Mobile's Business; and (iii) the Integration of SFR and the Integration of Virgin Mobile into our Business

The SFR Acquisition and the Virgin Mobile Acquisition are subject to significant uncertainties and risks.

Anticipated synergies from the SFR Acquisition and the Virgin Mobile Acquisition may not materialise.

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

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

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

In preparing this Prospectus, we have relied on information supplied, or made available, by SFR and Virgin Mobile.

Risks Relating to (i) SFR's Industry and Markets; and (ii) Virgin Mobile's Industry and Markets

SFR and Virgin Mobile are subject to strong competitive pressures.

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

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

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

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

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

Risks Relating to Virgin Mobile and SFR's Business and Operations

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

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

The business activities of SFR and Virgin Mobile involve substantial capital expenditure.

Virgin Mobile and SFR's relations with their employees could be affected by changes in the competitive landscape.

SFR and Virgin Mobile are dependent on their providers and suppliers for certain key functions, products and services.

SFR is dependent on its relations with the MVNOs.

Virgin Mobile is dependent on its relations with the suppliers of capacity.

SFR and Virgin Mobile depend on their key employees and managers.

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

Regulatory and Legal Risks of SFR and Virgin Mobile

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

The legal status of Virgin Mobile and SFR’s networks are complex and the networks are primarily governed by public law, which could affect the stability of the rights of SFR and Virgin Mobile.

The business activities of SFR and the business activities of Virgin Mobile depend in part on Virgin Mobile and SFR’s abilities to set up and maintain partnerships with other players in the telecommunications sector that they do not control.

Prior operations may result in the implementation of change of control clauses.

SFR and Virgin Mobile are dependent on their intellectual property rights, which may not be adequately protected.

SFR and Virgin Mobile use so-called “freeware” in connection with their business.

SFR and Virgin Mobile face risks associated with their distribution network.

SFR and Virgin Mobile are involved in legal or administrative actions and litigation with regulators, competitors or other parties.

Risks Relating to Telecommunications Operators in France affecting SFR, the Numericable Group, Virgin Mobile and, following the Transactions, the Numericable Group

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concerns for such risks were to worsen, or if harmful effects were scientifically established, the business, financial condition and results of operations of telecommunications operators in France, including SFR, the Numericable Group and Virgin Mobile, could be materially adversely affected.

SFR, the Numericable Group and Virgin Mobile operate in a heavily regulated industry. Regulatory compliance may increase their costs or restrict their business activities and non-compliance could lead to sanctions or other penalties. Future changes in regulation could adversely affect their respective businesses.

Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on SFR, the Numericable Group’s and Virgin Mobile’s results of

		operations and cash flows. French tax law may limit SFR's, the Numericable Group's or Virgin Mobile's capacity to deduct interest for tax purposes, which could lead to a reduction in SFR's, the Numericable Group's or Virgin Mobile's net cash flows. The economic and financial climate, particularly in France, might have an adverse effect on the business, financial condition and results of operations of SFR, the Numericable Group and Virgin Mobile. SFR, the Numericable Group and Virgin Mobile are subject to data confidentiality and security obligations. SFR, the Numericable Group and Virgin Mobile will face risks in connection with the Combined France Group's external growth strategy. Failure by each of SFR, the Numericable Group and Virgin Mobile to protect its image, reputation and brand could materially affect its business. SFR, the Numericable Group and Virgin Mobile are exposed to risks of fraud. Each of SFR, the Numericable Group and Virgin Mobile may be held liable for the content hosted on their respective infrastructures or transmitted by their networks. Pressure on customer service could adversely affect SFR, the Numericable Group's and Virgin Mobile's respective businesses. The European Union may continue to impose further decreases in the roaming charges for using mobile phones within the European Economic Area ("EEA").
D.3	**Key information on the key risks that are specific to the securities**	**Risks Relating to the Ordinary Shares** The market price of the Ordinary Shares may be volatile. Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares could depress the market price of the Ordinary Shares. 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 Company's ability to pay dividends to shareholder(s) may be constrained. The interests of the Significant Shareholder may be inconsistent with the interests of our other shareholders. We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings. Transfers of certain Ordinary Shares are restricted, which may adversely affect the value of the Ordinary Shares. Holders of Ordinary Shares outside Luxembourg may not be able to exercise pre-emptive rights in future offerings.

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

Section E – Offer		
Element		
E.1	**Total net proceeds/expenses**	Total net proceeds are not applicable; there is no offer of securities to the public. The expenses of the Admission amount to approximately €600,000 and will be borne by the Company.
E.2a	**Reasons for the offer/Use of proceeds**	Not applicable: there is no offer of securities to the public.
E.3	**Terms and conditions of the offer**	Not applicable as no offer of the New Shares to the public is being, or will be, made.
	Price range.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
	Offer period.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
	Amendments to the term of the offering.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
	Offer price.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
	Delivery and settlement.	Delivery of the New Shares against the contribution of the Numericable Shares is expected to take place on or about July 22, 2014 by recording the New Shares in the Register in the name of Carlyle and Cinven on the effective date of the Contribution in Kind. For the purpose of the listing and Admission, the transfer of the New Shares to Euroclear Netherland will then be recorded in the Register for the New Shares to be included in the book-entry system of Euroclear Nederland and be traded in accordance with its normal settlement procedure applicable to equity securities on or around July 25, 2014.
	Over-allotment / stabilization and greenshoe option.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
	Admission to and commencement of trading.	Application has been made for the New Shares to be admitted to listing and trading on Euronext Amsterdam. Trading of the New Shares on Euronext Amsterdam is anticipated to commence on or about July 25, 2014.
	Underwriters.	Not applicable: no offer of the New Shares to the public is being, or will be, made.
E.4	**Material interests**	Not applicable: there is no offer of securities to the public. Upon the Issuance and immediately following Admission of the New Shares the following will be interested in 5% or more of the Company's share capital: Next L.P. as to 56.87%

		Carlyle as to 6.71% The Capital Group Companies, Inc. as to 5.02%
E.5	**Name of the entity offering to sell the security.**	Not applicable: there is no offering to sell the New Shares to the public.
E.5	**Lock-up arrangements**	The New Shares are subject to a contractual lock-up arrangement pursuant to which each of Cinven and Carlyle have agreed not to transfer, offer, sell or pledge, or issue indirectly, any of the New Shares or to enter into or announce any transaction having a substantially similar economic effect for a period starting on the Completion Date and ending on September 30, 2014 (included) (the "Lock-Up"). The Lock-Up will apply only as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the shares of the Company in that respect.
E.6	**Dilution**	Not applicable: there is no offer of securities to the public. The New Shares will be issued as a result of the Contribution in Kind. The Existing Shares (in issue prior to the Issuance) represent 90.01% of the total issued Ordinary Shares immediately following Admission. The Ordinary Shares held by the Significant Shareholder represent 56.87% of the total issued Ordinary Shares immediately following Admission.
E.7	**Estimated expenses charged to investor**	Not applicable: there are no commissions, fees or expenses to be charged to investors by the Company.

PART II
RISK FACTORS

Annex 1 R4, Annex III R.2

If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the New Shares. Described below and elsewhere in this Prospectus are the risks considered by the Directors to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future.

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, not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below should be considered.

In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Prospectus. See "Forward-Looking Statements" on page 106 et seq.

The risks involved below are the risks which are considered to be material but are not the only risks associate with holding Ordinary 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.

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

Risks Relating to Our Financial Profile

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 December 31, 2013 (i) the Altice International Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €3,585 million on a consolidated basis, (ii) the Numericable Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €2,680 million and (iii) other subsidiaries of the Group had total third party debt of €324 million. As adjusted to reflect all changes to our financial profile since December 31, 2013 including as adjusted to give effect to the Transactions (including this Issuance), the Altice Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €19,463 million on a consolidated basis and the Numericable Group had total third party debt (excluding other long term and short term liabilities, other than finance leases) of €11,706 million. In addition the Company will be able to draw €200 million in total under the Company. Revolving Credit Facility, the Numericable Group will be able to draw €750 million under the Numericable Group Revolving Credit Facilities Agreement and the Altice International Group will be able to draw up to $80 million and €60 million under the Existing Altice Financing Revolving Credit Facilities. In addition and subject to certain conditions, certain lenders have committed to provide €450 million under an additional revolving credit facility to Altice Financing S.A. on substantially the same terms as the 2013 Revolving Credit Facility.

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

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

- our future operating performance;
- the demand and price levels for our current and planned products and services;
- our ability to maintain the required level of technical capability in our networks and in the subscriber equipment and other relevant equipment connected to our networks;
- our ability to successfully introduce new products and services;
- our ability to reduce churn;
- general economic conditions and other conditions affecting customer spending;
- competition;

- sufficient distributable reserves, as required under applicable law;
- the outcome of certain litigation in which we are involved; and
- legal, tax and regulatory developments affecting our business.

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

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

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

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

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

All of these limitations will be subject to certain exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with these restrictions may be affected by events beyond our control. In addition, we are also subject to the affirmative covenants contained in certain of the debt agreements we are party to, including the Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the Existing HOT Unsecured Notes and the Existing Coditel Mezzanine Facility which require us to maintain specified financial ratios. Upon entry into the Company. Revolving Credit Facility, the Numericable Group Revolving Credit

Facilities Agreement and the New Altice Financing Revolving Credit Commitment, we will also be required to maintain certain specified financial ratios under these agreements. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

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

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

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

As adjusted to give effect to all changes to our capital structure since December 31, 2013, including the Transactions (including this Issuance), as of May 31, 2014, we would have had €4,622 million of floating rate debt. In addition, any amounts we borrow under the Revolving Credit Facility Agreements or the 2013 Guarantee Facility bear or will bear interest at a floating rate. Further, as of December 31, 2013 we had an amount equivalent to €167.0 million outstanding under Series A of the HOT Unsecured Notes which is linked to the consumer price index in Israel. An increase in the interest rates on our debt will reduce the funds available to repay our debt and to finance our operations, capital expenditures and future business opportunities. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

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

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

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

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

Risks Relating to Our Business, Technology and Competition

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

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

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

Because the telecommunications and mobile markets in certain of the geographic markets in which we operate, including Israel and France, are reaching saturation, there are a limited number of new subscribers entering the market and therefore in order to increase our market share we are dependent on attracting our competitors' existing subscribers, which intensifies the competitive pressures we are subject to. The competitive landscape in the countries in which we operate is generally 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 utilising 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 utilise a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and long-term-evolution ("LTE") technology. Mobile services, including those offerings 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 Issuance. The rapid success of audiovisual content streamed through the telecommunications network and insufficient innovation could lead to the emergence of other content or service providers as well as the saturation of the network, which would put pressure on the revenues and margins of operators like our Group while simultaneously requiring them to increase capital expenditures to remain competitive, which could adversely affect our business, financial condition or results of operations.

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

France.

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

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

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

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

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

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

Israel.

Pay Television. In the multi channel television market our main competitor is D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq, which provides satellite technology based multi channel television services under the brand "YES". Other factors that have a material impact on competition in the market include the availability of free-to-air DTT channels and the increasing availability of video content that may be offered via the Internet. In addition, we believe that the implementation of certain regulatory changes may have an impact on competition in the market, including the expansion in the number of free-to-air DTT channels, the "narrow" television package and the increased scope of special broadcasting licenses pursuant to which we are required to broadcast television channels owned by special broadcasting license holders on our network under certain terms. See "*Regulatory—Israel—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 Internet access over DSL, holds the highest market share in broadband Internet infrastructure access in Israel, and offers a range of products with different download speeds, data transfer limits and other value added services. Continued upgrades to the quality of Bezeq's DSL-based broadband Internet infrastructure access service to very high bitrate DSL ("VDSL") and potentially even faster DSL variants and the possibility of widespread fiber-to-the-home installations which it has announced could have a negative impact on our competitive position in the broadband Internet infrastructure market and may also require us to revise our marketing strategy and make potentially significant capital expenditures. Further, the Israeli Ministry of Communications has issued regulatory instructions in an attempt to create a wholesale market for broadband Internet infrastructure access which would allow service providers (such as ISPs, VOB providers and IPTV providers) to provide services to their customers by using our cable network. In January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom submitted a response relating to the decision in March 2014 and is currently awaiting further instructions. We are currently evaluating the impact of the Israeli Ministry of Communication's decision on our business in Israel and while we have not yet made a full assessment of such impact, it is possible that this may result in increased competition. See "*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 fiber, and thus compete with HOT and Bezeq in the wholesale market as well as providing such services directly to large business customers.

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

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

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

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

Dominican Republic.

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

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

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

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

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

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

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

A weak economy and negative economic development in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland and the Dominican Republic, may jeopardise our growth targets and may have a material adverse effect on our business, financial condition and results of operations. Annex I R 9.2.3

Negative developments in, or the general weakness of, the economy in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal, Switzerland or the Dominican Republic, in particular increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a deterioration of any of these economies will not lead to a higher number of non-paying customers or generally result in service disconnections. Similarly, a deterioration in economic conditions in the countries in which we offer B2B services (France, Portugal, Belgium, Luxembourg, Switzerland and the Dominican Republic) or wholesale services (France) would be likely to adversely affect the demand for and pricing of such services. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardise our growth targets and may have a material adverse effect on our business, financial condition and results of operations. We are currently unable to predict the extent of any of these potential adverse effects. Recently, the general economic, labor market and capital market conditions in the EMEA region (including Israel), including certain of the jurisdictions in which we operate, and other parts of the world have undergone significant turmoil. In addition, general market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Cyprus, Greece, Portugal, Spain, Ireland and Italy may default on their financial obligations. Furthermore, continued hostilities in the Middle East and recent tensions in North Africa could adversely affect the Israeli economy. Additionally, the Dominican Republic economy depends to a significant degree on global tourism and the health of the US economy and remains vulnerable to external shocks (e.g., economic declines in other emerging market countries). Any decrease in visitors, a downturn in the US economy or such external shocks could have a material adverse effect on economic growth in the Dominican Republic. These conditions could also adversely affect 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. Annex I R 9.2.3

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

During an emergency, including a major communications crisis in Israel's national communications network, a natural disaster, or a special security situation in Israel, control of our networks may be assumed by a lawfully authorised 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 Defense Forces Law, 1987, the Israel Defense Forces may mobilize our engineering equipment for their use, compensating us for the use and damage. This may materially harm our ability to provide services to our subscribers in such emergency circumstances and have a negative impact on our revenue and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ODO's activities as a mobile network operator in the Dominican Republic are subject to regulation and supervision by various Dominican Republic authorities, in particular the Dominican Institute for Telecommunications ("Indotel"). Since 2002, Indotel has issued a series of decrees and resolutions in order to implement the National Frequency Allocation Plan ("PNAF"), the objective of which is to reorganise 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. In April 2014, Indotel resumed the auction and ODO was awarded the Spectrum on final adjudication. Notwithstanding the adjudication a number of parties are challenging the award and the adjudication process.

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 finalisation of the public auction.

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

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

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

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

In May 2011, the International Agency for Research on Cancer ("IARC"), which is part of the World Health Organisation ("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 authorised governmental institutions with respect to the precautionary rules regarding the use of mobile telephones.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired the HOT telecommunications group in Israel, Cabovisão and ONI in Portugal, Outremer in the French Overseas Territories as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg, the Numericable Group in France and Tricom and ODO in the Dominican Republic. In addition, we entered into agreements to acquire SFR and Virgin Mobile in France, which remains subject to regulatory approval in France, as of the date of this Prospectus. 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 amortisation 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 realise all the anticipated benefits or synergies of these acquisitions, if any. Such transactions may also disrupt our relationships with current and new employees, customers and suppliers. In addition, our management may be distracted by such acquisitions and the integration of the acquired businesses. Thus, if we consummate any further acquisitions or fail to integrate any previous acquisitions, there could be a material adverse effect on our business, financial condition or results of operations. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. If we use available cash on hand to finance acquisitions pursuant to our acquisition strategy, our ability to make dividend payments may be limited or we may not be able to make such dividend payments at all. There can be no assurance that we will be successful in completing business acquisitions or integrating previously acquired companies.

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

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

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

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

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

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

Pressure on customer service could adversely affect our business.

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

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

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

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

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

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

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

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

Our brands are subject to reputational risks.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Belgium and in Luxembourg, we built our network pursuant to agreements which we entered into during the 1960s and the 1970s with municipalities which authorised 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 liberalization of the telecommunications market within the European Union. These uncertainties are compounded by the fact that the national laws adopted to implement European Union directives did not necessarily deal with these issues, that these agreements were sometimes renewed after the new regulatory regime was entered into force but were not amended to reflect such changes and by the lack of authoritative case law on the subject creating uncertainties as to the status of these networks and the rights of the different interested parties. Furthermore, there is no uniformity among these agreements. These uncertainties have led to litigation, including with the Roeser and Junglinster municipalities in Luxembourg which are currently pending on appeal. See "*Description of Group's Business—Legal Proceedings.*"

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

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

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

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

The Group consists of the Company and its subsidiaries or entities over which the Company exercises control, comprising (i) Altice International and its subsidiaries (the "Altice International Group") (in which the Company holds 100% of the share capital of the parent entity) and (ii) the Numericable Group (in which the Company holds 40% of the share capital of the parent entity (and is expected to hold 59.7% of the same following the consummation of the Transactions indirectly through its wholly owned subsidiary, Altice France and, pursuant to the Numericable Shareholders' Agreement, will hold the majority vote at meetings of Numericable's board of directors). For further details, see "*Description of Group's Business—Material Contracts—Numericable Shareholders' Agreement*". Prior to the reorganisation of the Group prior to the Company's initial public offering in January 2014, each of Altice International and Altice France were wholly controlled subsidiaries of Next L.P and were historically separate legal and reporting entities, under common control and management. Therefore, the historical combined financial statements of the 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 Consolidated 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 International Group and Altice France, and are based on the separate historical consolidated financial statements of the Altice International Group and the annual standalone accounts of Altice France. However, due to the reasons described below, the Historical Consolidated Financial Information may not reflect what our actual results of operations and financial condition would have been had we been a combined company during the periods presented, or what our results of operations and financial condition will be in the future.

Since its formation in 2007, Altice France has been the holding entity for the Group's shareholding in the Numericable Group, which represents substantially all of its assets and business. For each of the periods for which the Historical Consolidated Financial Information is presented, the financial statements of Altice France used to account for the Numericable Group as an investment in an associate using the equity method. On November 17, 2013, Altice France entered into an agreement with Cinven and Carlyle to acquire additional shares in Numericable pursuant to which Altice France holds 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors pursuant to the Numericable Shareholders' Agreement. For further details, see "Description of Group's Business—Material Contracts—Numericable Shareholders' Agreement". Furthermore, following the consummation of the Transactions, Altice France is expected to hold 59.7% of the shares in Numericable and will enter into a new shareholders' agreement with Vivendi S.A. providing, *inter alia*, that Altice France will keep such majority of votes in the board of directors of Numericable. For further details, see "*Recent developments—Numericable Group Transactions*". As a result, the Company is required to consolidate the Numericable Group in its financial statements for future reporting periods in accordance with IFRS (the "Numericable Group Consolidation"). In addition, Altice International is the holding company of the Altice International Group. Since its formation in 2008, Altice International has from time to time made significant equity investments in a number of cable and telecommunications businesses in various jurisdictions. The historical financial statements of Altice International used to prepare the Historical Consolidated Financial Information do not consolidate the results of operations of the entire business undertaking of the Altice International Group as it exists as of the date of this Prospectus for any period for which the Historical Consolidated Financial Information has been presented herein. Therefore, the Historical Consolidated 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 Consolidated Financial Information over each of the periods presented may be significantly limited.

In order to aid the comparability of the financial condition and results of operations of the entire business undertaking of the Group as it exists at the date of this 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 consolidated 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 International prior to October 15, 2013 (to the extent the results of operations of such acquired business undertaking is not included in the audited historical consolidated financial statements of the Group for the relevant period). The Illustrative Aggregated Selected Financial Information is subject to significant limitations. The Illustrative Aggregated Selected Financial Information does not contain any adjustments to the resulting aggregation other than adjustments to align the accounting framework of the acquired business undertaking in instances where the audited historical financial information of such acquired business undertaking included within such resulting aggregation have been drawn up in accordance with an accounting framework, the measurement and recognition criteria of which differs substantially from the corresponding criteria applicable under IFRS as adopted by the European Union, or where such acquired business undertaking was utilising accounting policy elections that differ substantially from those adopted by the Company for the purposes of the Historical Consolidated Financial Information. Therefore, among other things, the Illustrative Aggregated Selected Financial Information does not reflect several effects of the relevant acquisitions prior to the dates on which the financial information of the relevant acquired business undertakings were consolidated with the consolidated financial information of the 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 Consolidated 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, 2013 and December 31, 2013 (without giving effect to the acquisition of additional shares in Numericable in February 2014, the ODO Acquisition, the Tricom Acquisition, the Virgin Mobile Acquisition, the SFR Acquisition or the Mobius Acquisition) and the Post Transaction Pro Forma Financial Information (together with the Pre-Transaction Pro Forma Financial Information, the "Pro Forma Financial Information"), which also gives pro forma effect to the acquisition of additional shares in Numericable in February 2014, the ODO Acquisition and the SFR Debt. The Pro Forma Financial Information does not give pro forma effect to the Tricom Acquisition, the Virgin Mobile Acquisition, the SFR Acquisition or the Mobius Acquisition and therefore does not include any financial information of Tricom, the Virgin Mobile Acquisition, the SFR Acquisition or Mobius. The Pro Forma Financial Information has not been audited in accordance with any generally accepted auditing standards and it has not been reviewed in accordance with any generally accepted review engagement standards. The Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the 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, ODO and the SFR Debt as well) for each of the periods presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the periods presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements. As we have acquired control over the Numericable Group and ODO, we consolidate 100% of their revenue and expenses in the Post Transaction Pro Forma Financial Information for each of the periods presented, despite the fact that third parties own or will own significant equity interests therein, as applicable. The non controlling interests in the operating results of the Numericable Group and ODO in the Post Transaction Pro Forma Adjustments contained in the Pro Forma Financial Information and the non controlling interests in the operating results of Coditel Holding in the Historical Consolidated Financial Information and Pro Forma Financial Information are reflected in the line item profit or loss attributable to non controlling interests in the relevant statements of income and financial position. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortisation, or EBITDA, the non controlling owners' interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non controlling interests may be very significant and amounted to negative €3.5 million in the year ended December 31, 2013 based on the Pre-Transaction Pro Forma Financial Information. The Illustrative Aggregated Selected Financial Information is also subject to the limitations generally attributable to non IFRS measures. For further details regarding the presentation of financial information in this Prospectus, including their limitations, please see "*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.

Annex I
R 9.2.3

We conduct our business in multiple jurisdictions, including in Israel, France, Belgium, the French Overseas Territories, Luxembourg, Portugal and Switzerland. Furthermore, we have completed the Tricom Acquisition and the ODO Acquisition pursuant to which we expect to expand our business operations in the Dominican Republic. 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;
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force; and

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

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

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

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

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

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

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

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

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

We expect to achieve certain synergies relating to the operations of Tricom and ODO as they are one part of the Group. We may not realise any or all of the anticipated synergies of the Tricom Acquisition and the ODO Acquisition that we currently anticipate. Among the synergies that we currently expect are cross selling opportunities to existing customers of Tricom and ODO, network synergies and other operational synergies. We also expect to achieve certain synergies from the 2013 June Transactions. Among the synergies that we currently expect are operational synergies in the French Overseas Territories and Portugal as a result of the Outremer Transaction and ONI Transaction, respectively, increased scale, access to global credit markets, more efficient employment of capital, harmonisation of accounting policies and computation of key operating measures and harmonisation of best practices across our footprint. Our estimated synergies from the ODO Acquisition, the Tricom Acquisition, the 2013 June Transactions and Mobius Acquisition are subject to a number of assumptions about the timing, execution and costs associated with realising 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 realise over time may differ significantly from the ones that we currently estimate and we may incur significant costs in realising the reorganisation of ODO and Tricom. We may not be successful in integrating some or all of these businesses as currently anticipated which may have a material adverse effect on our business and operations.

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

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

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

- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the Tricom Acquisition and the ODO Acquisition;

- integration of different company and management cultures; and

- retention, hiring and training of key personnel.

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

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

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

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

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

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

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

Risks Relating to Legislative and Regulatory Matters

Annex I
R 9.2.3

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

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

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

Furthermore, a failure to comply with the applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse consequences. See "*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 Internet and very-high-speed fast broadband Internet markets, ARCEP identified Orange as the sole operator with significant power in the landline market and imposed specific obligations on it concerning access to its infrastructures including unbundling its copper local loop and local sub- loop and providing access to its infrastructure. In 2013, ARCEP launched new market analyses on the following markets: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location," "wholesale broadband access," which comprises non-physical or virtual network access including "bit-stream" access at a fixed location; and "capacity services." A draft decision regarding the first two markets mentioned above was issued by ARCEP in November 2013. This draft decision was followed by a public consultation period which ended on September 16, 2013. Our business in France has not been identified in ARCEP's draft as having significant market power in any of these markets. However, no assurance can be given that we will not be identified by ARCEP as having significant market power in any one of those or other relevant markets in the future and that ARCEP will not therefore impose additional regulatory requirements on us.

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

- price regulation, including with respect to fixed-line termination rates and mobile roaming fees, that we charge in France;
- rules governing the interconnection between different networks and the interconnection rates that we can charge and that we pay;
- rules and remedies imposed on electronic communications services providers with "significant market power" as defined in Directive 2002/21/EC of the European Parliament (as amended and updated from time to time) and of the Council of March 7, 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;
- requirements relating to safety and security of operator's networks;
- requirements on supplying subscribes lists for the purpose of publishing universal directories;
- requirements on portability;

French Overseas Territories

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

For an overview of the regulatory landscape in France, see "*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 March 7, 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 service distributor must carry certain broadcasts or obtain consent to carry other broadcasts;
- 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 the regulatory landscape in Belgium and Luxembourg, see "*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;
- default barring of value-added services;
- obligation to contribute to the universal service fund; and
- sector specific charges (e.g. annual charge and investment obligations created by Law 55/2012 of Portugal).

For an overview of the regulatory landscape in Portugal, see "*Regulatory—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. In January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom submitted a response relating to the decision in March 2014 and is currently awaiting further instructions. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and thus competition in the broadband Internet infrastructure access market may increase significantly which could negatively affect or results of operations.

For an overview of the regulatory landscape in Israel, see "*Regulatory Overview —Israel.*"

French Overseas Territories.

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

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

- rules regarding declarations and registrations with telecommunication regulatory authorities;
- individual requirements associated with commitments made in the context of authorisations granted by telecommunication regulatory authorities for the use of frequencies;
- price regulation with respect to call termination charges;
- rules regarding the interconnection of our network with those of other network operators;
- requirements that a network operator carry certain channels (the must carry obligation);
- rules relating to the quality of the landline networks;
- specific rules relating to the access to new-generation optical fiber networks;
- rules relating to the content of electronic communications, antitrust regulations; and
- specific tax regimes.

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

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

Dominican Republic.

As a result of the completion the Tricom Acquisition and following the ODO Acquisition, we are and will continue to also be subject to significant regulations in the Dominican Republic. For a description of the regulatory landscape in the Dominican Republic, see "*Regulatory Overview —Dominican Republic*".

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

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

In France, ARCEP ensures that operators comply with the laws and regulations set forth in the CPCE and, where applicable, that they respect the conditions of any individual 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. An ordinance dated March 12, 2014 has restored the power of sanction of the ARCEP, but which henceforth complies with the principle of separation of investigative and sanctioning powers.

In Israel, we conduct our operations pursuant to licenses granted to us by the Israeli Ministry of Communications and by the Council for Cable and Satellite Broadcasting for specified periods, which may be extended for additional periods upon our request to the Israeli Ministry of Communications and confirmation that we have met certain performance requirements. Our broadcast license is valid until 2017, our domestic operator license for fixed-line telephony and broadband Internet infrastructure access is valid until 2023, our UMTS-based mobile license is valid until 2031 and our general international telecommunications service provider license is valid until 2032. There is no certainty, however, that the licenses will be renewed or extended in the future or that they will not be cancelled or changed by the Israeli Ministry of Communications. Any cancellation or change in the terms of our licenses may materially affect our business and results of operations. Furthermore, although we believe that we are currently in compliance with all material requirements of our licenses, the interpretation and application of the technical standards used to measure these requirements, including the requirements regarding population coverage and minimum quality standards and other license provisions, disagreements have arisen and may arise in the future between the Israeli Ministry of Communications and us. We have provided significant bank guarantees to the Israeli Ministry of Communications to guarantee our performance under our licenses. If we are found to be in material breach of our licenses, the guarantees may be forfeited and our licenses may be revoked. In addition, the Israeli Ministry of Communications is authorised 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, 2016. In order to renew ODO's concession, a renewal request needs to be submitted to Indotel by August 1, 2015. Any request for renewal of the concession that is received by Indotel before August 1, 2015 will not be considered. 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 “*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 “*Regulatory—Israel—Mobile—Construction of Network Sites—National Zoning Plan 36A”*. In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and not subsidized by such municipal government, and may require us to incur significant costs in the future.

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

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

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

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

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

We have set up several hundred small communications devices, called wireless access devices, pursuant to a provision in the Planning and Construction Law, which exempts such devices from the need to obtain a building permit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organised unions and works councils, and there can be no assurance that more employees will not form or join unions in the future. In France, we have faced several strikes by our personnel between 2005 and 2007 when, in connection with our merger with certain cable operators, we completed several rounds of headcount 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 labor relations, we cannot predict the extent to which future labor disputes or disturbance could disrupt our operations, cause reputational or financial harm or make it more difficult to operate our businesses.

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.

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 V ("*Important Information — Enforcement of Judgments*").

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

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

The SFR Acquisition is subject to significant uncertainties and risks.

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

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

Anticipated synergies from the SFR Acquisition may not materialise.

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

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

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

- integration of SFR into our current business in a cost effective manner, including network infrastructure, management information and financial control systems, marketing, branding, customer service and product offerings;
- outstanding unforeseen or undisclosed legal, regulatory, contractual, labor or other issues arising from the SFR Acquisition;
- integration of different company and management cultures;
- retention and/or renewal of material contracts with business partners, suppliers and certain B2B customers; and
- retention, hiring and training of key personnel.

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

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

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

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

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

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

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

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

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

Annex I
R 23.2
Annex III
R 10.4

The historical information relating to SFR Group included or referred to in this Prospectus has been obtained by us from public filings by Vivendi and its subsidiaries, and we have relied on such information, together with certain limited additional information provided by Vivendi and/or SFR, in the preparation of this Prospectus. We have not obtained any support for such information. Each investor in respect of the New Shares will be deemed to represent and warrant that such investor to the Issuance has not relied upon Vivendi, SFR or any person affiliated with Vivendi or SFR in connection with its investigation of the accuracy of the information of SFR contained or incorporated by reference in this Prospectus or its investment decision. See "Transfer Restrictions". Subject to the foregoing cautionary statements, investors are urged to review Vivendi's public filings and SFR's public information, any information relating to SFR included herein or incorporated herein by reference, and the pro forma financial information included herein, and to consider, in any event, the potential impact of the SFR Acquisition described in this Prospectus.

Risks Relating to SFR's Industry and Markets

SFR is subject to strong competitive pressures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to SFR's Business and Operations

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

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

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

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

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

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

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

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

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

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

The business activities of SFR involve substantial capital expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SFR is dependent on its relations with the MVNO.

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

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

SFR depends on its key employees and managers.

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

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

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

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

Regulatory and Legal Risks of SFR

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

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

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

The acquisition of licenses, furthermore, represents a high cost with a time scale that varies according to the auctions of the frequencies in question. This cost could be even greater due to the strong competitive pressure in the telecommunications field. Thus, an auction of the 700 MHz frequency band which would be open to telecom operators would be likely to generate significant expenses for SFR. The timetable for such an auction occurring has not been announced. Furthermore, SFR might not be assigned the required user licences, which could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

Moreover, within the context of the licenses allocated to the companies in SFR, the companies have committed themselves to comply with certain obligations (population coverage, sharing in certain areas, national roaming). SFR is thus obliged to deploy a third (3G) and fourth (4G) generation radio network complying with specific coverage rates of the urban population. Within the context of its fourth generation (4G) licenses, under certain conditions that SFR may eventually have to allow Free Mobile roaming on part of its 4G network. SFR must furthermore, jointly with the other 800 MHz band license holders, and within the context of its 2G license, cover the town centers identified under the "white spots" program and accede to reasonable demands for sharing in priority deployment areas. SFR will also have to accede to reasonable demands to host MVNOs on all its very high speed mobile networks open to the public in urban France. The lack of compliance with any one of these commitments could put SFR at risk with regard to its regulatory obligations and possibly open it up to sanctions (fines, total or partial suspension or withdrawal of license). This could have a significant unfavorable effect on its activity, its financial situation, its results or its prospects.

The legal status of SFR's network is complex and the network is primarily governed by public law, which could affect the stability of the rights of SFR.

SFR's telecommunications network is essentially made up of physical infrastructure (lines, network headends, switches and radio stations) in which the telecommunications equipment (mainly cables) is installed. These components of SFR's network are subject to different legal systems. Since SFR is only the owner of some of the sites hosting the physical infrastructure, if the infrastructure is on public land or on private property, concessions, easements, leases or even indefeasible rights of use ("IRU") have been agreed on with the owners of the sites.

For the establishment of a significant part of its telecommunications and terrestrial networks, SFR has concluded agreements with public corporations for the occupancy of public land or is the holder of permits for the occupancy of public land. By virtue of such agreements or permits, SFR may install the equipment for its network along roads, motorways, railways or canals, for example. No transfer of property takes place in this context.

These agreements have been concluded for very different timeframes, varying from 3 to 25 years, with the agreements for the shortest time generally envisaging tacit renewal. Occupancy of public land by SFR is, as for all the occupants of public land, always precarious. The public corporations with which SFR has made these agreements or which have allocated these permits may terminate these agreements for occupancy of public land at any time due to default or for a motive of public interest, with some agreements furthermore excluding any compensation in this case.

SFR does not have a right to the renewal of these agreements. If SFR was not able to obtain renewal, the company in question would have the obligation, upon the expiry of these agreements, (i) to restore the site to its original state on the request of the manager or the owner of the public land in question and (ii) to transfer, in consideration of payment of compensation in certain cases or free of charge in other cases, the property of the installations set up on the land in question.

If SFR were to lose some or all of the rights relating to its network, this could have a significant unfavorable effect on the activities, the financial situation, the results or the prospects of SFR.

The business activities of SFR depend in part on SFR's ability to set up and maintain partnerships with other players in the telecommunications sector that it does not control.

The development of the business activities of SFR and their success depends on various factors including the setting up and maintenance of partnerships with other players in the telecommunications sector that SFR does not control.

Sharing agreement between Bouygues Telecom and SFR

On January 31, 2014, Bouygues Telecom and SFR concluded an agreement to share part of their mobile networks. The aim of this agreement was to allow both operators to offer their respective customers better geographic coverage and a better quality of service whilst optimising the costs and investments used for this purpose.

SFR could be exposed to various risks associated with the implementation of the sharing agreement. The agreement organises the deployment of the shared network between the two operators. Any delay in its implementation could affect SFR's ability to reach the above-mentioned objectives of geographic coverage and quality of service. The implementation of the partnership will furthermore require considerable investment expense, which should lead to the finalisation of the target network by the end of 2017.

SFR will be dependent on Bouygues Telecom for the part of the network it will be responsible for operating. In particular, it will not have any direct operational control on the part of the network managed by Bouygues Telecom which will be shared. SFR will not therefore be able to control the quality of the network provided to the customers in question or to control the implementation of works or corrective measures that may be necessary in the event of a failure. Furthermore, SFR will be exposed to the risk of default of Bouygues Telecom.

The partnership could also not produce the expected synergies, especially in terms of geographic coverage and quality of service.

In the event of a failure and/or a total or partial interruption of the partnership, SFR would have to redeploy a network in the areas that had previously been covered by the sharing agreement in order to maintain its geographic coverage and the quality of its services. Such redeployment could involve considerable cost for SFR. Furthermore, in such a scenario, SFR might not be able to guarantee that it would be able to provide the same level of coverage that its customers had enjoyed under the sharing agreement.

The competent authorities could, in the future, make decisions that would call into question the overall savings of the sharing agreement.

Lastly, third parties could also try to again access to the shared network and act against SFR and its partner.

Agreement for the deployment of fiber in average densely populated areas between SFR and Orange

On November 14, 2011, SFR concluded a co-investment agreement with Orange relating to the deployment of FTTH optical fiber for the coverage of less densely populated areas (ZMD) of urban France.

SFR has to provide or co-finance the coverage of 9.8 million homes under this agreement. In order to avoid overlapping, for each municipality the agreement designates the operator that is in charge of deployment, which must then allow the other operator to access its network. This agreement thus envisages that, by 2020, SFR will deploy optical fiber (FTTH) to 2.3 million homes, and Orange to 7.5 million homes. Each will become a customer of the other on the operators market, by subscribing IRUs in the areas where they themselves will not be deploying the optical fiber.

SFR has announced that it will be starting all deployments on the less densely populated areas that it is to cover before the end of 2015 and that it has undertaken to complete deployment in the following five years at the latest. In the event of non-compliance with this contractual deployment schedule, Orange could make its own deployments in the areas initially allocated to SFR.

In the event of delays in deployment, SFR could thus lose the opportunity to set up its own network and would be dependent on the network deployed by Orange and on subscription to Orange's wholesale offers, which could furthermore expose it to a loss of market share and revenue.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR's position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited ("Vodafone") effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Contract related to the GSM-R mobile communications network

SFR has a minority shareholding of 30% in the Synérail company, which has concluded a partnership agreement with Réseau Ferré de France for the design, construction, deployment, operation, maintenance and financing of the GSM-R mobile communications network.

The GSM-R project aims to set up a private telecommunications network dedicated to the needs of rail transport professionals. It will enable the setting up of a European network with a unique communication system which is compatible and standardized across the rail networks, and replacing the existing national radio systems. This contract, for a 15 year term, provides for the progressive deployment of this network up to 2015. SFR also plays a part as services provider in the exploitation phase of the GSM-R network. Delays in deployment due to SFR or the inability to achieve the objectives envisaged by the contract could put SFR at risk with regard to its contractual obligations towards its main partners.

Should any of the circumstances described above occur, it could have a material adverse effect on the activities, the financial situation, the results or the prospects of SFR.

Prior operations may result in the implementation of change of control clauses.

SFR has certain licenses and administrative authorisations and has entered into various contracts, partnership contracts and other agreements or deeds containing "change of control" clauses. Some of these clauses could be applicable in connection with the Acquisition, insofar as Vivendi will no longer be the controlling shareholder of SFR. The triggering of such clauses could result in the loss of contractual rights and significant benefits, or result in the application of other contractual clauses, the termination of contracts, or the need to renegotiate them. This would specifically be the case in the event of the termination of an agreement relating to the occupation of the public domain entered into with Réseau Ferré de France to establish SFR telecommunications network.

This could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is dependent on its intellectual property rights, which may not be adequately protected.

SFR owns a large, diverse portfolio of brands, patents, drawings, models and domain names. The activities of SFR are based to a large extent on its intellectual property rights, and SFR oversees an active policy to protect and manage them.

SFR mainly holds patent and trademark rights and patent applications in Europe, specifically France, as well as outside Europe (United States, Japan and China). Like any other entity that files intellectual property rights, SFR may have difficulty in obtaining intellectual property rights due to potential historical claims or conditions relating to appropriate title registration. Moreover, SFR cannot guarantee that filing and registrations made with a view to obtaining intellectual property rights will lead to their being awarded, specifically when disputes arise with third parties in connection with opposition actions or invalidity of rights actions. In addition, the rights obtained may not be sufficient to provide adequate protection or a competitive advantage, such as operational exclusivity.

SFR could be dependent on its employees or third parties with regard to the ownership of certain intellectual property rights. SFR has developed a policy on inventions and creations made by its employees and corporate officers in the performance of their mission, which schedules the transfer of rights accompanied by a reward or additional compensation. Certain contractual provisions scheduling the transfer of intellectual property rights to the employer could however be insufficient to meet the requirements prescribed by the mandatory provisions of the French Intellectual Property Code, in such a way that the effective transfer of these rights (including copyright on software rights) to SFR may be challenged by its employees under certain circumstances. Furthermore, certain intellectual property rights used by SFR may have been developed jointly and held in co-ownership with third parties, which implies a risk of dependency in respect of other co-owners. The risk of dependency may also cover some secondary patents dependent on third-party technologies.

SFR holds the majority of the intellectual property rights that are key to its activities, which allows it to be relatively independent from a technological and commercial standpoint. Certain key intellectual property rights used by SFR in connection with its activities may, however, be held by third parties which have granted a license to SFR, the terms of which restrict the usage rights of SFR, and the infringement of which could result in significant litigation, specifically regarding software. In particular, some licensing contracts contain clauses that may lead to termination of use of the rights concerned in the event of a change of control affecting SFR.

Despite the best efforts of SFR to protect its intellectual property rights, third parties may attempt to infringe upon such rights. SFR may find it difficult to effectively protect its current or future rights and to prevent unauthorised use, particularly in foreign countries, and this could generate significant costs. SFR has established a monitoring policy for potential infringements of its intellectual property rights (specifically trademarks and domain names), and entrusts the management of preliminary litigation to specialist law firms. Management by SFR of its extensive portfolio of intellectual property rights represents a significant cost, which could be increased subsequent to legal action brought by SFR to enforce its rights or if SFR were to protect its rights against attacks from third parties.

Furthermore, SFR may face litigation on the basis of an infringement of the intellectual property rights of third parties. This could result in the imposition of a usage ban and substantial damages. the telecommunications sector is known for its high concentration of intellectual property rights, which increases the risk of litigation arising from the activities of SFR based on the historical rights of third parties. Thus, in line with its competitors and other companies operating in areas where technological expertise is required, SFR is exposed to the risk of actions brought by “patent trolls” or Non- Practicing Entities (NPE). The main or sole activity of these entities is to acquire or hold patents that they do not themselves use. They offer licenses for the patents they hold and seek to obtain cross-licensing agreements. Where appropriate, they take legal action for infringement of these patents in order to obtain compensation. Such legal action usually involves very large sums, so it represents a significant risk to SFR. This could force SFR to enter into licensing agreements for certain technologies that are key to its activities, particularly in terms of those patents that are key to 3G and 4G technology.

The inability of SFR to provide effective protection for some key elements of its intellectual property rights and technology could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR uses so-called “freeware” in connection with its business.

“Freeware” is software based on the concepts of sharing and free use of source code. It is subject to specific license types, for instance the GNU GPL (General Public License), which allows users to modify and use source code without the prior consent of the rights holders.

However, depending on the type of license, modified versions of freeware or changes made to it may have to be subject to the same “free” license and be freely accessible and usable by third parties in the same conditions as the original freeware. In addition, generally speaking, no contractual guarantee is given by the rights holders of freeware. Furthermore, uncertainties exist regarding the law applicable to this type of license and the interpretation of the provisions such a license contains, and regarding the chain of ownership rights to freeware.

As a result, SFR would bear the risks in the event of failure or counterfeit actions brought against this type of software. In addition, the use by SFR of such freeware could affect the ownership of software developed by SFR, specifically in terms of exclusivity and license (to which this type of software may need to be subject due to the use or incorporation of such components). This could have a material adverse effect on the activities, financial situation, results or outlook of SFR.

SFR faces risks associated with its distribution network.

SFR distributes its products and services to consumers and companies directly or indirectly through its national distribution network. In connection with its B2C business, this distribution occurs mainly through the “Espace SFR” brand. For indirect distribution, SFR relies on independent partners, including the SFD and Cinq sur Cinq companies, in which it holds minority interests either directly or indirectly.

The telecommunications market is characterised by rapid changes in customer needs and habits. As a result, SFR endeavors to adapt its distribution network over time, in order to correspond to the new characteristics of the market. This transformation in the distribution network means that regular changes must be made for indirect distribution, and thus for all independent partners. However, some partners may not be willing or able to implement the necessary changes.

Furthermore, SFR faces litigation for substantial sums, specifically regarding requests for the reclassification of certain contracts as commercial agent contracts, for compensation following the termination of the business relationship, for application of the "salaried manager" status, and requests from its own employees regarding the recognition of SFR in its capacity as employer, and the application of the employment status in terms of the 'SFR Social and Economic Unit (UES) convention'.

SFR cannot ensure that such claims will remain at the present level, or that the factual or legal arguments put forward by SFR to rebut these claims will be received favorably by the courts. In particular, SFR may be unable to maintain the non-application of SFR's employment status outside the Social and Economic Unit (UES) convention.

Such changes could have an adverse effect on the current organisation of SFR and force it to adapt; more generally, these changes could have a material adverse effect on the business, financial condition, results of operations or prospects of SFR.

SFR is involved in legal or administrative actions and litigation with regulators, competitors or other parties.

In the normal course of its business, SFR is involved in a number of legal, governmental, administrative, and arbitration actions, and may also be subject to investigations and audits. These procedures and investigations whose outcome is by nature uncertain may result in the payment of significant damages and/or harm to the image of SFR, which in turn could have an adverse effect on its business, financial condition, results of operations or prospects.

The main actions in which SFR is involved are set out in "*Business, Market Overview and Management Discussion and Analysis of Financial Condition and Results of Operation of SFR".*

Risks Relating to Telecommunications Operators in France affecting SFR, the Numericable Group and, following the Transactions, the Numericable Group.

Annex I
R 9.2.3

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concerns for such risks were to worsen, or if harmful effects were scientifically established, the business, financial condition and results of operations of telecommunications operators in France, including both SFR and the Numericable Group, could be materially adversely affected.

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. SFR operates several facilities classified by the government as ICPE (*installation classée pour la protection de l'environnement*) on mainland France and in La Réunion, notably for its data centers. SFR remains attentive to the environmental risks which might arise or be discovered in the future, and has programs in place to ensure the observance of the applicable regulations.

Both SFR and the Numericable Group's activities are subject to public concern relating to possible effects of electromagnetic waves on consumers' health (radiofrequency emissions from antennas, radiofrequency emissions from mobile terminals, Wifi, etc.). These concerns have been expressed in numerous countries, as well as in relation to the deployment of 4G networks by mobile operators.

The World Health Organisation (WHO), in Fact sheet no. 193 of June 2011, indicates that "to date, no adverse health effects have been established as being caused by mobile phone use". However, a number of studies report long-term health effects linked to the use of radio equipment and particularly mobile phones. In May 2011, the International Agency for Research on Cancer (the IARC), with the support of the WHO, classified the radiofrequency electromagnetic fields linked particularly with the use of cordless phones as "possibly carcinogenic to humans". During the same period, the Centre International de Recherche sur le Cancer (Circ), a specialist organisation of the World Health Organisation (WHO), gave radio-frequency electromagnetic fields a rating of '2B' in its rating system, or "possibly carcinogenic for humans." Several reports (such as the Grenelle radio wave forum (2009), the 2012 BioInitiative Report, the update of the opinion and report of the French agency for food safety, environmental safety and the safety of the working environment (the ANSES in French) in October 2013 and the recommendations of the French Mission Sobriété (mission promoting efficient use of radio waves), 2013) have been published on this subject. In many countries, there has been concerns over possible human health risks due to exposure to electromagnetic fields through telecommunications equipment (such mobile antennas, relay antennas and WiFi). In addition, the publication of two reports in January 2013 (*Agence Européene de l'Environnement et Bio-initiative*) concerning such health risks has received attention from various elected officials and associations.

In the absence of scientific certainty on the effects of electromagnetic fields on human health, the government and health authorities have established different precautions aimed at reducing exposure to mobile phone fields. Certain countries, such as France, have also adopted regulations establishing public exposure limits. Future scientific publications or publications issued by the government and the health authorities which establish a direct link between mobile phone usage and health problems could lead to legislative and regulatory changes that might result in the dismantling of antennas and a greater scarcity of sites, thereby generating additional costs for SFR and the Numericable Group. Furthermore, such changes could lead to a reduction in the use of mobile telecommunications services and Wifi networks, as well as a multiplication of claims, particularly if an adverse effect were to be scientifically established.

On January 23, 2014, the French National Assembly adopted, at a first reading, a bill on efficiency, transparency and consultation in matters of exposure to electromagnetic waves (text no. 1635). This bill is still in the early stages and far from being implemented as a legislative procedure and we are unable to precisely identify the possible obligations on operators. As the bill currently stands, we believe that such provisions could mainly lead to more complex and time intensive procedures related to the installation of antennas.

Moreover, neither SFR nor the Numericable Group can predict the conclusions of scientific research publications in the future or future evaluations of international organisations and scientific committees in charge of analyzing these questions. These publications or evaluations, and the various possible interpretations thereof, could lead to a decrease in the use of mobile telephony and WiFi networks, as well as an increase in litigation, especially if a harmful effects were scientifically established.

Fears of possible health risks of electromagnetic waves could also lead to third-party actions against SFR and the Numericable Group. For example, this might include legal actions demanding the removal of antennas or masts, which could affect SFR's business activities and the deployment of its network which could have a material adverse effect on its business, financial condition and results of operations.

SFR and the Numericable Group operate in a heavily regulated industry. Regulatory compliance may increase their costs or restrict their business activities and non-compliance could lead to sanctions or other penalties. Future changes in regulation could adversely affect their respective businesses.

SFR and the Numericable Group's respective businesses are subject to significant regulation and supervision by various regulatory bodies. See "*Regulatory Overview*". Such regulation and supervision strongly influences how each of these companies operate their respective businesses. Complying with existing and future laws and regulations may increase their operational and administrative expenses, restrict their ability or make it more difficult to implement price increases, affect their ability to introduce new services, force them to change their marketing and business practices, and/or otherwise reduce or limit their revenues.

Applicable regulation includes price controls (for fixed termination and mobile roaming charges), service quality standards, privacy, requirements to carry specified programming, requirements to grant network access to competitors and content providers, and programming content restrictions.

The telecommunications sector in Europe is subject to strict asymmetric regulation focused on market segments—mainly wholesale markets—in which distortion of competition and dominant market positions have been identified.

Furthermore, the French Telecommunications and Posts Regulator (ARCEP) analyzes the market on a regular basis in order to update the regulation applicable to telecom operators. The resulting decisions may have a significant adverse effect on the activities, the financial situation, the results or the prospects of SFR. Following an investigation by ARCEP in November 2010, neither SFR, nor the Numericable Group, nor Completel were considered by the ARCEP as an operator with significant market power in any relevant market except in the market of calls terminating on its network, like any other operator. (ARCEP decision 2010-1149 dated November 2, 2010).

In 2013, the ARCEP launched new market analyses on the following markets: "wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location," "wholesale broadband access," which comprises non-physical or virtual network access including "bit- stream" access at a fixed location, and "capacity services." A draft decision regarding the three markets mentioned above was issued by ARCEP on November 27, 2013 for the period from mid-2014 to mid-2017, and submitted them for public consultation on January 8, 2014. Under the draft decisions, ARCEP identified Orange as the sole operator deemed to have significant market power in any of these markets. No assurance can be given, however, that SFR, the Numericable Group or, following the SFR Acquisition, the Numericable Group, will not be identified by the ARCEP as having significant market power in one of those markets in the future and that the ARCEP will not therefore impose additional regulatory requirements on it.

For example, it is possible that SFR, the Numericable Group, or, following the SFR Acquisition, the Numericable Group could, in the future and particularly in the context of the build-out of FTTH networks, be required to grant competitors access to its fiber network under certain conditions.

On November 29, 2013 ARCEP submitted a draft recommendation for public consultation on the wholesale market for the interconnection of value-added services. On January 21, 2014, it made a recommendation relating to the procedures for access to very high speed lines for buildings with less than 12 apartments or professional premises in very densely populated areas. It also announced its commitment to work, within the context of the symmetric regulation (which will apply to all operators, including SFR and the Numericable Group) to specify the tariff-related and operational aspects of access to shared optic local loops ("BLOM"), rather than to allow the development of offers adapted to the specific needs of the enterprises on these shared loops. In decision no. 2013-1475 of December 10, 2013, ARCEP adjusted the list of municipalities in very densely populated areas, the effect of which was to reinforce the obligations of sharing on 43 municipalities initially designated as being part of very densely populated areas.

The debate on net neutrality, (which relates to the obligation for internet access providers ("IAP"), being obligated to provide unhindered access to all content, applications or services by end-users and a framework for the use of traffic management measures by operators), could lead to further legislative and regulatory developments which could have an adverse effect on the activity of SFR and the Numericable Group.

Significant changes in the nature, interpretation or application of the regulation by the legislator, ARCEP, the French Competition Authority or by the administrative or legal authorities (particularly with regard to the right of competition and to fiscal and various tax matters) could lead to further expenses for SFR and the Numericable Group or even force them to modify the services they offer, which could significantly affect their activity, financial situation and results of operations. Furthermore, SFR and the Numericable Group can only commit to comply with all these regulations. In this context, SFR and the Numericable Group is in continuous discussions with the national and European authorities and the other stakeholders.

In 2013 the European Commission started a new cycle of analyzing the relevant markets that were likely to be regulated in the future, in the electronic communications sector, which could end up imposing additional obligations on SFR and the Numericable Group.

In France, Law no. 2013-1168 of December 18, 2013 on military planning for the years 2014 to 2019, with various provisions concerning defense and national security, reinforced the obligations of telecom operators with regard to the storage and transmission of data processed or stored by the electronic communication services or networks. This implemented new provisions on the protection of vital infrastructure and the security of information systems, which could particularly impact the freedom of choice of the equipment used by SFR and the Numericable Group for their respective activities. The implementation of these provisions could thus generate operational risks relating to work sites on existing equipment and lead to the need for considerable investments for SFR and the Numericable Group. The content of these provisions will be specified in implementing provisions, the schedule for which is not known at the date of this Prospectus.

Although both SFR and the Numericable Group monitor regulations to which they may be subject, the regulatory burden on telecommunications operators may shift and place different, more or less constraining obligations on certain operators as a result of changes in technologies used to provide services, ownership levels of direct access networks and market power. To the extent SFR or the Numericable Group become subject to more onerous regulation than its competitors, which is not currently the case, this could have a material adverse effect on its business, results of operations or financial condition.

Moreover, as telecommunications operators, both SFR and the Numericable Group are subject to specific taxes. For instance, the Public Audiovisual Reform law of March 5, 2009 (*loi relative à la communication audiovisuelle et au nouveau service public de la télévision*) introduced a 0.9% tax assessed on the portion of the revenues (excluding VAT) of the telecommunication operators relating to electronic communication services in excess of €5,000,000 (subject to certain deductions and exclusions, and with specific rebate for bundled offers). Furthermore, there can be no guarantee that any additional tax will not be levied on the telecommunications sector.

Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on SFR and the Numericable Group's results of operations and cash flows.

SFR and the Numericable Group have each structured their commercial and financial activities in light of diverse applicable regulatory requirements and commercial and financial objectives. Since tax laws and regulations in the various jurisdictions in which SFR and the Numericable Group or Numericable Group companies are located or operate may not provide clear-cut or definitive doctrines, the tax regime applied to SFR and the Numericable Group's operations or intra-group transactions or reorganisations is sometimes based on interpretations of French or foreign tax laws and regulations. SFR and the Numericable Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect the Numericable Group's and/or SFR's financial condition or results of operations. More generally, any failure to comply with the tax laws or regulations of the countries in which SFR and the Numericable Group or Numericable Group companies are located or operate may result in reassessments, late payment interest, fines and penalties. Furthermore, tax laws and regulations may change and there may be changes in their interpretation and enforcement. As a result, SFR and the Numericable Group may face increases in taxes payable if tax rates increase, or if tax laws and regulations, or interpretations thereof, are modified.

The Numericable Group currently benefits from a favorable tax regime in respect of value-added tax ("VAT"). Unlike certain competitors, the Numericable Group provides television services on a stand-alone basis, which allows it to take advantage of the 10% VAT rate applicable to television services in France, which is lower than the standard 20% VAT rate, which applies to broadband Internet and fixed and mobile telephony. Since January 1, 2011, the lower VAT rate is not applicable to television services distributed in a single offer which includes, for a subscription fee, access to electronic communications networks unless the television distribution rights were partially or completely acquired in exchange for payment by the provider of such services. In such a situation, the reduced rate is applicable to the part of the corresponding subscription equal to, at the choice of the distributor, either the fees paid per user for such access rights or the price at which the services corresponding to such access rights are distributed by the distributor in a television offer without access to an electronic communications network. The Numericable Group believes that it fulfills the conditions allowing for the continued application of the reduced tax rate to television services offered in a multi-play offer and, as the Numericable Group offers a television offer separate from its bundled offers, has decided to apply the reduced VAT rate on the basis of its prices for equivalent services offered in its stand-alone television offers. However, no assurance can be given that the administration shares the Numericable Group's analysis and will not contest, in full or in part, the application of the reduced VAT rate, which could have a material adverse effect on its results of operations and financial condition.

The VAT tax rate applicable to television services increased, from 5.5% as of January 1, 2012 to 10%, as of January 1, 2014. This latter increase in the television VAT rate, as well as any potential future increases, may have a negative impact on SFR's and the Numericable Group's ARPU if it cannot pass it along in its product pricing.

SFR or the Numericable Group may not be able to pass on all or part of such an increase to its subscription prices. In addition, the partial or total impact of a potential increase would expose SFR and the Numericable Group to the risk of increased churn rate of its subscribers, and could limit the recruitment of new subscribers. Such a change could have a material adverse effect on the activities, financial situation, results or outlook of the Numericable Group and SFR.

In addition, the Numericable Group has been subject to audits on various Numericable Group companies since 2005. The main assessment relates to the computation of VAT on the Numericable Group's multi-play packages in the 2006-2010 period (for a description of such assessment, see "*Business—Legal Proceedings—Tax Matters in France*"). This assessment is fully provisioned for the amounts stated therein for the 2006-2010 period (excluding penalties of 40%). As indicated above, the VAT rules applicable to multi-play packages changed as from January 1, 2011.

As of December 31, 2013, a provision for tax proceedings totaling €36.3 million have been recorded, of which €24.9 million in respect of the VAT assessments on multi-play packages for the 2006-2010 period and €11.4 million in respect of charges for services for which companies were beneficiaries for the 2009-2011 period. By way of comparison, provisions for tax proceedings amounted to €25.1 million as of December 31, 2012 and €27.0 million as of December 31, 2011. This provision represents management's best estimate of the likely risk, but the resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on the Numericable Group's cash flows, business, financial condition and results of operations for any affected period. In addition, there can be no assurance that the administration will not challenge our VAT calculations for the years 2011-2013.

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

Under current French thin capitalisation rules set forth by Article 212-II of the French Tax Code (*Code général des impôts*) (the "FTC"), the deduction of interest paid on loans granted by a related party within the meaning of Article 39.12 of the FTC or on loans granted by a third party that are guaranteed by a related party (a third party assimilated to a related party) may be subject to certain limitations. Notably, deduction for interest paid on such loans may be partially disallowed in the financial year during which they are accrued if such interest simultaneously exceeds each of the following: (i) the amount of interest multiplied by the ratio of (a) 1.5 times the company's net equity and (b) the average amount of indebtedness owed to related parties (or to third parties assimilated to related parties) over the relevant fiscal year; (ii) 25% of the company's earnings before tax and extraordinary items (as adjusted for the purpose of these limitations); and (iii) the amount of interest received by the indebted company from related parties. Deduction may be disallowed for the portion of interest that exceeds in a relevant fiscal year the highest of the above three limitations if such portion of interest exceeds €150,000, unless the company is able to demonstrate for the relevant fiscal year that the consolidated indebtedness ratio of the group to which it belongs is higher or equal to its own indebtedness ratio. Specific rules apply to companies that belong to French tax-consolidated groups.

In addition, Article 209 § IX of the FTC imposes restrictions on the deductibility of interest expenses incurred by a French company if such company has acquired shares of another company qualifying as "*titres de participation*" within the meaning of Article 219 § I a quinquies of the FTC and if such acquiring company cannot demonstrate, with respect to the fiscal years running over the twelve-month period from the acquisition of the shares (or with respect to the first fiscal year commencing after January 1, 2012 for shares acquired during a fiscal year that commences prior to such date), that (i) the decisions relating to such acquired shares are actually taken by the company having acquired them (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code (*Code de commerce*), that is, in each case, located in France) and (ii) where control or an influence is exercised over the acquired company, such control or influence is exercised by the acquiring company (or, as the case may be, by a company controlling the acquiring company or by a company directly controlled by such controlling company, within the meaning of Article L 233-3 § I of the French Commercial Code, that is, in each case, located in France).

Moreover, Article 212 *bis* of the FTC aims to generally limit the deductibility of net financial charges, which is defined as the portion of financial charges exceeding financial income, accrued by companies that are subject to French corporate income tax. Pursuant to this Article and subject to certain exceptions, adjusted net financial charges incurred by French companies that are subject to French corporate income tax and are not members of a French tax group are deductible from their taxable result only up to 85% of their amount in respect of fiscal years ended as from December 31, 2012 and only up to 75% of their amount in respect of fiscal years commencing as from January 1, 2014, to the extent that such companies' net financial charges are at least equal to €3.0 million in a given fiscal year. Under Article 223 B *bis* of the FTC, special rules apply to companies that belong to French tax-consolidated groups. The 85% or 75% limitation applies to the adjusted aggregate net financial charges incurred by companies that are members of the French tax-consolidated group with respect to amounts made available by lenders outside such group, to the extent that the companies' consolidated net financial charges are at least equal €3.0 million in a given fiscal year.

For fiscal years ended on or after September 25, 2013, the deductibility of interest paid to a related party within the meaning of Article 39.12 of the FTC is subject to an additional limitation pursuant to Article 22 of the French Finance Law for 2014. If the lender is a related party to the French borrower, the latter shall now demonstrate, at the French tax authorities' request, that the lender is, for the current fiscal year and with respect to the concerned interest, subject to an income tax in an amount which is at least equal to 25% of the corporate income tax determined under standard French tax rules. Where the related party lender is domiciled or established outside France, the corporate income tax determined under standard French tax rules shall mean that to which it would have been liable in France on the interest received if it had been domiciled or established in France. Specific rules apply where the lender is a pass-through entity for French tax purposes or a UCITS or a similar entity.

These tax rules may limit our ability to deduct interest accrued on our indebtedness incurred in France and, as a consequence, may increase our tax burden, which could adversely affect our business, results of operations and financial condition and reduce the cash flow available to service our indebtedness.

The 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 New Shares.

The Company is incorporated under the laws of the Grand Duchy of Luxembourg. We do not have any operations in the Netherlands and, since the admission to trading of the ordinary shares of the Company on February 5, 2014, our only nexus to the Netherlands is the listing of the New 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 New Shares made by the Company are generally subject to a withholding tax imposed by the Netherlands at a rate of 15%.

The economic and financial climate, particularly in France, might have an adverse effect on the business, financial condition and results of operations of SFR and the Numericable Group.

Annex I
R 9.2.3

For the financial year ending December 31, 2013, all of SFR's and the Numericable's Group's revenues were derived from its operations in France. It is therefore heavily dependent on the changing economic climate in France.

The adverse economic conditions in France and in Europe have led to major contractions on the credit market, high volatility on the stock markets and low growth forecasts. At the beginning of 2013, the International Monetary Fund maintained its growth forecast for France of 1.0% for 2014, in view of uncertainties regarding its economic policies.

(Source: International Monetary Fund). This affects the activity of the companies or groups operating in diverse sectors, including the telecommunications sector. Furthermore, the negative consequences of the economic crisis, particularly the decline in purchasing power and consumer confidence levels (i) make it more difficult for SFR and the Numericable Group to attract new subscribers and customers, (ii) have caused and could further cause an increase in customer churn rates, (iii) make it more likely that certain of SFR's and the Numericable Group's subscribers or customers will downgrade or terminate their services, and (iv) make it more difficult for SFR and the Numericable Group to maintain its ARPU or B2B prices at existing levels. For example, a significant portion of the Numericable Group's B2C business revenue is generated by premium television and multiple-play packages. Because discretionary consumer spending is affected in periods of economic uncertainty, customers may consider such premium products as being non-essential or not attractive from a cost-benefit perspective and therefore opt for the Numericable Group's non-premium packages or cheaper offers from competitors, or cancel or decide not to renew their subscriptions. Furthermore, while the impact on the B2B segment is more limited than in the B2C segment, the Numericable Group also faces the risk during periods of macroeconomic downturns of businesses reducing their service requirements or negotiating increasingly lower prices. Moreover, the weakness of, or the deterioration in, the macroeconomic conditions in France may also have an adverse effect on SFR's and the Numericable Group's respective businesses which could lead to budget reductions, impacting its spending power and thereby affecting the services and products it can offer to its customers and the ability to cover the costs it incurs when providing such services and products. As a result, in our B2C segment, we experienced decrease of mobile ARPU and in the B2B segment, we experienced pressure on our pricing.

The economic and financial environment, particularly in France, and negative changes thereto could have a material adverse effect on the business, financial condition and the results of operations of SFR and the Numericable Group.

SFR and the Numericable Group are subject to data confidentiality and security obligations.

Within the scope of their respective activities, SFR and the Numericable Group must collect and process personal data. The French data protection law (the "*loi Informatique et Libertés*") of January 6, 1978 imposes obligations on the data processing controller (i.e., the entity which determines the purpose of data processing and the data processing procedures), concerning personal information and data of individuals, obtaining of their consent (notably for the use of cookies), declaration formalities and transfer of data outside the European Union. Any breach of these obligations could lead to criminal and financial penalties against SFR and the Numericable Group and damage their reputation. The French data protection law also imposes an obligation to notify security breaches on providers of publicly available electronic communication services, such as SFR and the Numericable Group. The breach of these obligations could lead to litigation against SFR and the Numericable Group. Furthermore, a draft European regulation dated January 25, 2012 on the protection of personal data has been approved by the European Parliament on March 12, 2014. This regulation will affect the procedures and implementation of personal data processes by SFR and the Numericable Group, and will significantly increase the penalties which might be imposed on SFR and the Numericable Group if the new rules are breached. This draft regulation is expected to be adopted by 2016. No precise timetable for the adoption of this draft regulation, however, has been established. Changes to the regulations on personal data processing are likely to have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

The development of data hosting activities for different customers of will increase SFR's and the Numericable Group's level of exposure to the risk of liability in terms of protection and security, all the more so as SFR has a data hosting activity subject to approval which involves the health data of individuals. As a result, it is subject to specific obligations set out in the French Public Health Code. This type of activity is particularly sensitive in view of the personal data concerned. If SFR or the Numericable Group breaches its obligations or if data breaches occur, SFR and the Numericable Group could be subject to criminal and financial penalties, which are likely to have a material adverse effect on the activities, financial situation and results of operations of SFR and the Numericable Group, respectively.

Also, SFR and the Numericable Group have made investments, and will continue to make investments, to guarantee the reliability of their personal data protection and security systems, as well as to reduce the risks that might be caused by a safety breach or breach of the personal data they process. SFR and the Numericable Group have therefore put in place specific resources dedicated to data protection and have also set up an internal process which fulfils the obligation to notify the French data protection commission (the CNIL) of personal data security breaches. Despite the measures adopted by SFR and the Numericable Group to protect data confidentiality and security, the risk of possible attacks or breaches of the data processing systems remains, which could give rise to penalties and damage their reputation. Each of the Companies could be forced to bear additional costs in order to protect against such risks or to limit the consequences, which could in turn have a significant negative impact on its respective business, its financial condition, its results of operations or its prospects. Furthermore, any loss of confidence of customers of SFR and the Numericable Group as a result of such events could lead to a substantial fall in sales and have a material adverse effect on SFR's and the Numericable Group's activities, financial situation and results of operations.

SFR and the Numericable Group will face risks in connection with the Numericable Group's external growth strategy.

We will face risks in connection with the Numericable Group's external growth strategy. We believe that the television, broadband Internet and fixed and mobile telephony industries in France may be subject to further consolidation. Our strategies include the pursuit of external growth opportunities. These acquisitions or other business combinations may be transformative in nature. The success of this strategy of pursuing strategic opportunities by making selective acquisitions or other business combinations is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate favorable terms and ultimately complete such transactions and integrate any acquired businesses. Moreover, future consolidation in the industries in which we operate will reduce opportunities for acquisitions or business combinations. We believe that certain of the Numericable Group's competitors will also be pursuing similar acquisition strategies. These competitors may have greater financial resources available for investments or may be able to accept less-favorable terms than the Numericable Group, which may prevent us from acquiring the businesses that it targets and reduce the number of potential acquisition targets. In addition, following the Transactions, the opportunity for the Numericable Group to make acquisitions is limited by certain financial covenants which limit the amount of debt we can incur.

If acquisitions are made, there can be no assurance that we will be able to maintain the customer base of the businesses the Numericable Group acquires, generate expected margins or cash flows, or realise the anticipated benefits of such acquisitions, including growth or expected synergies. Although we analyze potential targets, those assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that these assessments and assumptions will prove to be correct, and actual developments may differ significantly from expectations. In most cases, acquisitions involve the integration of a business previously operated independently with different systems and processes. We may not be able to successfully integrate acquisitions into the Numericable Group's business or such integration may require more investment than we expect, and we could incur liabilities or contingencies with respect to customers, employees, suppliers or government authorities, which may impact the Numericable Group's results of operations. The process of integrating businesses may be disruptive to our operations and have a material adverse effect on the Numericable Group's results. If we are unable to implement our acquisition strategy or integrate acquired businesses successfully, the Numericable Group's business and growth could be affected.

Failure by each of SFR and the Numericable Group to protect its image, reputation and brand could materially affect its business.

The brands under which the Numericable Group sells its products and services, including "Numericable", "Completel", "SFR", "RED", "Formules Carrées", "SFR La Carte" and associated brands are well-recognized brands in France. See "*Business of the Numericable Group—Research and Development, Patents and Licenses—Intellectual Property*," and "*Description of SFR's Business—SFR's Products and Services*".

These brands have been developed through extensive marketing campaigns, website promotions and customer referrals, and the use of a dedicated sales force and dealer networks. SFR and the Numericable Group's success depend on their ability to maintain and enhance the image and reputation of their existing products and services and to develop a favorable image and reputation for new products and services. For example, the Numericable Group's image is tied to its key product, LaBox, for which it has heavily invested in marketing campaigns and sales distribution channels. The image and reputation of SFR's and the Numericable Group's products and services, including LaBox, may be adversely affected if concerns arise about (i) the quality, reliability and benefit/cost balance of their products and services, (ii) the quality of their support centers or (iii) their ability to deliver the level of services advertised. An event or series of events that threatens the reputation of one or more of SFR's or the Numericable Group's respective brands, or one or more of SFR's and the Numericable Group's products such as LaBox, could have an adverse effect on the value of that brand or product and subsequent revenues therefrom. Restoring the image and reputation of SFR's or the Numericable Group's products and services may be costly and not always possible.

Both SFR and the Numericable Group rely upon copyright, trademark and patent laws to establish and protect its intellectual property rights, but no assurance can be given that the actions they have taken or will take in the future will be adequate to prevent violation of their intellectual property rights. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of SFR's or the Numericable Group's brand, which could lead to decreased consumer demand and have a material adverse effect on SFR or the Numericable Group's business, results of operations or financial condition and prospects.

SFR and the Numericable Group are exposed to risks of fraud.

As a telecommunications operator, each of SFR and the Numericable Group is exposed to risks of fraud in its various activities. These risks are linked in particular with fraudulent subscriptions and orders for the purchase of subsidized terminals and telephone lines. Furthermore, the change in the usage of mobile telephony services and applications against a backdrop of the marketing of new offers, as well as the development of new means of payment, could encourage fraud.

The occurrence of such fraudulent activity could have a material adverse effect on SFR and the Numericable Group's business, financial condition and results of operations.

Each of SFR and the Numericable Group may be held liable for the content hosted on their respective infrastructures or transmitted by their networks.

In its capacity as an internet and/or mobile service provider and host, each of SFR and the Numericable Group could be held liable for claims due to the content hosted on their infrastructures or transmitted by their networks (specifically in connection with infringements in terms of press, invasion of privacy and breach of copyright) and thus face significant defense costs, even if each of their liability were ultimately not proven (since internet access providers and hosts are covered by a liability exemption scheme). The existence of such requests could also harm the reputations of SFR and the Numericable Group.

Pressure on customer service could adversely affect SFR and the Numericable Group's respective businesses.

The volume of contacts handled by SFR and the Numericable Group's customer service functions can vary considerably over time. The introduction of new product offerings can initially place significant pressure on each of their customer service functions. Increased pressure on such functions is associated with decreased satisfaction of customers.

For example, in the B2B and wholesale segments of the Numericable Group, customers require service to be extremely reliable and to be reestablished within short timeframes if there is any disruption. Penalties are often payable in the case of failure to meet expected service quality. In addition, product installation can be complex, requiring specialized knowledge and expensive equipment and with delays and service problems resulting in both penalties and the potential loss of a customer. In these segments, the Numericable Group relies on its experienced key customer relations personnel to handle any customer issues or requests, and the loss of such personnel can result in the loss of customers.

Furthermore, the Numericable Group has in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties, both in the B2C and B2B segments. In the B2C segment, these dissatisfaction levels resulted primarily from operational difficulties stemming from the integration of the various cable businesses the Numericable Group acquired in 2005 and 2006. The Numericable Group believes that it currently experiences high levels of customer satisfaction (with satisfaction rates higher than in the past (ranging from approximately 55% to more than 70%) according to the most recent study conducted by the Numericable Group in 2013). However, no assurance can be given that such levels will remain high in the future.

Improvements to customer service functions may be necessary to achieve desired growth levels, and, if SFR and the Numericable Group fail to manage such improvements effectively and achieve such growth, they may in the future experience customer service problems which may damage their reputation, contribute to increased churn and/or limit or slow their future growth.

The European Union may continue to impose further decreases in the roaming charges for using mobile phones within the EEA.

Within the past few years, the European Union has repeatedly urged mobile operators to lower roaming charges for mobile phone use within the Union. Pursuant to the Regulation (EU) 531/2012 dated June 13, 2012, on roaming on public mobile communications networks within the Union (the "Roaming Regulation III"), wholesale and retail (voice and SMS) roaming charges levied by mobile operators are subject to price caps. Further deceases in roaming charges may be imposed by the EU in the coming years. Such decreases in roaming charges may have an impact on our results and profitability. See "*Regulatory Overview*".

Furthermore, on April 3, 2014 the European Parliament has adopted the Regulation amending Directives 2002/20/EC and 2002/22/EC and Regulations (EC) 1211/2009 and (EU) 531/2012. According to the adopted text roaming charges within the EU will be abolished in December 2015.

The occurrence of any of the items described above could have a material adverse effect in the activities, financial situation, results or outlook of SFR and the Numericable Group.

Risks relating to the Virgin Mobile Acquisition

Risks Relating to the Virgin Mobile Acquisition, Virgin Mobile's Business and the Integration of Virgin Mobile into our Business.

The Virgin Mobile Acquisition is subject to significant uncertainties and risks.

Anticipated synergies from the Virgin Mobile Acquisition may not materialise.

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

Virgin Mobile'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 Virgin Mobile's business following the the Virgin Mobile Acquisition.

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

In preparing this Prospectus, we have relied on information supplied, or made available, by Virgin Mobile.

Risks Relating to Virgin Mobile's Industry and Markets

Virgin Mobile is subject to strong competitive pressures.

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

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

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

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

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

Risks Relating to Virgin Mobile's Business and Operations

Virgin Mobile are exposed to the risk of disturbances in telecommunications networks and/or information systems.

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

The business activities of Virgin Mobile involve substantial capital expenditure.

Virgin Mobile's relations with their employees could be affected by changes in the competitive landscape.

Virgin Mobile are dependent on their providers and suppliers for certain key functions, products and services.

Virgin Mobile are dependent on their relations with the suppliers of capacity.

Virgin Mobile depend on their key employees and managers.

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

Regulatory and Legal Risks of Virgin Mobile.

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

The legal status of Virgin Mobile's networks are complex and the networks are primarily governed by public law, which could affect the stability of the rights of SFR and Virgin Mobile.

The business activities of Virgin Mobile depend in part on Virgin Mobile's abilities to set up and maintain partnerships with other players in the telecommunications sector that they do not control.

Prior operations may result in the implementation of change of control clauses.

Virgin Mobile is dependent on its intellectual property rights, which may not be adequately protected.

Virgin Mobile use so-called "freeware" in connection with their business.

Virgin Mobile face risks associated with their distribution network.

Virgin Mobile are involved in legal or administrative actions and litigation with regulators, competitors or other parties.

Risks Relating to Telecommunications Operators in France affecting Virgin Mobile and, following the Transactions, the Numericable Group***.***

Exposure to electromagnetic fields through telecommunications equipment has raised concerns regarding possible harmful side effects. If concerns for such risks were to worsen, or if harmful effects were scientifically established, the business, financial condition and results of operations of telecommunications operators in France, including Virgin Mobile, could be materially adversely affected.

Virgin Mobile operate in a heavily regulated industry. Regulatory compliance may increase its costs or restrict its business activities and non-compliance could lead to sanctions or other penalties. Future changes in regulation could adversely affect their respective businesses.

Tax audits and proceedings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on Virgin Mobile's results of operations and cash flows.

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

The economic and financial climate, particularly in France, might have an adverse effect on the business, financial condition and results of operations of Virgin Mobile.

Virgin Mobile is subject to data confidentiality and security obligations.

Virgin Mobile will face risks in connection with the Numericable Group's external growth strategy.

Failure by Virgin Mobile to protect its image, reputation and brand could materially affect its business.

Virgin Mobile is exposed to risks of fraud.

Virgin Mobile may be held liable for the content hosted on their respective infrastructures or transmitted by its networks.

Pressure on customer service could adversely affect Virgin Mobile's respective businesses.

The European Union may continue to impose further decreases in the roaming charges for using mobile phones within the EEA.

Risks relating to the Issuance,Listing and Trading

The AFM may suspend or prohibit trading of the Ordinary Shares on the regulated market of the Euronext Amsterdam.

If a company admitted to trading on the regulated market of the Euronext Amsterdam fails to fulfil certain requirements under applicable laws, the AFM could impose a fine, temporarily suspend or prohibit the Ordinary Shares from trading. There can be no assurance that such a situation will not occur in relation to the Ordinary Shares.

The Company's shares may be subject to market price volatility and the market price of the Ordinary Shares may decline disproportionately in response to adverse developments that are unrelated to the Company's operating performance.

Shares admitted to trading on regulated markets, which include the regulated market of the Euronext Amsterdam, have from time to time experienced significant price fluctuations that are unrelated to the operating performance of particular companies. Factors including concerns as to product quality, trading performance of a company's customers, fluctuations in operating results, and general market conditions can have an adverse effect on the market price of the Ordinary Shares. The market price of the Ordinary Shares could be particularly volatile owing to the absence of comparable listed companies in the Dutch market.

Further issuances of securities.

The Company may continue to require additional capital in the future to finance its business activities. Future capital increases of the Company or the issuance of convertible bonds or warrants may also lead to dilution for existing shareholders.

In the future, the Company may increase its capital resources by offering debt or additional equity securities, including commercial paper, medium-term notes, senior or subordinated notes, series of preferred shares or shares of common stock. The issuance of securities with conversion rights or additional equity offerings may dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders or may reduce the market price of the Ordinary Shares.

The Articles currently provide for the issuance of additional shares of up to €25,000,000 within the limits of the authorised capital. The Company may issue all of these shares without any action or approval by the shareholders and without reserving any pre-emptive subscription rights to the shareholders. Because the Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of the Ordinary Shares bear the risk of the Company's future offerings reducing the market price of the shares and diluting their shareholdings in the Company.

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 resolutions approving the relevant amendment to the Articles, i.e. March 19, 2014 (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 five million 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 up to (b) a maximum amount of twenty million euro 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.

The Significant Shareholder has the benefit of the Warrant Instrument not made available to other investors.

The Company has granted the Significant 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 XXII of this Prospectus "General Information—Information about the Class B Shares and Warrant". For so long as the Significant 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 Significant 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 Significant 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 Instrument 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 Ordinary Shares

The market price of the Ordinary Shares may be volatile.

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.

Furthermore, the shares of our subsidiary, Numericable Group, 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 Group or in the event an active trading market does not develop or, if it does develop, is not maintained with respect to the Numericable Group shares. The trading price of Numericable Group'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.

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 Significant Shareholder agreed to certain restrictions on selling or otherwise disposing of Ordinary Shares held by the Significant Shareholder for a lock-up period of 365 days after February 5, 2014, the Existing Shares held by the Significant Shareholder upon expiry of such period will thereafter be freely transferable, subject to certain orderly market arrangements. Furhter, Carlyle and Cinven entered into a contractual lock-up arrangement pursuant to which each of Cinven and Carlyle have agreed not to transfer, offer, sell, pledge or issue indirectly, any of New Shares or to enter into or announce any transaction having a substantially similar economic effect for a period starting on the Completion Date and ending on September 30, 2014 (included). This lock-up will apply only as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the Shares of the Company in that respect.

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.

The Company's ability to pay dividends to shareholder(s) 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 shareholders' sole source of gains.

The interests of the Significant Shareholder may be inconsistent with the interests of our other shareholders.

Next L.P., which is controlled by Patrick Drahi, is the beneficial owner of 63.2% of the Existing Shares. The Significant Shareholder is able to control and/or significantly influence matters requiring approval by the General Meeting and may vote its Existing 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 Significant 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 Significant 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 Significant Shareholder has undertaken, until such time as the Significant 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 "*Directors, Senior Management, Employees And Corporate Governance - Corporate Opportunities*" of Part X of this Prospectus (Directors, Senior Management, Employees and Corporate Governance).

Further, for so long as the Significant 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 Ordinary Shares that it does not already own.

In addition, subject to or following the expiry of the lock-up undertakings (described in Parts XI paragraph 6 (*Roll Over*) and XIX paragraph 4 (*Related Party Transation*) of this Prospectus) the Significant Shareholder could sell a substantial number of Existing Shares in the public market following the Admission. 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.

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 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.

Certain of the Ordinary Shares held by the Significant Shareholder and certain of the Ordinary Shares held by certain members of senior management are subject to a 365 days lock-up period. The New Shares are subject to the Lock-Up (the summary under Part I on page 21 for more details). The Lock-Up will only apply as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the shares of the Company in that respect.

Further, under the Articles, and subject to the lock-up arrangements described in element E.5 of the summary under Part I and the carve-out thereto described above, the Board is authorised for a period of 5 years from the date of publication of the resolutions approving the relevant amendment to the Articles, i.e. March 19, 2014, to issue up to 500,000,000 Ordinary Shares and 2,000,000,000 Class B 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.

Transfers of the Ordinary Shares and the Class B Shares are restricted, which may adversely affect the value of the Ordinary Shares and the Class B Shares.

The Ordinary Shares and the Class B Shares have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. Therefore the Ordinary Shares and the Class B Shares may not be transferred or sold 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. It is the transferor's obligation to ensure that any such offers and sales of Ordinary Shares and the Class B Shares within the U.S. and other countries comply with applicable securities laws.

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

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
DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISORS

Annex III
R 10.1
R. 5.4.2

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

Legal advisers to the Company

As to U.S. Federal law, New York law and English law:	*As to Dutch law:*	*As to Luxembourg law:*
Ropes & Gray LLP 5 New Street Square London EC4A 3DF United Kingdom	Loyens & Loeff N.V. Fred. Roeskestraat 100 1076 ED Amsterdam The Netherlands	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

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
Grand Duchy of Luxembourg

PART IV
EXPECTED TIMETABLE OR PRINCIPAL EVENTS OF THE ADMISSION

Annex III
R 5.1.1
R 5.3.1
R 5.3.2

Listing and trading

Approval of this Prospectus.

This Prospectus constitutes a listing prospectus pursuant to the Prospectus Directive, and the Commission Regulation (EC) 809/2004 of April 29, 2004, as amended (the “Prospectus Regulation”) and has been approved on July 21, 2014 by the CSSF as the competent authority within the meaning of the Prospectus Law. The CSSF’s approval does not imply any judgement on the merits and the quality of the transaction, nor of the situation of the Company. This Prospectus will be published on the website of the Luxembourg Stock Exchange at https://www.bourse.lu.

Timetable.

We anticipate the following timetable for the Issuance and the listing and trading of the New Shares on Euronext Amsterdam, which is a regulated market for the purposes of the MiFID. The timetable is indicative and may be subject to adjustment:

Approval of the Prospectus by the CSSF, publication of the Prospectus on the Company’s website, the website of the Euronext Amsterdam and the website of the Luxembourg Stock Exchange	July 21 2014
Issuance of the New Shares to Cinven and Carlyle	On or about July 22, 2014
Listing approval by Euronext Amsterdam	On or about July 22, 2014
First day of trading	On or about July 25, 2014

PART V
IMPORTANT INFORMATION

Subject matter of this Prospectus

This Prospectus is intended to provide information in the context and for the sole purpose of the listing and admission to trading of the New Shares. It contains selected and summarised information, does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied to any person. The Prospectus cannot be used except in connection with the Admission. The content of this Prospectus is not to be construed as an interpretation of the rights and obligations of the Company of the market practices or of contracts entered into by the Company.

Information derived from third parties

Annex I
R 23.2
Annex III
R 10.4

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 the 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 the 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 "*Description of Group Business—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.

Certain information provided in this Prospectus has been sourced from third parties. The Company confirms that such third party information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published from such third party, no facts have been omitted which would render the third party information reproduced herein inaccurate or misleading. Subject to the foregoing, neither the Company nor the directors can assure investors of the accuracy or completeness of, or take any responsibility for, such data. The source for such third party information is cited whenever such information is used in this Prospectus. 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 New Shares arises or is noted on or before Admission, a supplement to the Prospectus will be published in accordance with article 13 of the Prospectus Law. The Prospectus and any supplement thereto will be subject to approval by the CSSF and will be made public in accordance with the Prospectus Law.

Enforcement of judgements

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.

Certain insolvency law considerations

The Company is incorporated and has its registered office 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 an entity having its registered office and central administration (*administration centrale*) and centre of main interest ("COMI"), as used in the EC Regulation 1346/2000 of May 29, 2000 on insolvency proceedings (the "EU Insolvency Regulation"), in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to the EU Insolvency 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 Insolvency 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 Insolvency 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 EU 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 Company, by any of its creditors or by Luxembourg courts *ex officio*. The 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 Company (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 Company'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 law on commercial companies of August 10, 1915, as amended (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.

Availability of the Prospectus and other available information

The Prospectus is available in English.

This Prospectus will be published on the Company's website (https://www.altice.net), the website of Euronext Amsterdam (https://europeanequitites.nyx.com) and the website of the Luxembourg Stock Exchange (https://www.bourse.lu). In addition, copies of this Prospectus are available in printed form, free of charge, at the registered office of the Company at 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. .

The electronic version of this Prospectus may not be copied, made available or printed for distribution. This Prospectus is only valid in its original printed version provided to Carlyle or Cinven in compliance with applicable laws.

Posting this Prospectus and the summary on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Ordinary Shares to any person in any jurisdiction.

Documents available for inspection

Annex I
R 24

Copies of the following documents may be inspected at the registered office 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):

- the Articles;
- the following financial information:

  - the audited opening balance sheet of the Company as of January 3, 2014;
  - the unaudited illustrative aggregated selected combined financial information of the Company as of and for the years ended December 31, 2012 and 2011;
  - the consolidated financial statements of Numaricable Group as of and for the year ended December 31, 2013;
  - the combined financial information of Numericable Group as of and for the years ended December 31, 2010, 2011 and 2012;
  - the combined financial statements of SFR as of and for the years ended December 31, 2011, 2012 and 2013;
  - the standalone financial statements of Orange Dominicana, S.A. as of and for the years ended December 31, 2012 and 2013;
  - the consolidated financial statements of the Company for the year ended December 31, 2013;
  - the combined financial statements of the Company for the years ended December 31, 2010, 2011 and 2012;
  - the unaudited interim consolidated financial information of the Company for the period ended March 31, 2014;
  - the unaudited pro forma financial information of the Company for the year ended December 31, 2013;
- the report relating to the Contribution in Kind issued by Deloitte Audit S.à r.l. on July 7, 2014;
- consent letters; and
- a copy of this Prospectus.

Documents incorporated by reference

The following documents are incorporated into this Prospectus by reference to Altice's website (https://www.altice.net/announcement.html) and are also available on the website of the Luxembourg Stock Exchange (https://www.bourse.lu) acting as officially appointed mechanism in charge of the central storage of regulated information for public disclosure (OAM):

- 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;
- 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. Therefore, the information incorporated by reference is not included in a cross-reference list as it 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 Prospectus Directive, the Prospectus will be available in printed form and available free of charge 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 will be available on the Company's website at https://www.altice.net.

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.

Legal matters

Certain legal matters in connection with this Admission will be advised 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. and Luther as to matters of Luxembourg law and by Loyens & Loeff N.V. as to matters of Dutch law.

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.

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 XXIII of this Prospectus "*Glossary*".

PART VI
DETAILS OF THE ISSUANCE, LISTING AND ADMISSION TO TRADING

The Issuance

Annex III
R 3.3
R 3.4
R.5.1.2
R. 5.2.1
R 5.3.1
R 5.3.2
R 6.1
R 7.1
R 7.2

The Issuance will consist of the issuance by the Company of the New Shares, i.e. 16,617,409 ordinary shares of the Company to Carlyle and 8,134,464 ordinary shares of the Company to Cinven in exchange for a contribution in kind by Carlyle and Cinven of the Contributed Shares to the Company on the basis of a share exchange ratio of 0.97 New Shares for each Contributed Share (the "Contribution in Kind") on or around July 22, 2014.

Immediately prior to the Issuance, the controlling shareholder of the Company, Next L.P., will hold 63,2% of the Company's share capital. Following the Issuance, Next L.P. will hold 56,87% of the Company's share capital. Next L.P. will retain substantial control rights over the Company and its Board of Directors.

For the purpose of article 26-1 of the 1915 Law, the Contribution in Kind must be reported on by an independent auditor. This report (the "Report") must provide a description of the Contribution in Kind, as well as the valuation methods used. It shall also state whether the values arrived at by the application of such valuation methods correspond at least to the number and nominal value (and, where applicable, share premium) of the shares to be issued. The Report has been prepared at the Company's request by Deloitte Audit S.à r.l., as approved external auditors (réviseurs d'entreprises agréé) with their consent to use the Report for the sole purpose of this Prospectus, as required by the 1915 Law, and the conclusion of this Report is set out below:

"Based on the procedures applied as described [in this Report], nothing has come to our attention that causes us to believe that the global value of the Contribution in Kind is not at least equal to the number and nominal value of the 24,751,873 ordinary shares of par value 0.01 EUR each and the attached share premium of EUR 778,033,059.27."

The Issuance shall be decided upon by the Board of Directors of the Company which shall determine to issue the New Shares out of the Company's existing share capital, in accordance with the provisions of the Company's Articles.

A report was prepared by the Board of Directors of the Company for the purposes of article 32-3(5) of the 1915 Law on January 13, 2014 stating that the Board of Directors withdraws the pre-emptive subscription rights of the existing shareholders in relation to the Issuance and confirming the value of the shares to be issued by the Company in exchange for the Contributed Shares.

The shares that will be issued in consideration of the Contribution in Kind are ordinary shares of the Company and have the same rights and benefits as the Existing Shares. Immediately following the Issuance, the New Shares issued to Cinven and Carlyle will be as follows:

- 8,134,464 New Shares to Cinven; and
- 16,617,409 New Shares to Carlyle.

Information about the New Shares

The New Shares comprise ordinary shares in the capital of the Company.

Legislation under which the New Shares were created

The New Shares have been created pursuant to, and are governed by, the 1915 Law.

Form and currency of the New Shares

The New Shares are issued in registered form. The New Shares will be held and transferred through book-entry form in accounts opened with one or more financial intermediaries with the *Nederlands centraal instituut voor giraal effectenverkeer B.V. trading as Euroclear Nederland* ("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 New Shares is the euro and their nominal value is equal to €0.01.

Security codes

International Securities Identification Number (ISIN)	LU1014539529
Trading Symbol	ATC
Classification of Financial Instruments (CFI) Code	ESXXXR

Principal shareholders

The table below sets out the information with respect to the share ownership of the Company as of the date of the Issuance and as adjusted to reflect the issuance of the New Shares. You should also read the "*Related Party Transactions*".

	Prior to the Issuance		**Following completion of the Issuance**	
	Existing Shares		**New Shares**	
Shareholder's	**shares**	**%**	**shares**	**%**
Next L.P.	**140,895,705**	**63.2%**	**140,895,705**	**56.87%**
Carlyle	**0**	**0%**	**16,617,409**	**6,71%**
The Capital Group Companies, Inc.	**12,449,641**	**5,58%**	**12,449,641**	**5,02%**

The voting rights of the Company's shareholders listed above with respect to their shares do not differ in any respect from the rights attaching to any other shares, including the New Shares, it being understood that changes to the rights attached to the shares will require a special majority of such classes of shares in accordance with the 1915 Law. Annex I R 18.2

Listing and admission to trading of the New Shares

On July 21, 2014, the Board of Directors, approved the application to the CSSF for approval and visa stamping of this Prospectus for the purposes of the listing and admission to trading of the New Shares on the regulated market of the Euronext Amsterdam. An application has been made for the Admission of the New Shares to listing and trading on the regulated market of Euronext Amsterdam.

The Company expects trading of the New Shares to commence on or about July 25, 2014.

Delivery and settlement

Delivery of the New Shares against the contribution of the Numericable Shares is expected to take place on or about July 22, 2014 by recording the New Shares in the Register in the name of Carlyle and Cinven on the effective date of the Contribution in Kind. For the purpose of the listing and Admission, the transfer of the New Shares to Euroclear Netherland will then be recorded in the Register for the New Shares to be included in the book-entry system of Euroclear Nederland and be traded in accordance with Euroclear Nederland's normal settlement procedure applicable to equity securities on or around July 25, 2014.

Costs of the Issuance and of the admission to trading of the New Shares

The Company's total fees, costs and expenses of and incidental to, the Admission (including the listing fees, printer's fees, professional fees and expenses, costs of distribution of documents and transfer taxes) are estimated to amount to €600,000, and are payable by the Company.

PART VII
CAPITALISATION AND INDEBTEDNESS

Annex I
R 10.3
R 20.9
Annex III
R 3.2

The following table presents, in each case, the cash and cash equivalents and debt capitalisation as of May 31, 2014 of the Group (i) on a historical consolidated basis and (ii) on an as adjusted combined basis after giving effect to the SFR Debt, including the offering of the Notes, the offering of the New Numericable Senior Secured Notes and funding under the New Numericable Term Loan and the application of the proceeds thereof, the Numericable Acquisition, the ODO Acquisition, the Tricom Acquisition and the SFR Acquisition. The completion of the SFR Acquisition is subject to certain conditions, including the approval by the competent regulatory authorities in France, as applicable. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the SFR Debt. This table should be read in conjunction with the financial statements and notes thereto included elsewhere in the Prospectus.

The impact of any derivative instruments that we have or may enter into to manage foreign currency risk associated with the Notes has not been reflected in the as adjusted data presented in the table. Unless otherwise stated, amounts are based on the exchange rate as of December 31, 2013 of $1.377 = €1.00.

	May 31, 2014	
	Actual	**As Adjusted**
	€ in millions	
Cash and Cash Equivalents		
Numericable Group	20	—
Altice International Group	42	42
Altice SA Group(1)	73	584
Total Consolidated Cash and cash equivalents	134	625
Numericable Group financial debt:		
Existing Numericable Indebtedness(2)	11,756	11,756
Numericable Group Revolving Credit Facility Agreement(3)	—	—
Finance Leases NC	41	41
Other Liabilities	3	3
Total Numericable France Financial Debt	11,800	11,800
Altice France financial debt:		
2013 Margin Loan()	324	—
Total Altice France Financial Debt	324	—
Altice International financial debt:		
Existing HOT Unsecured Notes(5)	264	264
Green Datacenter Debt	32	32
Existing Coditel Mezzanine Facility(6)	111	111
Existing Senior Secured Notes(7)	1,507	1,507
2013 Term Loan	756	756
Existing Senior Notes(8)	855	855
Existing Altice Financing Revolving Credit Facilities and 2013 Guarantee Facility(9)	63	-
New Altice Financing Revolving Credit Commitments(10)	—	—
Finance Leases	26	26
Total Altice International Financial Debt	3,614	3,551
Stand-alone Altice SA financial debt:		
Altice S.A. Revolving Credit Facility Agreement(10)	—	—
Notes offered on the Issue Date(11)	4,201	4,201
Total Stand-alone Altice SA Financial Debt	4,201	4,201
Total Consolidated Financial Debt(12)	19,939	19,552
Numericable Perpetual Subordinated Notes(13)	38	38
Total third—party debt(14)	19,977	19,590

---

(1) The Company was incorporated on January 3, 2014 and, as such, had no actual cash or cash equivalents as of December 31, 2013. The "As Adjusted" includes the impact of €250m cash overfunding and the impact of the new capital issuance of the Company for a total amount of €911m, net of the amounts due for the margin loan increase of the Company (€122m) and the cash payment due to Cinven and Carlyle as part of the transaction (€529).

(2) Reflects the aggregate indebtedness under the new Numericable Group Team Loan transactions, raised to complete the SFR Acquisition. This debt received in escrow on May 8, 2014. Numericable used a portion of the New Numericable Group Team Loan to refinance such indebtedness.

(3) On or prior to the Issue Date, Numericable entered into the Numericable Group Revolving Credit Facilities Agreement with, among others, the lenders party thereto. The Numericable Group Revolving Credit Facilities will allow borrowings by Numericable up to a maximum of €750 million, of which €300m of the Numericable Group Revolving Credit Facilities will be available to be drawn on or after the date of the Numericable Refinancing Transactions and the remaining €450 million will be available on or after the Completion Date. The Numericable Group Revolving Credit Facilities will not be drawn on the Issue Date.

(4) Reflects the aggregate €324 million outstanding under the 2013 Margin Loan (excluding accrued interest). An additional €122 million were issued under this loan on June 6, 2014 to exercise the call option on the 2,6% of Numericable Group shares held by Pechel and Five Arrows. The proceeds from the new equity offering will be used to repay the full amount outstanding under the margin loan.(5) The amount is based on the exchange rate as of May 31, 2014 of €0.211 = NIS1.00.

(6) The Existing Coditel Mezzanine Facility is callable from November 2014 at a price of 106.875%.

(7) Reflects the $460 million and €210 million 2012 Senior Secured Notes and the $900 million and €300 million 2013 Senior Secured Notes.

(8) Reflects the aggregate $425 million, €250 million and $400 million Existing Senior Notes outstanding.

(9) The Existing Altice Financing Revolving Credit Facilities are made up of (i) the $80 million 2012 Revolving Credit Facility and (ii) the €60 million 2013 Revolving Credit Facility. Altice Financing also has access to the 2013 Guarantee Facility allowing for requests for guarantees to be issued up to a maximum of €75 million. As of May 31, 2014, Altice Financing S.A. has made a request for a guarantee of up to a maximum amount of approximately €8.5 million to be issued under the 2013 Guarantee Facility.

(10) On or prior to the Issue Date, the Company entered into the Altice S.A. Revolving Credit Facility Agreement with, among others, the lenders party thereto, in order to (a) prior to the completion of the SFR Acquisition, service the interest on the proceeds of the Notes deposited in escrow and (b) after the completion of the SFR Acquisition, to support its working capital purposes. The Altice S.A. Revolving Credit Facility Agreement will allow borrowings by the Company up to a maximum of €200 million at any one time outstanding. The Altice S.A. Revolving Credit Facility will not be drawn on the Issue Date. In addition, Altice Financing S.A. may choose to enter into a facility agreement in respect of the New Altice Financing Revolving Credit Commitments under which certain lenders have committed to provide Altice Financing S.A. with up to €450 million.

(11) Reflects the issuance of the Notes offered on the Issue Date. Pending satisfaction of certain conditions to the release of the escrow proceeds, the initial purchasers of the Notes deposited the gross proceeds from the offering of the Notes into segregated escrow accounts for the benefit of the holders of the Notes.

(12) Excludes certain other long-term and short-term liabilities, other than finance leases, of the Group, any intercompany loans among the Group and preferred equity certificates issued in connection with the Tricom Acquisition and any other preferred equity certificates issued to minority shareholders in our subsidiaries. Other long-term and short-term liabilities include, among other things, HOT's obligations to the State of Israel related to its mobile license and its ownership of the cable network, contingent consideration on behalf of the HOT Mobile acquisition, trade payables, other payables, provision for lawsuits, accrued severance liability, and deferred tax liability.

(13) Reflects the aggregate €23.65 million perpetual subordinated notes issued by NC Numericable S.A.S. to Vilorex, a subsidiary of GDF Suez (excluding capitalised interest). The proceeds of the Numericable Perpetual Subordinated Notes have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*). The Numericable Perpetual Subordinated Notes bear interest at 7% per annum. Interest is capitalised, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013.

PART VIII
PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated or the context otherwise requires, references to "IFRS" herein are to IFRS as adopted in the European Union.

Financial Data

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

Historical Consolidated Financial Information

Annex I
R.3.1

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

The consolidated financial statements of the Company as of and for the year ended December 31, 2013, the statement of directors' responsibility and the related report of the *réviseur d'entreprises agréé* included in the Prospectus have been extracted from the 2013 annual report of Altice, which includes supplementary elements as required by Luxembourg laws and regulations.

Illustrative Aggregated Selected Financial Information

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

In the year ended December 31, 2010, Altice International's most significant assets consisted of its ownership of (i) equity interests in HOT Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical combined financial statements of the 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, Altice International made the following acquisitions that fundamentally changed the business undertaking: (i) in the first quarter of 2011, Altice International increased its ownership in HOT Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of the Company with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel

Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of the Company with effect from July 1, 2011). In addition, Altice International sold 5% of its equity interest in MIRS Communications Limited during the course of 2011.

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

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

As a result of the series of significant acquisitions that have been consummated by Altice International since 2011, and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it existed as of December 31, 2013 for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Consequently, in addition to the Pro Forma Financial Information (as defined herein) described below, certain unaudited illustrative aggregated selected financial information for each of the years ended December 31, 2011 and 2012 has been included in the Prospectus as we believe this will aid comparability of the results of operations of the entire business undertaking of the Group as it existed as of December 31, 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 has been compiled by aggregating selected aggregated financial information extracted from (i) the audited historical consolidated financial statements of the Company for each of the years ended December 31, 2011 and 2012 and (ii) the audited historical financial information of each of the business undertakings the acquisition of which was consummated by Altice International prior to December 31, 2012 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 are not included in the audited historical consolidated 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 International 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 as adopted by the European Union. The Illustrative Aggregated Selected Financial Information does not include any additional pro forma adjustments. 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 the Prospectus. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of the Mobius Group, ODO, Tricom and the Numericable Group as these acquisitions are either still pending or were consummated after December 31, 2013. The Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information include the results of operations of Valvision even though we disposed of our interests in Valvision in 2013 to the Numericable Group. In each of the years ended December 31, 2011, 2012 and 2013, Valvision contributed €2.6 million, €2.5 million and € 1.3 million to aggregated and pro forma revenues, respectively, and € 0.9 million, €0.9 million and €0.5 million to aggregated and pro forma EBITDA, respectively. Further, the Historical Consolidated Financial Information, the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information include the results of operations of Green Datacenter and Auberimmo, which are subsidiaries of the Company but unrestricted subsidiaries under the terms governing our existing indebtedness. In each of the years ended December 31, 2011, 2012 and 2013, Green Datacenter contributed €4.3 million, €10.3 million and €12.4 million to aggregated and pro forma revenues and €3.6 million, €9.0 million and €10.2 million to aggregated and pro forma EBITDA and Auberimmo contributed

€0.9 million, €0.9 million, €0.9 million to aggregated and pro forma revenues and € 0.8 million, €0.6 million and €0.6 million to aggregated and pro forma EBITDA, respectively in each case.

The Illustrative Aggregated Selected Financial Information was prepared on the basis of the following sources:

- the audited historical combined financial statements of the Company for the years ended December 31, 2010, 2011 and 2012 drawn up in accordance with the basis of preparation described in the notes to the audited historical combined financial statements;
- 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 Belgian 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 financial statements of Cabovisão for the year ended December 31, 2011 prepared in accordance with IFRS;
- the audited pro forma accounts for ONI 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 financial statements 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; and
- the unaudited financial statements for SportV for the year ended December 31, 2012 prepared in accordance with IFRS.

The Illustrative Aggregated Selected Financial Information among other things:

- neither represents financial information prepared in accordance with IFRS nor pro forma financial information and should not be read as such;
- has not been audited in accordance with any generally accepted auditing standards;
- has not been reviewed in accordance with any generally accepted review standards;
- is presented for illustrative purposes only; and
- is provided for certain limited items from the Company's statement of income and statement of cash flows 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.
- does not purport to represent what our actual results of operations or financial condition would have been had the significant acquisitions and disposals described above occurred with effect from the dates indicated; and
- does 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 included in the Prospectus has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities and Exchange Commission, the Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited in accordance with any generally accepted auditing standards. 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 Company for any other periods for which Historical Consolidated Financial Information or Pro Forma Financial Information has been included in the Prospectus.

The Illustrative Aggregated Selected Financial Information includes results of operations data of the acquired businesses (other than Mobius Group, Tricom, ODO, the Numericable Group, SFR and Virgin Mobile) 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. We recently entered into arrangements pursuant to which the Company acquired a substantial proportion of the minority interests in Altice Blue Two (which owns 100% of Outremer) in exchange for ordinary shares of the Company. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortisation, or EBITDA, the non-controlling interests in the operating results of Coditel Holding are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Since we do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortisation, or EBITDA, the Illustrative Aggregated Selected Financial Information is also subject to the limitations with respect to non-IFRS measures described below.

Pro Forma Financial Information

The Prospectus includes the unaudited pro forma consolidated financial statements of the Company as of and for the year ended December 31, 2013, giving effect to each of the significant acquisitions described above as if such acquisitions had occurred by January 1, 2013 (but without giving effect to the Tricom Acquisition, the Mobius Acquisition, the Virgin Mobile Acquisition or the SFR Acquisition) (the "Pro Forma Financial Information"). The Prospectus includes certain information derived from the Pro Forma Financial Information (a) after giving effect to each of the significant acquisitions described above but without giving effect to the ODO Acquisition, the Tricom Acquisition, the Mobius Acquisition, the Numericable Acquisition,the SFR Acquisition or Virgin Mobile Acquisition (the "Pre Transaction Pro Forma Financial Information") and (b) as well as the ODO Acquisition, the Numericable Acquisition and the SFR Debt (but without giving effect to the Mobius Acquisition, the Tricom Acquisition, SFR Acquisition and Virgin Mobile Acquisition) (the "Post Transaction Pro Forma Financial Information").

The Pre-Transaction Pro Forma Financial Information and the Post Transaction Pro Forma Financial Information are collectively referred to as the "Pro Forma Financial Information".

The Pro Forma Financial Information included in the Prospectus has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities and Exchange Commission, the Prospectus Directive or any generally accepted accounting standards.

The Pro Forma Financial Information included in the Prospectus and their respective pro forma adjustments, among other things:

- are based on available information and assumptions that we believe are reasonable under the circumstances;
- are presented for informational purposes only;
- have not been audited in accordance with any generally accepted auditing standards;
- have not been reviewed in accordance with any generally accepted review standards;
- do not purport to represent what our actual results of operations or financial condition would have been had the applicable significant acquisitions 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 Historical Consolidated Financial Information, the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information mentioned above do not indicate results that may be expected for any future period.

The Pro Forma Financial Information includes 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 ODO, the Numericable Group and the SFR Debt, 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.

ODO Financial Information

The Group owns approximately 97.2% of the equity interests in ODO. The Prospectus includes the audited stand-alone financial statements of ODO as of and for the years ended December 31, 2013 and 2012 (see, Part XXV of this Prospectus (*Index of Financial Information*)).

Numericable Group Financial Information

The Company has control over the Numericable Group as a result of the Numericable Acquisition. 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 Group. Accordingly, the Prospectus includes the audited consolidated financial statements of the Numericable Group as of and for the year ended December 31, 2013 and the audited combined financial statements of 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. These financial statements of the Numericable Group and information directly derived therefrom are referred to herein as the "Numericable Group Financial Information".

The Numericable Group Financial Information as of and for the year ended December 31, 2012, 2011 and 2010 has been prepared at 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 consolidated 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 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 financial statements.

Certain Adjusted Financial Information

The Prospectus also includes certain financial information on an as adjusted basis to give effect to the 2013 June Transactions, the 2013 December Transactions and the SFR Debt including the Prospectus and the application of the proceeds therefrom, including combined financial data as adjusted to reflect the effect of the 2013 June Transactions, the 2013 December Transactions and the SFR Debt on the Group's indebtedness as if the 2013 June Transactions, the 2013 December Transactions and the SFR Debt had occurred on December 31, 2013 and the Group's finance costs as if the 2013 June Transactions, the 2013 December Transactions and the SFR Debt occurred on January 1, 2013. The adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group's indebtedness would have been had the 2013 June Transactions, the 2013 December Transactions and the SFR Debt occurred on December 31, 2013 or January 1, 2013, respectively; nor does it purport to project the Combined Entities' or the Group's indebtedness or interest expense 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.

Non-IFRS Measures

The Prospectus contains measures and ratios (the "Non-IFRS Measures"), including EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA (including Synergies), Operating Free Cash Flow 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. The Non-IFRS measures may also be defined differently than the corresponding terms governing our indebtedness, including the Existing Indentures and the Indenture. Non-IFRS measures and ratios such as EBITDA and Adjusted EBITDA are not measurements of our, SFR's, ODO's or any of our or their subsidiaries', performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA or 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, SFR's, ODO's or any of our or their subsidiaries' ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. EBITDA and Adjusted EBITDA have limitations as an analytical tool, and you should not consider them 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, amortisation and impairment are non-cash charges, the assets being depreciated and amortised will generally need to be replaced in the future and EBITDA and 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 and Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

The Prospectus contains certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the SFR Acquisition as well as related costs to implement the SFR Acquisition. The estimates present the expected future impact of this transaction and the integration of SFR into our existing business. Such estimates are based on a number of assumptions made in reliance on the information available to us and management's judgments based on such information. The assumptions used in estimating the synergies arising from the SFR Acquisition are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.

Certain amounts and percentages presented herein have been rounded and, accordingly, the sum of amounts presented may not equal the total. All references in this document to NIS and ILS refer to New Israeli Shekels and all references to "U.S.$" or "$" are to U.S. dollars. All references to DOP refer to the Dominican Peso. All references to "€" are to euro.

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, SFR's or ODO's future financial condition, results of operations and business, our SFR's or ODO's product, acquisition, disposition and finance strategies, our, SFR's or ODO's capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our, SFR's or ODO's markets, anticipated cost increases, synergies, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "project", "should", and "will" and similar words used in this 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, SFR and ODO 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 "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 our structure, this Issuance, and our other indebtedness;
- risks related to the Transactions and our ability to execute the Transactions in the manner and within the timetable currently envisaged;
- our ability to integrate acquired businesses and realise planned synergy benefits from the acquisitions (including, without limitation, SFR following the SFR Acquisition);
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the Tricom Acquisition, the Numericable Acquisition, the SFR Acquisition, Mobius Acquisition, the ODO Acquisition and the cost savings we expect to realise from our Network Sharing Agreement in Israel;
- the competitive environment and downward price pressure in the broadband Internet communications, television sector, fixed line telephony, mobile telephony and B2B sectors in the countries in which we operate;
- risks related to royalties payments and our licenses;
- economic and business conditions and trends in the industries in which we and the entities in which we have interests operate;
- changes in the political, judicial, economic or security environment in the countries in which we operate or will operate in the future;
- changes in consumer television viewing preferences and habits and our ability to maintain and increase the number of subscriptions to our digital television, telephony and broadband Internet services and the average revenue per household;
- capital spending for the acquisition and/or development of telecommunications networks and services and equipment and competitor responses to our products and services, and the products and services of the entities in which we have interests;
- increases in operating costs and inflation risks;
- consumer acceptance of existing service offerings, including our analog and digital video, fixed-line and mobile telephony and broadband Internet services and or multiple-play packages and consumer acceptance of new technology, programming alternatives and broadband Internet services that we may offer;
- deployment of fiber or VDSL2 networks by competitors;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to achieve cost saving from network sharing arrangements for our mobile services in Israel;
- the availability of attractive programming for our analog and digital video services or necessary equipment at reasonable costs;

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

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

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

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

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

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

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

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

- our ability to manage our brands;

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

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

- our ability to obtain building and environmental permits for the building and upgrading of our networks, including our mobile network in Israel, and to comply generally with city planning laws;

- our inability to completely control the prices we charge to customers or the programming we provide;

- the outcome of any pending or threatened litigation;

- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;

- our ability to integrate acquired businesses and realise planned synergy benefits from acquisitions (including without limitation the Tricom Acquisition and the ODO Acquisition);

- our ability to maintain adequate managerial controls and procedures as the business grows;

- our inability to provide high levels of customer service;

- the declining revenue from certain of our services;

- a reduction in the market price of the ordinary shares of Numericable;

- our ultimate parent's interest may conflict with our interests;

- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;

- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events; and

- other factors discussed in this Prospectus.

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

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

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

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. In many cases we have also 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.

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 "*Description of Group's Business—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.

Certain information provided in this Prospectus has been sourced from third parties. The Company confirms that such third party information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published from such third party, no facts have been omitted which would render the third party information reproduced herein inaccurate or misleading. Subject to the foregoing, neither the Company nor the directors can assure investors of the accuracy or completeness of, or take any responsibility for, such data.The source for such third party information is cited whenever such information is used in this Prospectus. Annex III R 10.4

.

PART IX
PRO FORMA FINANCIAL INFORMATION OF THE GROUP
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME OF THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2013

Annex I
R. 5.2.1
R 20.1
R 20.2
Annex II
R 1
R 2
R 3
R 4
R 5
R 6

	Historical Financial Information	Pre transaction Pro Forma Adjustments										
	Altice S.A. January 1, 2013 December 31, 2013	OMT January 1, 2013 to July 5, 2013	ONI January 1, 2013 to Aug 8, 2013	Ma Chaîne Sport January 1, 2013 to October 4, 2013	SportV January 1, 2013 to October 4, 2013	Reversal of refinanced debt	Issuance of June 2013 debt	June 2013 RCFs fees	Issuance of margin loan	Buy-out of non-controlling interests	Payment of Initial Public Offering fees	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013
		(Note 3 a)	(Note 3 b)	(Note 3 c)	(Note 3 d)	(Note 3 h)	(Note 3 h)	(Note 3h)	(Note 3h)	(note 3e)	(note 3j)	
Revenue	**1,286.8**	**96.5**	**59.0**	**13.8**	**4.5**	**—**	**—**	**—**	**—**	**—**	**—**	**1,460.7**
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.4)	(1.1)	—	—	—	—	—	—	(433.6)
Other operating expenses	(401.0)	(33.2)	(18.5)	(3.4)	(0.4)	—	—	—	—	—	—	(456.4)
Operating income before depreciation, amortization, management fees, restructuring, non-recurring costs and other expenses	**518.0**	**33.2**	**9.2**	**7.1**	**3.0**	**—**	**—**	**—**	**—**	**—**	**—**	**570.7**
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	—	—	—	(426.7)
Management fees	(0.6)	(.4)	—	(.4)	—	—	—	—	—	—	—	(1.5)
Restructuring, non-recurring costs and other expenses	(76.3)	(2.0)	(2.1)	—	—	—	—	—	—	—	(13.0)	(93.5)
Operating Income/(loss)	**41.5**	**19.4**	**(2.8)**	**2.0**	**1.9**	**—**	**—**	**—**	**—**	**—**	**(13.0)**	**49.1**
Gain on de-recognition of asset	255.7	—	—	—	—	—	—	—	—	—	—	255.7
Financial income	120.9	0.2	—	—	—	—	—	—	—	—	—	121.1
Finance costs	(376.6)	(2.2)	(5.7)	—	—	7.6	(43.2)	(0.9)	(13.3)	7.2	—	(427.2)
Finance costs, net	**(255.7)**	**(2.0)**	**(5.7)**	**—**	**—**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**—**	**(306.0)**
Share in net income of associates	15.5	—	—	—	—	—	—	—	—	—	—	15.5
Profit/(loss) before income tax expense	**57.0**	**17.4**	**(8.5)**	**1.9**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**14.3**
Income tax expense	(7.4)	(6.5)	(.3)	(.3)	—	—	—	—	—		—	(14.5)
Net income (loss) from continuing operations	**49.6**	**10.9**	**(8.8)**	**1.7**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**(0.2)**
Net income (loss)	**49.6**	**10.9**	**(8.8)**	**1.7**	**1.9**	**7.6**	**(43.2)**	**(0.9)**	**(13.3)**	**7.2**	**(13.0)**	**(0.2)**
Attributable to owners of the entity	*71.8*	*10.9*	*(8.8)*	*1.7*	*1.9*	*7.6*	*(43.2)*	*(0.9)*	*(13.3)*	*(11.6)*	*(13.0)*	*3.3*
Attributable to non-controlling interests	*(22.2)*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*18.7*	*—*	*(3.5)*

		Post-Transaction Pro Forma Adjustments							
	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013	**Issuance of December 2013 debt (note 3f)**	**ODO January 1, 2013 to December 31, 2013 (note 3f)**	**Issuance of New debt (Note 3l)**	**New RCFs fees (Note 3l)**	**Reimbursement of margin loan (Note 3h)**	**NG January 1, 2013 to December 31, 2013 (Note 3g, 3k, 3m)**	**Cancellation of equity accounting of Numericable Group (Note 3g)**	**Altice S.A. Post-transaction Pro-forma January 1, 2013 to December 31, 2013**
Revenue	**1,460.7**	**—**	**446.3**	**—**	**—**	**—**	**1,314.2**	**—**	**3,221.2**
Purchases and subcontracting services	(433.6)	—	(121.6)	—	—	—	(611.0)	—	(1,166.2)
Other operating income	—	—	—	—	—	—	86.3	—	86.3
Other operating expenses	(456.4)	—	(151.6)	—	—	—	(177.2)	—	(785.2)
Operating income before depreciation, amortization, management fees, restructuring, non-recurring costs and other expenses	**570.8**	**—**	**173.0**	**—**	**—**	**—**	**612.3**	**—**	**1,356.2**
Depreciation and amortization...	(426.7)	—	(64.3)	—	—	—	(304.0)	—	(795.0)
Management fees......................	(1.5)	—	(11.5)	—	—	—	(11.3)	—	(24.2)
Restructuring, non-recurring costs and other expenses	(93.5)	—	—	—	—	—	(41.0)	—	(134.4)
Operating Income/(loss)	**49.1**	**—**	**97.3**	**—**	**—**	**—**	**256.0**	**—**	**402.5**
Gain on de-recognition of asset .	255.7	—	—	—	—	—	—	—	255.7
Financial income	121.1	—	0.5	—	—	—	9.7	—	131.3
Finance costs	(427.2)	(127.3)	(1.1)	(314.5)	(3.4)	9.1	(898.5)	—	(1,762.8)
Finance costs, net	**(306.0)**	**(127.3)**	**(0.6)**	**(314.5)**	**(3.4)**	**9.1**	**(888.8)**	**—**	**(1,631.5)**
Share in net income (loss) of associates	15.5	—	—	—	—	—	(0.5)	(15.5)	(0.5)
Profit/(loss) before income tax expense	**14.3**	**(127.3)**	**96.7**	**(314.5)**	**(3.4)**	**9.1**	**(633.2)**	**(15.5)**	**(973.8)**
Income tax expense	(14.5)	—	(25.4)	—	—	—	132.8	—	92.9
Net income (loss) from continuing operations	**(0.2)**	**(127.3)**	**71.3**	**(314.5)**	**(3.4)**	**9.1**	**(501.2)**	**(15.5)**	**(881.7)**
Net income (loss)	**(0.2)**	**(127.3)**	**71.3**	**(314.5)**	**(3.4)**	**9.1**	**(501.2)**	**(15.5)**	**(881.7)**
Attributable to owners of the entity	3.3	*(127.3)*	71.3	*(314.5)*	—	*9.1*	*(373.9)*	*(15.5)*	(751.0)
Attributable to non-controlling interests	(3.5)	—	—	—	—	—	*(127.3)*	—	(130.8)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 OF THE GROUP

	Historical Financial Information	Pre transaction Pro Forma Adjustments		Post transaction Pro Forma Adjustments						
	Altice S.A. December 31, 2013	Impact of the Initial Public Offering (Note 3j)	Impact of repayment of vendor note and the contributions in kind (Note 3k)	Issuance of December 2013 debt (Note 3f)	ODO December 31, 2013 (Note 3f)	Acquistion of NG December 31, 2013 (Note 3g)	Issuance of Altice S.A. debt (Note 3l)	NG December 31, 2013 (Note 3g, 3k, 3m)	Elimination of I/C transactions	Altice S.A. Post-transaction Pro-forma December 31, 2013
ASSETS										
Current assets										
Cash and cash equivalents	61.6	580.1	(13.9)	(107.1)	17.5	(394.3)	(73.7)	—	—	70.2
Restricted cash	1,242.8	—	—	(968.7)	—	—	546.8	8,983.0	—	9,803.9
Other current assets	—	—	—	—	—	—	—	4.0	—	4.0
Trade and other receivables	232.2	—	—	—	80.7	—	—	402.9	(1.0)	714.9
Inventories	11.0	—	—	—	17.4	—	—	49.6	—	77.9
Current tax assets	14.6	—	—		—	—	—	3.4	—	18.0
Total Current assets	**1,562.2**	**580.1**	**(13.9)**	**(1,075.8)**	**115.6**	**(394.3)**	**473.1**	**9,442.9**	**(1.0)**	**10,688.9**
Non-current assets										
Deferred tax assets	47.4	—	—	—	30.3	—	—	132.7	—	210.4
Investment in associates	679.1	—	—	—	—	(679.1)	—	2.9	—	2.9
Financial assets	50.6	—	—	—	4.3	—	—	—	—	54.9
Trade and other receivables	22.8	—	—	—	0.9	—	—	7.3	—	31.0
Property, Plant & Equipment	1,134.2	—	—	—	230.0	—	—	1,464.8	—	2,829.9
Other Intangible assets	579.6	—	—	—	35.5	—	—	307.4	—	922.5
Goodwill	1,100.7	—	—	750.9	—	1,199.6	—	1,483.6	—	4,534.8
Total non-current assets	**3,614.4**	**—**	**—**	**750.9**	**301.1**	**520.5**	**—**	**3,398.6**	**—**	**8,585.4**
Total assets	**5,176.7**	**580.1**	**(13.9)**	**(324.9)**	**416.6**	**126.2**	**473.1**	**12,841.5**	**(1.0)**	**19,274.4**
EQUITY AND LIABILITIES										
Current liabilities										
Borrowings from banking corporations and bonds	59.7	—	—	—	—	—	—	64.2	—	123.9
Deferred revenues	55.9	—	—	—	—	—	—	—	—	55.9
Trade and other payables	517.4	13.0	—	—	54.6	—	3.4	757.4	(1.0)	1,344.9
Other current liabilities	15.9	—	—	—	12.1	—	—	—	—	28.0
Provisions	31.1	—	—	—	—	—	—	6.4	—	37.5
Current tax liabilities	57.1	—	—	—	5.0	—	—	—	—	62.1
Total current liabilities	**737.1**	**13.0**	**—**	**—**	**71.7**	**—**	**3.4**	**828.1**	**(1.0)**	**1,652.3**
Non-current liabilities										
Bonds	2,527.0	—	—	—	—	163.8	4,391.3	12,170.8	—	19,252.9
Borrowings from financial institutions	1,214.0	—	—	—	—	—	(441.5)	—	—	772.6
Loans from related parties	100.7	—	(100.7)	—	—	—	—	—	—	—
Other financial liabilities	271.6	—	(20.6)	—	10.6	—	—	102.6	—	364.2
Provisions	—	—	—	—	—	—	—	73.6	—	73.6
Deferred revenues	10.6	—	—	—	—	—	—	—	—	10.6
Trade and other payables	29.0	—	—	—	26.8	—	—	0.1	—	55.9
Retirement benefit obligations	8.2	—	—	—	—	—	—	—	—	8.2
Deferred tax liabilities	183.1	—	—	—	—	—	—	—	—	183.1
Total non-current liabilities	**4,344.3**	**—**	**(121.3)**	**—**	**37.5**	**163.8**	**3,949.9**	**12,347.1**	**—**	**20,721.1**
Equity										
Invested equity	**95.8**	**567.1**	**108.7**	**(324.9)**	**307.4**	**(107.5)**	**(3,480.2)**	**(333.8)**	**—**	**(3,167.3)**
Non-controlling interests	(0.5)	—	(1.3)	—	—	69.8		0.2	—	68.3
Total equity	**95.3**	**567.1**	**107.4**	**(324.9)**	**307.4**	**(37.6)**	**(3,480.2)**	**(333.6)**	**—**	**(3,099.1)**
Total equity and liabilities	**5,176.7**	**580.1**	**(13.9)**	**(324.9)**	**416.6**	**126.2**	**473.1**	**12,841.5**	**(1.0)**	**19,274.4**

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

1—General information

The accompanying unaudited pro forma consolidated statement of income for the year ended December 31, 2013, the accompanying unaudited pro forma consolidated statement of financial position as of December 31, 2013 and these explanatory notes (together the "Unaudited Pro Forma Financial Information") present the unaudited pro forma consolidated financial statements of Altice S.A. (the "Company"), giving effect to each of the acquisitions and the other transactions described in the basis of preparation below. The Company, Altice France S.A. (formerly Altice Six S.A.) and Altice International S.à r.l. (formerly Altice VII S.à r.l.) (Together the "Predecessor Entities") and their subsidiaries are referred to collectively as the "Group".

The Unaudited Pro Forma Financial Information does not give pro forma effect to the Group's acquisition of Mobius S.A. and its subsidiaries (the "Mobius Group") nor the Group's acquisition of Tricom S.A., Global Interlink Limited and their subsidiaries (the "Tricom Group") and therefore does not include any financial information of the Mobius Group or Tricom Group. The Board of Directors has concluded that these are not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information.

These accounts also do not give effect to the acquisition of Société Française de Radiotéléphonie S.A. ("SFR S.A." or "SFR" or the "SFR Acquisition"), nor to that of Virgin Mobile ("Virgin Mobile" or "Virgin Mobile Acquisition"), and does not include any financial information of SFR or Virgin Mobile. The Board of Directors has concluded that as these acquisitions have not been consummated yet and given the status of public entity of SFR S.A. and the status of the Virgin Mobile acquisition, the Company is not in a position to get access to the level of financial information that would be required for these two companies to be able to include them in the Unaudited Pro-Forma Financial Information nor conclude on the consistency of accounting policies and presentation for inclusion in this document.

The Unaudited Pro Forma Financial Information does not give effect to any hedging effects that the Company or the Group may enter into to cover its different financing and acquisitions. The Unaudited Pro Forma Financial Information has not been audited or reviewed.

The Unaudited Pro Forma Financial Information does not purport to be indicative of the financial position and results of operations that the Group will obtain in the future, or that the Group would have obtained if the significant acquisitions and disposals described in the basis of preparation below occurred with effect from the dates indicated. The pro forma adjustments are based upon currently available information and upon certain assumptions that the Board of Directors of the Company believes to be reasonable.

For the purposes of the Unaudited Pro Forma Financial Information, and in relation to the Group's acquisition of Orange Dominicana S.A.S. and Numericable Group S.A., any difference between (a) the total consideration transferred measured in accordance with IFRS 3 *Business Combinations* ("IFRS 3") and (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, has been allocated to goodwill. Definitive allocations will be performed and finalized based upon certain valuations and other studies that will be performed with the services of outside valuation specialists after the closing of the aforementioned acquisitions. Accordingly, the determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the unaudited pro forma consolidated financial information and is subject to revision based on a final determination of fair value of assets acquired and liabilities assumed after the closing of the acquisitions of Orange Dominicana S.A.S. or the Numericable Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with the assumptions underlying the pro forma adjustments which are described in these notes as well as the historical and other financial statements included in this Prospectus.

2—Basis of preparation

The Unaudited Pro Forma Financial Information has been prepared to give effect to the following transactions as if they occurred on January 1, 2013 for the purposes of the unaudited pro forma consolidated statement of income and, if applicable, on December 31, 2013 for the purpose of the unaudited consolidated pro forma statement of financial position:

- The acquisition by Altice S.A or its subsidiaries of:

- 100% of the share capital of OMT Invest S.A.S. in two tranches of 77% and 23% respectively;
- A supplementary 40% of the share capital of Altice Portugal and its direct subsidiary Cabovisao;
- 100% of the share capital of Winreason S.A.;
- 100% of the share capital of Sportv S.A.;
- 100% of the share capital of Ma Chaîne Sport S.A.S.;
- A supplementary 40% of the share capital of Coditel Holding Lux II S.à r.l.
- 100% of the share capital of Orange Dominicana S.A.; and
- A supplementary 29.7% of the share capital of Numericable Group S.A. (including 2.6% through call options) in two tranches and certain other arrangements pursuant to which Altice France has the majority of votes in the board of directors of Numericable
- The restructuring of the equity of Altice S.A and its subsidiaries, comprising of:
  - The contribution of preferred equity certificates, issued by Altice International S.à r.l. and Altice France S.A. and subscribed by Next L.P. in exchange for shares in Altice S.A.
  - The contribution in kind of receivables held by Valemi Corp S.A. against Altice International S.à r.l., in exchange for shares in Altice S.A.
- The following Refinancing Transactions
  - The issuance by subsidiaries of the Company of:
    - 9% € 250 million Senior Secured Notes falling due in 2023;
    - $6^{1/2}$% $900 million Senior Secured Notes due in 2022;
    - $8^{1/8}$% $400 million Senior Secured Notes due in 2024;
    - $4^{7/8}$% €2,400 million Senior Secured Notes due in 2019;
    - $5^{3/8}$% €1,000 million Senior Secured Notes due in 2022;
    - 6% €4,000 million Senior Secured Notes due in 2022;
    - $5^{5/8}$% €1,250 million Senior Secured Notes due in 2024;
    - $6^{1/4}$% €1,375 million Senior Secured Notes due in 2024;
- The issuance by the Company of:
  - 73/4% $2,900 million Senior Notes due in 2022;
  - 71/4% €2,075 million Senior Notes due in 2022;
  - The obtaining of a senior secured term loan B credit facility agreement for an amount equivalent to €795 million;
  - The obtaining and planned subsequent refinancing of a margin loan for an amount equivalent to €446 million;
  - The planned repayment of the Numericable Group existing finance liabilities under the Senior Facility Agreement a total amount of € 2,638 million;
  - The repayment of the senior facilities of Altice B2B France and Completel amounting to €451 million;
  - The repayment of the Coditel Senior Facility amounting to €138 million;
  - The repayment of the ABO credit facility amounting to €65.6 million;
  - The repayment of the Cabovisao facility amounting to € 202.6 million;
  - The repayment of the ONI facility amounting to € 47.3 million;
  - The obtaining of an additional revolving credit facility amounting to a total of €200 million; and
  - The borrowing costs on the aforementioned drawn amounts have been included in the unaudited pro forma statement of income for the year ended December 31, 2013.
- The issuance and use of proceeds of new shares in a primary equity offering amounting to a total of

€750 million.

- The issuance and use of proceeds of new shares in a secondary equity offering amounting to a total of €911 million.
- The issuance of an additional 24,751,873 common shares, in exchange for 25,517,396 common shares of Numericable Group S.A. being sold by two minority shareholders in the Numericable Group, to increase the shareholding in Numericable Group S.A. up to 74.6% of ownership.

As mentioned above, given the timing of the ODO Acquisition and the Numericable Acquisition, assets acquired and liabilities assumed of ODO and Numericable Group are reflected in the unaudited pro forma consolidated statement of financial position as of December 31, 2013 at their historical book value reflected in the 2013 historical financial statements of ODO and Numericable. The determination of the amount of goodwill is preliminary and has been made solely for the purpose of preparing the Unaudited Pro Forma Financial Information and is subject to revision based on a final determination of fair value after the closing of the acquisitions mentioned above. Under IFRS, goodwill is not amortized, but is tested for impairment at least annually, and therefore, the unaudited pro forma consolidated statement of income does not include any amortization expense in relation to the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of the consolidated operations of Altice S.A. will be significantly affected by amortization expense in relation to such identifiable assets acquired.

On April 23, 2013, an indirect subsidiary of the Company acquired the remaining 40% of the share capital of Cabovisao. The Group had acquired control over Cabovisao on February 29, 2012 and the acquisition was accounted for using the purchase method of accounting with the assets acquired and liabilities assumed recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of Cabovisao are reflected in the pro forma consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects on the non-controlling interests resulting from the increase in the Group's shareholding from 60% to 100% have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On June 14, 2013, Altice Finco S.A., an indirect subsidiary of the Company, issued 9% Senior Notes for an aggregate principal of € 250 million maturing in 2023. Such liabilities are reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 14, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On June 24, 2013, Altice Financing S.A., an indirect subsidiary of the Company, entered into a senior secured credit facility agreement providing for term loans for a total equivalent amount of €795 million. As of December 31, 2013, the full amount of €795 million has been drawn under this facility. The corresponding liability is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and June 24, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On July 2, 2013, Cabovisao repaid its credit facility for an amount of €202.6 million. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and July 2, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On July 4, 2013, an indirect subsidiary of the Company acquired 77% of the share capital of OMT Invest S.A. ("OMT"). On March 13, 2014, the Company acquired the remaining 23% of the share capital of OMT. The acquisition was accounted for using the acquisition method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of OMT are reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. The results of operations for OMT have been included in the consolidated statement of income of the Company since the date of acquisition on July 4, 2013. The OMT historical consolidated statement of income for the period from January 1, 2013 through July 3, 2013 has hence been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On August 8, 2013, an indirect subsidiary of the Company acquired 100% of the share capital of Winreason S.A. ("ONI"). The acquisition was accounted for using the acquisition method of accounting and the assets acquired and liabilities assumed were recorded at their estimated fair values at the date of acquisition. The assets acquired and liabilities assumed of ONI are reflected in the consolidated statement of financial position as of December 31, 2013, based on a preliminary purchase price allocation. Accordingly, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. The results of operations for ONI have been included in the historical consolidated statement of income since the date of acquisition on August 8, 2013. The ONI historical consolidated statement of income for the period from January 1, 2013 through August 7, 2013 has been included in the unaudited pro forma consolidated income statement for the year ending on December 31, 2013. No effect has been given to the impact of the application of the purchase method on the pro forma depreciation charge within the unaudited pro forma consolidated statement of income for the twelve month period ended December 31, 2013. The Board of Directors has concluded that this is not significant for the purpose of preparing the accompanying Unaudited Pro Forma Financial Information.

On August 8, 2013, ONI repaid its credit facility for an amount of € 47.3 million. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2013 and August 8, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group acquired 100% of the share capital of Ma Chaîne Sport SAS ("MCS"). The Board of Directors has not accounted for this transaction using the acquisition method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 1, 2013 have been included in the unaudited pro forma consolidated statement of income in the year ending on December 31 2013.

On October 1, 2013, an indirect subsidiary of the Company integrated in the Altice International group acquired 100% of the share capital of SportV S.A. ("Sportv"). The Board of Directors has not accounted for this transaction using the purchase method of accounting as it relates to a transaction performed under the common control of the ultimate beneficial owner of the Company. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. However, the relevant pro forma effects of the unconsolidated period between January 1, 2013 and October 1, 2013 have been included in the unaudited pro forma income statements in the year ending on December 31 2013.

On November 29, 2013, an indirect subsidiary of the Company acquired an additional 40% of the share capital of Coditel Holding Lux II S.à r.l. ("Coditel") and reimbursed certain Preferred Equity Certificates held by the non-controlling interests in this entity. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs and change in minority interests on the aforementioned operation for the period between January 1, 2013 and November 29, 2013 have been included in unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On December 5, 2013, Altice Financing S.A., an indirect subsidiary of the Company, proceeded with the issuance of $6^1/_2$ Senior Secured Notes for an aggregate principal of $900 million maturing in 2022. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting finance costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On December 5, 2013, Altice Finco S.A., an indirect subsidiary of the Company, proceeded with the issuance of $8^1/_8$% Senior Notes for an aggregate principal of $ 400 million maturing in 2024. The corresponding operation is reflected in the historical consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting finance costs on the aforementioned operation for the period between January 1, 2013 and December 5, 2013 have been included in the unaudited pro forma consolidated statement of income for the year ending on December 31, 2013.

On November 17, 2013, Altice France S.A. ("Altice France"), a subsidiary of the Company, entered into a margin loan agreement providing a total amount of € 324 million. The corresponding operation is reflected in the consolidated statement of financial position as of December 31, 2013. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma statement of financial position. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and November 12, 2013 have been included in the unaudited pro forma consolidated statement of income the year ending on December 31, 2013. This is subsequently reversed given the planned repayment of this margin loan as described below.

On June 6, 2014, Altice France borrowed an additional amount of € 122 million under the margin loan agreement in order to exercise a call option held on the shares of Numericable Group S.A. Given that this issuance occurred after December 31, 2013, the proceeds from the issuance have not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated statement of income in order to reflect this transaction as if it had occurred on January 1, 2013.

On January 31, 2014, Altice S.A. successfully listed its shares on the Euronext Amsterdam exchange. The primary issuance amounted to a total of € 750 million, at a listing price of € 28.25 per share. Given that this issuance occurred after December 31, 2013, the proceeds from the issuance have not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

On February 6, 2014, Altice France S.A. completed the acquisition of an additional 10% stake in Numericable Group S.A.. During 2014, Altice France S.A. contemplates increasing its stake in Numericable Group S.A. to 74.6%. These acquisitions allow Altice France to control and fully consolidate Numericable Group S.A. These acquisitions are fully financed using funds arising from the primary equity issuance of the Company and subsequent bond issuances. Given that such acquisitions occurred after December 31, 2013, the assets and liabilities arising from the issuance are not included in the consolidated statement of financial position as of December 31, 2013. The excess of the purchase price over the historical book value of the non-controlling interests will be recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment test in relation to the goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire Numericable Group S.A. Adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013. The Numericable Group S.A.'s historical statement of income for the period from January 1, 2013 through December 31, 2013 have hence been included in the unaudited pro forma consolidated statement of income for the year ended on December 31, 2013.

On January 31, 2014, Next L.P., the direct controlling shareholder of Altice S.A., contributed shareholder loans it held against the predecessor entities of Altice S.A., Altice France and Altice International, in exchange for shares in the newly listed entity. Given that this transaction occurred after December 31, 2013, the impact has not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

On February 3, 2014, Valemi Corp S.A., the seller of MCS and SportV, contributed vendor notes held by them against the predecessor entity of Altice S.A, Altice International, in exchange for shares in the newly listed entity. Given that this transaction occurred after December 31, 2013, the impact has not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

Altice S.A. issued new notes in an amount of €4,172 million (equivalent). Given that such issuance occurred after December 31, 2013, the liabilities arising from the issuance were not included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma statement of financial position in order to reflect this transaction as if it had occurred on December 31, 2013.

Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the period between January 1, 2013 and December 31, 2013 have been included in the unaudited pro forma income statement the year ending on December 31, 2013.

Altice S.A. proceeded with an additional equity issuance for a total amount of up to €911 million which will be used to purchase shares held by non-controlling shareholders in Numericable Group S.A. Given that this issuance occurred after December 31, 2013, the proceeds from the issuance have not been included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect issuance of new debt as if it had occurred on December 31, 2013.

On April 9, 2014, the Company acquired 100% of the share capital of Orange Dominicana S.A. ("ODO"). The excess of the acquisition price over the historical book value of the non-controlling interests was recorded as goodwill after a preliminary purchase price allocation. The Board of Directors has not conducted any impairment on this goodwill generated from this allocation for the purpose of preparing this financial information. However, this does not purport to represent any adjustments resulting from the allocation of the consideration that will be paid by the Group to acquire ODO. Given that such acquisitions will occur after December 31, 2013, the assets acquired and liabilities assumed of ODO are not included in the consolidated statement of financial position as of December 31, 2013. Accordingly, adjustments have been made to the unaudited pro forma consolidated statement of financial position in order to reflect this issuance of new debt as if it had occurred on December 31, 2013. The ODO historical statement of income for the period from January 1, 2013 through December 31, 2013 has hence been included in the unaudited pro forma consolidated statement of income for the year ended on December 31, 2013.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes. It has not been prepared in accordance with the requirements of Regulation S- X Securities and Exchange Commission or any generally accepted accounting standards nor has it been audited or reviewed. Because of its nature, it addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It does not purport to indicate the results of operations or the financial position that would have resulted had the transactions been completed at the beginning of the period presented, nor is it intended to be indicative of expected results of operations in future periods or the future financial position of the Group. The pro forma adjustments are based upon available information and certain assumptions that the Company believes to be reasonable. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods. The Unaudited Pro Forma Financial Information does not reflect any special items such as payments pursuant to contractual change-of-control provisions or restructuring and integration costs which may be incurred as a result of the transactions described below. The unaudited Pro Forma Financial Information do not give effect to the Mobius Acquisition, Tricom Acquisition, SFR Acquisition or the Virgin Mobile Acquisition nor does it purport to indicate any entries to harmonize the accounting policies between ODO, Numericable Group S.A. and the Altice Group as these have been considered immaterial by the Board of Directors of the Company.

No adjustment has been recorded in the pro-forma statement of income of Altice S.A. to reflect any expenses associated with stock options issued by Altice S.A.. Additionally, no consideration has been given to any potential effect of the early redemptions of the issued Notes in the statement of financial position.

There are certain differences in the way in which Numericable Group and Altice S.A. present items on their respective statements of financial position and statements of income. As a result, certain items have been reclassified in the unaudited pro forma condensed consolidated statements of income to comply with Altice Group's presentation. There could be additional reclassifications following completion of the ODO Acquisition and the Numericable Acquisition.

Historical consolidated financial statements

The historical consolidated financial statements of Altice S.A. are represented by the consolidated financial statements of Altice S.A. as of December 31, 2013 and for the year then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

3—Pro-forma adjustments

(a) Acquisition of OMT

Altice Blue Two S.A.S., an indirectly fully-owned subsidiary of Altice International obtained control of OMT on July 4, 2013 pursuant to a purchase of 77% of its shares. These pro-forma adjustments relate to the historical statement of income of OMT for the period from January 1, 2013 through July 4, 2013 derived from the unaudited financial statements of OMT prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statements of income.

(b) Acquisition of Winreason

Cabovisao, an indirectly fully-owned subsidiary of Altice International obtained control of Winreason on August 8, 2013 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical statement of income of ONI for the period from January 1, 2013 through August 8, 2013 derived from the unaudited special-purpose consolidated financial statements of Winreason prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been applied to conform to the presentation of the accompanying unaudited pro forma statements of income.

(c) Acquisition of Ma Chaîne Sport

On October 1, 2013, Altice International entered into a share purchase agreement with Altice IV S.A. and Valemi S.A. for the purchase of 100% of the share capital and voting rights of Ma Chaine Sport S.A.S.. These pro-forma adjustments relate to the historical statement of income of Ma Chaîne Sport for the period from January 1, 2013 through September 30, 2013 derived from the financial statements of Ma Chaiîne Sport prepared in accordance with the measurement and recognition criteria of French Generally Accepted Accounting Principles (“French GAAP”).

The measurement and recognition criteria of French Generally Accepted Accounting Principles (“French GAAP”) do not permit the capitalisation of costs related to the acquisition of contents for delivery to final customers. Given the exclusive nature of such contents, IFRSs allow the capitalisation and recognition of such costs as intangible assets. Had Ma Chaine Sport adopted the aforementioned measurement and recognition criteria of IFRS, such illustrative adjustments would have resulted in a decrease in purchasing and subcontracting services of 4.7 million €, in other operating expenses of 1.6 million € and an increase in depreciation and amortization of 6.1 million € for the year ended December 31, 2013.

(d) Acquisition of Sportv

On October 1, 2013, Altice International obtained control over Sportv S.A. These pro-forma adjustments relate to the historical statement of income of Sportv for the period from January 1, 2013 through December 31, 2013 derived from the financial statements of Sportv prepared in accordance with the measurement and recognition criteria of IFRS, to which certain reclassification have been applied to conform to the presentation of the accompanying unaudited pro forma statements of income.

(e) Acquisition of non-controlling interests

Coditel

(i) On November 29, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Coditel Lux II S.à r.l. it did not hold and refinanced certain Preferred Equity Certificates issued by such entity. The cash consideration for the acquisition on a cash-free and debt-free basis was € 82.5 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 13.6 million. Additionally, a reversal of € 7.2 million, pertaining to the interests paid on the preferred equity certificates for the period between January 1, 2013 and November 29, 2013, has been reflected in the unaudited pro-forma consolidated statement of financial income.

Cabovisao

(ii) On April 23, 2013, Altice International purchased the remaining 40% of the shares and voting rights of Cabovisao it did not hold. The cash consideration for the acquisition on a cash-free and debt-free basis was € 105.1 million. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 2.3 million.

Outremer Telecom

(iii) On March 13, 2014, Altice S.A. repurchased the minority interests in Altice Blue Two S.A.S, in exchange for shares in Altice S.A. it did not hold. Pro-forma adjustments have hence been recorded to give effect to the impact on the non-controlling interests within the unaudited pro-forma consolidated statement of income and the statement of financial position as if such transaction took place on January 1, 2013. Such adjustments represents the reallocation of the net income attributable to non-controlling interests to net income attributable to equity holders of the parent, as a result of the acquisition of the non-controlling interests for an amount of € 2.7 million.

(f) Acquisition of Orange Dominicana

On April 9, 2014, Altice International finalized the purchase of 100% of the shares and voting rights of Orange Dominicana S.A. Based on December 31, 2013 figures, the cash consideration for the ODO acquisition on a cash-free and debt-free basis is expected to be € 1,075.8 million (including cash acquired at closing and transaction fees). Pro-forma adjustments have hence been recorded to give effect to the impact of the transaction in the income statement and the statement of financial position as if such transaction took place on January 1, 2013. These pro-forma adjustments relate to the historical income statement of ODO for the period from January 1, 2013 through December 31, 2013 and the historical statement of financial position as at December 31, 2013 derived from the audited financial statements of ODO.

The audited financial statements for ODO have been prepared based on the audited historical financial statements of ODO as of and for the year ended December 31, 2013 prepared in accordance with IFRS after giving effect to the following adjustments:

Reclassification adjustments—certain reclassification adjustments have been made to the audited and unaudited historical financial statements as of and for the period ended December 31, 2013 to conform to the financial information presentation of the Unaudited Pro Forma Financial Information of Altice S.A.

The ODO Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to € 750.9 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

(g) Acquisition of additional shares in Numericable Group S.A.

On February 6, 2014, Altice France finalized the purchase of an additional 10% of the shares and voting rights in Numericable Group S.A., therefore obtaining control over Numericable Group S.A. The cash consideration for the Acquisition on a cash-free and debt-free basis was € 317.0 million. Pro-forma adjustments have hence been recorded to give effect to the impact of the transaction in the income statement and the statement of financial position as if such transaction took place on January 1, 2013. These pro-forma adjustments relate to the historical audited consolidated statement of income of Numericable Group S.A. for the period from January 1, 2013 through December 31, 2013 and the historical statement of financial position as at December 31, 2013 derived from the audited financial statements of Numericable Group S.A..

The historical audited consolidated financial statements for Numericable Group S.A. have been prepared based on the audited historical financial statements of Numericable Group S.A. as of and for the year ended December 31, 2013 prepared in accordance with IFRS after giving effect to the following adjustments:

Reclassification adjustments—certain reclassification adjustments have been made to the audited historical financial statements as of and for the year ended December 31, 2013 to conform to the financial information presentation of the Unaudited Pro Forma Financial Information of Altice S.A.

The Numericable Group S.A. Acquisition is being accounted for using the acquisition method of accounting in accordance with IFRS. Under the acquisition method, the consideration paid is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed as the basis of their fair values on the transaction cost for the purposes of the Unaudited Pro Forma Financial Information. Preliminary goodwill is measured as the excess of the sum of the consideration paid over the net amounts of identifiable assets and liabilities acquired and liabilities assumed of the acquisition costs and amounts to €1,199.6 million. The actual amounts and the allocation to goodwill ultimately recorded may differ materially from the information presented in this unaudited pro forma financial information. The preliminary estimates reflected herein are subject to change based upon completion of the valuation of the assets acquired.

An adjustment had been made to reflect the earn-out due to some non-controlling interests of Numericable Group S.A. in addition to the purchase price paid. This earn-out, based on the share performance of Numericable Group S.A. is calculated based on difference between the price of acquisition for the 10% (discussed above) and the weighted average share price of Numericable Group S.A. for the ten highest trading days for the share price, on a period set out in the acquisition contract. As of the date of this report, an adjustment of €42.4 million has been reflected in the pro-forma consolidated statement of financial position pertaining to the expected cash out on the earn out.

	Numericable 10% acquisition-Earnout	**Preliminary purchase price allocation of Numericable Group**	**Impact of debt adjustments**	**Cancellation of equity accounting of Numericable Group**	**Rollover of minority shareholders**	**Total Acquisition of Numericable Group**
ASSETS						
Current assets						
Cash and cash equivalents	(42.4)	(351.9)	—	—	—	(394.3)
Total Current assets	**(42.4)**	**(351.9)**	**—**	**—**	—	**(394.3)**
Non-current assets						
Investment in associates	—	—	—	(679.1)	—	(679.1)
Goodwill	—	1,199.6	—	—	—	1,199.6
Total non-current assets	**—**	**1,199.6**	**—**	**(679.1)**	—	**520.5**
Total assets	**(42.4)**	**847.7**	**—**	**(679.1)**	—	**126.2**
EQUITY AND LIABILITIES						
Non-current liabilities						
Debentures	—	—	163.8	—	—	163.8
Total non-current liabilities	**—**	**—**	**163.8**	**—**	—	**163.8**
Equity						
Invested equity	**(42.4)**	**737.6**	**(163.8)**	**(679.1)**	**40.2**	**(107.5)**
Non-controlling interests	—	110.0	—	—	(40.2)	69.8
Total equity	**(42.4)**	**847.7**	**(163.8)**	**(679.1)**	—	**(37.6)**
Total equity and liabilities	**(42.4)**	**84776**	**—**	**(679.1)**	—	**126.2**

(h) Refinancing Transactions

The Pro forma adjustments relating to the refinancing transactions are composed as follows:

(i) Issuance of Senior and Senior Secured Notes on June 14, 2013 and December 5, 2013

On June 14, 2013 and December 5, 2013, the Altice International Group issued Senior and Senior Secured Notes for an amount of € 1,505.0 million. The proceeds were used to refinance the following liabilities:

- The repayment of the Cabovisao credit facility on July 2, 2013 for an amount of € 202.6 million;
- The purchase of the Coditel Senior Facility on July 2, 2013 for an amount of € 42.3 million; and
- The purchase of ODO for an amount of € 1,054.0 million.

(ii) Use of Term Loan

On June 24, 2013, the Altice International Group secured a senior secured credit facility of €795 million. The proceeds were used to acquire ONI together with OMT and the rest was used to refinance the following liabilities:

- The repayment of the Coditel Senior Facility on July 2, 2013 for an amount of €95.7 million;
- The repayment of the ONI credit facility on August 8, 2013 for an amount of €47.3 million; and

- The repayment of the ABO credit facility on July 2, 2013 for an amount of €65.6 million.

(iii) Use of Margin Loan

During the fourth quarter of 2013, Altice France secured a margin loan of €324 million described in note 3y. The proceeds were used to finance the increase in the share capital of Numericable Group S.A. On June 6, 2014, an additional €122 million was used to finance the exercise of the call option held on 2.6% of Numericable Group shares. As part of the new financing by Altice S.A. and Altice France, the margin loan was repaid in its entirety (for a total amount of €456.0 million (issued principal of €446.0 million and accrued interests of €10.0 million). See note 3e.

(iv) Use of Revolving Credit Facility ("RCF")

During the course of the year 2013 and in the second quarter of 2014, Altice S.A. and its subsidiaries obtained access to revolving credit facilities amounting to a total Euro equivalent of €393.0 million. Such facilities provide the Group with extra liquidity as and when required.

Pro-forma adjustments of €171.4 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above refinancing transactions taken place on January 1, 2013.

(j) Initial public offering

On January 31, 2014, Altice S.A. listed its shares on Euronext Amsterdam and made a primary issuance for an amount of € 750.0 million, which was closed and fully received by the Group on February 3, 2014. The proceeds were used to complete the following operations:

- The purchase of an additional 10% stake in Numericable Group S.A. (see note 3j);
- The repayment of subordinated debt instruments held by the ultimate shareholder of the Group, for an amount of € 141.9 million;
- Payment of fees relating to the IPO for a total amount of € 41.0 million;
- Repayment of a vendor loan owed to Altice IV S.A, pertaining to the acquisition of MCS SAS, amounting to a total of € 13.9 million; and
- Payment of € 89.6 million towards the acquisition of ODO (see note 3f).

	Effect of the IPO	Payment of IPO Fees	Altice Limited Partners Buyout	Total Impact Of the IPO
ASSETS				
Current assets				
Cash and cash equivalents	750.0	(28.0)	(141.9)	580.1
Total Current assets	**750.0**	**(28.0)**	**(141.9)**	**580.1**
Non-current assets				
Investment in associates				
Total non-current assets	—	—	—	—
Total assets	**750.0**	**(28.0)**	**(141.9)**	**580.1**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	—	13.0	—	13.0
Total current liabilities	—	**13.0**	—	**13.0**
Non-current liabilities				
Debentures	—	—	—	—
Total non-current liabilities	—	—	—	—
Equity				
Invested equity	**750.0**	**(41.0)**	**(141.9)**	**567.1**
Non-controlling interests				
Total equity	**750.0**	**(41.0)**	**(141.9)**	**567.1**
Total equity and liabilities	**750.0**	**(41.0)**	**(141.9)**	**580.1**

(k) Contribution in kind and conversion of shareholder loans:

Prior and post its initial public offering of Altice S.A., a restructuring of the shareholder and other debts was carried out by Altice S.A. The details of such restructuring are described below:

- The conversion of shareholder debts issued by Altice France and Altice International into equity of Altice S.A.: The predecessor entities of Altice S.A. had issued shareholder debts (YFPECs and ALPECs) held by Next L.P. that were contributed to Altice S.A. in exchange for shares in the new entity. These instruments were contributed at their book value for a total amount of € 441.7 million at Altice International and € 341.2 million at Altice France. The fair value of these instruments in the consolidated statement of financial position of Altice S.A. amounted to € 100.7 million for the year ended December 31, 2013 and an additional adjustment of € 84.4 million was recorded in the pro-forma consolidated statement of financial position to account for the difference between the fair value of the instruments and the contributed value of the instruments (accounted at cost);
- The conversion of vendor loans held by Valemi Corp. S.A. against Altice International, pertaining to the acquisition of MCS and SportV in the fourth quarter of 2013. € 6.7 million were contributed by Valemi Corp in exchange for shares in Altice S.A. at the admission price; and
- The rollover of the OMT Managers in Altice S.A. on March 13, 2014 which impacts the non controlling interests in the unaudited pro-forma statement of financial position for € 1.3 million.

(l) Issuance of debt and equity related to the contemplated acquisition of SFR

In connection with the Transactions, the Group, through its subsidiary, Numericable Group S.A., contemplates acquiring a 74.6% stake in the Combined Group (consisting of Numericable Group S.A. and its subsidiaries).

- Additionally, the Issuer will issue the Notes in an amount of € 4,172 million equivalent and new equity in reference to the transaction. The Pro forma adjustments relating to the new debt issuance are composed as follows:
- Subscription to a capital increase at Numericable Group S.A. level: Altice France will subscribe to a rights issuance by Numericable Group S.A. for a total amount of €3,530.0 million. This transaction is further eliminated as a contribution to equity in the Unaudited Pro Forma Financial Information;
- Repayment of the margin loan issued by Altice France S.A. for an amount of €456.0 (inclusive of accrued interest of €10.1 million) million (see note 3(h)(iii)); and
- Purchase of additional shares (14.0%) in Numericable Group S.A. from other shareholders for a total amount of €529.0 million.
- Purchase of an additional 25.5 million shares from two minority shareholders in Numericable Group S.A., in exchange for shares in Altice S.A, at a conversion ratio of 0.97 Altice S.A. shares for 1 Numericable Group S.A. share.

Pro-forma adjustments of € 314.5 million have been recorded to reflect the net change to finance costs on borrowings for the year ended December 31, 2013, inclusive of tax effects, that would have been recorded had the above debt issuance taken place on January 1, 2013.

	Issuance of Altice SA Notes and RCF	Repayment of Margin Loan	Issuance of equity	Purchase of the Non-controlling interests	Capital increase in Numericable Group	Total impact of the proposed issuance
ASSETS						
Current assets						
Cash and cash equivalents	-	(456.1)	911.1	(528.7)	-	(73.7)
Restricted cash	4,076.8				(3,530.0)	546.8
Total Current assets	**4,076.8**	**(456.1)**	**911.1**	**(528.7)**	**(3,530.0)**	**473.1**
Total assets	**4,076.8**	**(456.1)**	**911.1**	**(528.7)**	**(3,530.0)**	**473.1**
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	3.4	—	—	—	—	3.4
Total current liabilities	**3.4**	**—**	**—**	**—**	**—**	**3.4**
Non-current liabilities						

Debentures	4,391.3	—	—	—	—	4,391.3
Borrowings from financial liabilities	—	(441.5)	—	—	—	(441.5)
Total non-current liabilities	**4,391.3**	**(441.5)**	**—**	**—**	**—**	**3,949.9**
Equity						
Invested equity	**(317.9)**	**(14.6)**	**911.1**	**(528.7)**	**(3,530.0)**	**(3,480.2)**
Total equity	**(317.9)**	**(14.6)**	**911.1**	**(528.7)**	**(3,530.0)**	**(3,480.2)**
Total equity and liabilities	**4,076.8**	**(456.1)**	**911.1**	**(528.7)**	**(3,530.0)**	**473.1**

(m) Issuance of new debts

i. The adjustments of finance costs (additional cost of € 565 million) include:

- The additional interests related to the new financing package as disclosed above for a total amount of €620.0 million (including borrowing costs amortized over the length of the new financing package). Those interests have been computed using estimations in term of interest rates (using the amortized cost method) that rely on rating assumptions and market conditions estimated as at end of March 2014. For the purposes of determining the adjustment to finance costs, as assumed weighted average interest rate has been used ;
- The elimination of the finance costs related to Numericable Group S.A.'s existing Senior Facilities as those one will be reimbursed thanks to the new refinancing. Those finance costs amounted to € 188.0 million in 2013 including amortization of the underlying borrowing costs ; and
- Transactions costs related to the acquisition and refinancing (other than borrowing costs related to the issuance of the new financing package) for an amount of € 132.0 million including premiums that are expected to be paid by Numericable Group in connection with the refinancing of Numericable Group's existing Notes for €90.0 million and other fees for € 43.0 million. These costs are not expected to be recurring.

ii. It has been assumed that none of the above adjustments impacted non-controlling interests.

iii. The cash position of Numericable Group as at December 31, 2013 (€101.0 million) has also been cancelled as it is assumed that this cash will be fully used to finance part of the repayment of Numericable Group existing Senior Facilities.

iv. Pro forma adjustments to total invested equity is mainly explained by to the following adjustments

- To record the amounts related to the issuance of ordinary shares of Numericable Group, reflecting the equity injection of € 4,730.0 million (including € 1,202.0 million through a public offering and € 3,530.0 subscribed by Altice S.A., the majority shareholder of Numericable Group); and

v. Refinancing Transactions

The Pro forma adjustments related to the refinancing transactions are composed as follows:

- Issuance of Senior Secured Notes for an estimated total amount of €7,873.0 million;
- Issuance of the New Numericable Term Loan for an estimated total amount of €3,780.0 million;
- The borrowing costs related to the debt issuances disclosed above have been deducted of the pro forma financial liabilities for € 186.0 million as at December 31, 2013;
- The repayment of the Numericable Group S.A.'s financial liabilities under its existing Senior Facility Agreement for €2,638.0 million;
- The unamortized part of the borrowing costs related to the Numericable Group S.A.'s financial liabilities under its existing Senior Facility Agreement have been eliminated as at December 31, 2013 and therefore increased the pro forma financial liabilities by €22 million as at December 31, 2013.

(n) Translation of historical financial information denominated in currencies other than Euro

The historical financial statements of ODO, from which amounts have been derived in preparing the Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2013, have been drawn in Dominican Pesos (“DOP”). The amounts have been translated into Euro (“€”), for the purposes of their inclusion within the Unaudited Pro Forma Financial Information, using the following notes

As of December 31, 2013: DOP1.00 = €0.0168

Period ended December 31, 2013 DOP1.00 = €0.0183

4—Notes to the unaudited pro forma consolidated financial information

(a) Revenue pre-acquisition of NG, ODO & SFR

for the period December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	694.2	60.9	108.7	—	—	108.7	24.9	34.8	30.0	89.6	1.3	954.7
Mobile services	187.6	1.2	—	—	—	—	—	67.3	66.6	133.9	—	322.8
B2B & others	—	8.4	—	41.8	59.0	100.9	—	—	—	—	73.9	183.1
Total	881.9	70.5	108.7	41.8	59.0	209.6	24.9	102.1	96.5	223.5	75.2	1,460.7

(b) Purchases and subcontracting services pre-acquisition of NG, ODO & SFR

for the period ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	(129.6)	(10.6)	(34.1)	—	—	(34.1)	(11.6)	(9.6)	(3.9)	(25.1)	(0.3)	(199.7)
Mobile services	(107.8)	(.9)	—	—	—	—	(21.2)	(20.5)	—	(41.7)	—	(150.4)
B2B & others	—	(1.0)	—	(24.3)	(31.2)	(55.5)	—	—	—	—	(26.8)	(83.4)
Total	(237.4)	(12.6)	(34.1)	(24.3)	(31.2)	(89.6)	(32.8)	(30.1)	(3.9)	(66.8)	(27.1)	(433.6)

4—Notes to the unaudited pro forma consolidated financial information (Continued)

(c) Gross Profit pre-acquisition of NG, ODO & SFR

For the period ended December 31, 2013	Israel Total Jan 1, 2013 to Dec 31, 2013	BeLux Total Jan 1, 2013 to Dec 31, 2013	Cabovisao Jan 1, 2013 to Dec 31, 2013	ONI Aug 1, 2013 to Dec 31, 2013	ONI Jan 1, 2013 to July 31 2013	Portugal Total Jan 1, 2013 to Dec 31, 2013	Le Cable Jan 1, 2013 to Dec 31, 2013	OMT July 1, 2013 to Dec 31, 2013	OMT Jan 1, 2013 to Jun 30, 2013	French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013	Other Jan 1, 2013 to Dec 31, 2013	Total Jan 1, 2013 to Dec 31, 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Cable based services	564.6	50.2	74.5	—	—	74.5	21.0	23.1	20.4	64.5	1.0	754.9
Mobile services	79.9	0.3	—	—	—	—	—	46.2	46.1	92.2	—	172.4
B2B & Others	—	7.3	—	17.5	27.8	45.3	—	—	—	—	47.1	99.7
Total	**644.5**	**57.9**	**74.5**	**17.5**	**27.8**	**119.8**	**21.0**	**69.3**	**66.5**	**156.7**	**48.1**	**1,027.1**

4—Notes to the unaudited pro forma consolidated financial information (Continued)

(d) Other expenses pre-acquisition of NG, ODO & SFR

For the period ended December 31, 2013	**Israel Total Jan 1, 2013 to Dec 31, 2013**	**BeLux Total Jan 1, 2013 to Dec 31, 2013**	**Cabovisao Jan 1, 2013 to Dec 31, 2013**	**ONI Aug 1 2013 to Dec 31, 2013**	**ONI Jan 1, 2013 to July 31, 2013**	**Portugal Total Jan 1, 2013 to Dec 31, 2013**	**Le Cable Jan 1, 2013 to Dec 31, 2013**	**OMT July 1, 2013 to Dec 31, 2013**	**OMT Jan 1, 2013 to Jun 30, 2013**	**French Overseas Territories Total Jan 1, 2013 to Dec 31, 2013**	**Other Jan 1, 2013 to Dec 31, 2013**	**Total Jan 1, 2013 to Dec 31, 2013**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Other operating expenses	(204.1)	(5.4)	(19.6)	(7.8)	(11.2)	(38.6)	(3.9)	(14.5)	(19.8)	(38.2)	(6.9)	(293.1)
Other sales and marketing expenses	(49.9)	(3.4)	(7.6)	(1.1)	(1.3)	(10.0)	(0.5)	(12.2)	(7.3)	(20.0)	(4.6)	(88.8)
General and administrative expenses	(27.5)	(4.1)	(4.0)	(3.0)	(5.9)	(13.0)	(2.7)	(5.2)	(6.1)	(14.0)	(16.0)	(75.3)
Total	**(281.5)**	**(12.9)**	**(31.2)**	**(11.8)**	**(18.5)**	**(61.5)**	**(7.1)**	**(31.9)**	**(33.2)**	**(72.2)**	**(27.5)**	**(456.4)**

(e) EBITDA pre-acquisition of NG, ODO & SFR

	Israel Jan 1, 2013 to Dec 31, 2013	**BeLux Jan 1, 2013 to Dec 31, 2013**	**Cabovisao Jan 1, 2013 to Dec 31, 2013**	**ONI Aug 1 2013 to Dec 31, 2013**	**ONI Jan 1, 2013 to July 30, 2013**	**Portugal TOTAL Jan 1, 2013 to Dec 31, 2013**	**Le Cable Jan 1, 2013 to Dec 31, 2013**	**OMT July 1, 2013 to Dec 31, 2013**	**OMT Jan 1, 2013 to Jun 30, 2013**	**French Overseas Territories Jan 1, 2013 to Dec 31, 2013**	**Other Jan 1, 2013 to Dec 31, 2013**	**Total Jan 1, 2013 to Dec 31, 2013**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
For the year ended December 31, 2013	**363.0**	**45.0**	**43.3**	**5.7**	**9.2**	**58.3**	**13.9**	**37.4**	**33.3**	**84.6**	**19.8**	**570.7**

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

4—Notes to the unaudited pro forma consolidated financial information (Continued)

(f) Capital expenditures pre-acquisition of NG & ODO

	For the year ended December 31, 2013											
For the year ended December 31, 2013	**Israel Total**	**Belgium and Luxembourg**	**Cabovisao**	**ONI (7m)**	**ONI (5m)**	**Portugal Total**	**OMT (6m)**	**OMT (6m)**	**Le Cable**	**Total French Overseas Territories**	**Others**	**Total**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Cable based services	155.3	21.5	18.3	—	—	18.3	0.9	4.2	4.4	9.5	0.3	204.8
Mobile services	53.6	—	—	—	—	—	(0.5)	8.8	—	8.3	—	61.9
B2B & others	—	1.4	—	3.4	2.3	5.7	14.3	3.1	1.1	18.5	21.8	47.5
Total capital expenditures	**208.9**	**23.0**	**18.3**	**3.4**	**2.3**	**24.0**	**14.7**	**16.0**	**5.5**	**36.2**	**22.1**	**314.2**

5—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 tax effect of the transaction adjustments in the Unaudited Pro Forma Financial Information has been calculated using a theoretical effective tax rate of 38% for companies based in France, 29.22% for companies based in Luxembourg and 28% for companies based in the Dominican Republic, for the year ended December 31, 2013.

PART X
DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

Annex I
R 14.1

Directors and Senior Management

The Company places a strong emphasis on corporate governance. Its Board of Directors is composed of six members, two of which are independent. It is intended that a third independent member of the Board of Directors will be appointed in the third quarter of 2014. The Board of Directors has 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 in the third quarter of 2014.

Name	Age	Position	Independent/ Non-Independent	Term (Years)
Patrick Drahi	50	Executive Chairman	Non-Independent	5
Dexter Goei	42	Chief Executive Officer	Non-Independent	5
Dennis Okhuijsen	44	Chief Financial Officer	Non-Independent	4
Jérémie Bonnin	40	General Secretary	Non-Independent	4
Michel Combes	52	Non-Executive Director	Independent	3
Scott Matlock	49	Non-Executive Director	Independent	3

The business address of each director is: 3, boulevard Royal, L-2449 Luxembourg, Grand Duchy of 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).

1. 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 Committee and Remuneration Committee 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) are 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 are the Company's 2014 EBITDA minus capital expenditure (based on the budget for 2014). The 2014 pool is 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

Annex I
R 17.2
R 17.3
R 21 .1.6
R 21.1.7

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) were granted options on the admission of the ordinary shares of the Company on Euronext Amsterdam on January 31, 2014 to acquire shares at the offer price, i.e. €28.25. 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 were granted on admission of the ordinary shares of the Company on Euronext Amsterdam on January 31, 2014 with an exercise price equal to the offer price, i.e. €28.25 and further options with an aggregate value of up to €100 million were made available for new hires. Therefore, up to 6.9% of the Company's issued share capital was allocated to satisfy these option grants. Since January 31, 2014, the Company granted options worth €10 million to a new hire.

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 were granted the following options with an aggregate value of up to €190 million on January 31, 2014 and with an exercise price equal to the offer price, i.e. €28.25:

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 two years after January 31, 2014.

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.

Investment Plan

Following a recommendation by the Remuneration Committee, on January 30, 2014 the Board of Directors implemented an investment plan and authorised the Chairman and the CEO, acting together, to permit employees of the Group to purchase shares of the Company up to an aggregate amount of €20 million at the then prevailing market price (calculated with reference to an average trading price or otherwise) or at a discount to such price provided that such employees agree to adhere to the lock-up period of 365-days following February 5, 2014 that was agreed with the underwriting banks in connection with the Company's initial public offering of ordinary shares on Euronext Amsterdam.

In addition, where the Company granted shares to employees in connection with the above at a discount of 10% or more from the market price, the lock-up period shall be in line with the vesting provisions in the SOP. If such shares are offered at a discount of less than 10% (or with no discount) from the market price, the Chairman and the CEO, acting together, shall be entitled to establish a lock-up schedule in line with the vesting provisions of the SOP or another schedule as they deem equitable (the "**Employee Investment Shares**").

Following a decision by the Chairman and the CEO, the Board of Directors resolved on March 31, 2014 and on June 23, 2014 to authorise the issuance of 168,515 ordinary shares in the Company for the purpose of creating the Employees Investment Shares all of which have been subscribed by certain employees of the Company.

2. Corporate Governance

The Directors support high standards of corporate governance.

Ten Principles of Corporate Governance

Annex I
R 16.4

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 is not 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 one more Non-Executive Director will be appointed in the third quarter of 2014 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) are 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 years and are eligible for reappointment at the end of such period.

All Executive Directors shall be appointed by the General Meeting. Except where Carlyle nominates for appointment an Executive Director to the Board in accordance with its contractual right to do so under the Roll Over Agreement, Executive Directors shall only be appointed 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 thirty per cent. (30%) or more of the issued Ordinary Shares of the Company (see Part XXII of this Prospectus (*General Information*)). 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.

Pursuant to the Roll Over Agreement, Carlyle may, at its own discretion, designate an Executive Director for appointment to the Company's Board as long as Carlyle continues to hold more than 5% of the share capital and voting rights of the Company.

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 appointed 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.

3. Board Committees

The Board has 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 were appointed prior to admission of the ordinary shares of the Company on Euronext Amsterdam on January 31, 2014 and each of whom are 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

Annex I
R 16.3

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 were appointed prior to admission of the ordinary shares of the Company on Euronext Amsterdam January 31, 2014 and each of whom are 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.

4. 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

Annex I
R 19

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.

5. 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 were 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 Amsterdam on January 31, 2014.

6. Roll Over

Carlyle Cinven Roll Over

Annex III
R 7.3

On April 5, 2014, the Company and Altice France entered into an agreement with Carlyle and Cinven, according to which the Company and Altice France shall acquire the entirety of shares of common stock of Numericable Group held by Carlyle and Cinven (representing stakes of 21.32% from Carlyle and 13.27% from Cinven) (the "Roll Over Agreement"). The Board approved the entry by the Company into the agreement and the Roll Over (as defined below) on April 3, 2014 and April 5, 2014.

The aforementioned agreement provides that: (i) Altice France shall purchase approximately 14% of the shares of common stock of Numericable Group from Carlyle and Cinven (7.50% from Carlyle and 6.50% from Cinven) at a price of €30.50 per share (the "Acquisition"), payment being made at the earliest of (a) January 31, 2015 and (b) 6 months after the acquisition by Numericable Group of 100% of the capital of SFR (other than the 10 shares in SFR not held by Vivendi S.A.); and (ii) Carlyle and Cinven shall contribute all of their remaining shares in Numericable Group (representing approximately 20.6% of the Numericable Group's shares of common stock) (the "Contributed Shares") to the Company, in exchange for the issuance of the New Shares of the Company on the basis of a share exchange ratio of 0.97 New Shares for each Contributed Share (the "Transaction" or the "Contribution", together with the Acquisition the "Roll Over").

Pursuant to the Roll Over Agreement, one Contributed Share will give right to 0.97 ordinary shares of the Company. As consideration for the Contribution, the Company will issue 24,751,873 ordinary shares of the Company. As a result of the Contribution, Carlyle and Cinven will hold respectively 6,71% and 3,28% of the issued share capital of the Company.

Upon completion of the Roll Over and on the Completion Date, the Company will contribute the Contributed Shares to Altice France against shares of common stock of Altice France (the "Contribution to Altice France"). As a result of the Contribution to Altice France, Altice France will hold approximately 74.6% of the shares of common stock of Numericable Group.

On May 27, 2014, a waiver was granted by the French *Autorité des Marchés Financiers* to Altice France from the obligation to launch a tender offer on all of the Numericable Group's shares of common stock in relation to the Roll Over.

The completion of the Roll Over will terminate the shareholders' agreement entered into between Altice France, Carlyle and Cinven, in place since the initial public offering of Numericable Group on the Euronext Paris market of NYSE Euronext in November 2013.

Pursuant to the Roll Over Agreement, Carlyle may, at its own discretion, nominate for appointment by the General Meeting an Executive Director to the Company's Board as long as Carlyle continues to hold more than 5% of the share capital and voting rights of the Company.

The new shares are subject to the lock-up (please refer to element E.5 of the summary under Part I on page 21 for more details). The lock-up will only apply as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the shares of the Company in that respect.

Annex I
R 3.1
R 5.2.1
R 9.1
R 9.2.1
R 9.2.3

PART XI

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

The following discussion and analysis is intended to assist in providing an understanding of the Group's financial condition, changes in financial condition and results of operations and should be read together with the Historical Consolidated Financial Information, with the Pre-Transaction Pro Forma Financial Information (without giving effect to the Mobius Acquisition, the Tricom Acquisition, the ODO Acquisition, the Numericable Acquisition the Virgin Mobile Acquisition or the SFR Acquisition) 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 "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the New 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 ("Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group"), the terms "we", "our", the "Group", and "us" refer to the business comprising the Company and its subsidiaries (excluding the Numericable Group, ODO, Tricom, SFR, Virgin Mobile and the Mobius Group) 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 the Company did not consolidate the results of Numericable Group during any of the periods under discussion in this section, the results of Numericable Group have been discussed separately in this Prospectus, see "Management's Discussion and Analysis or Financial Condition and Results of Operations of the Numericable Group". Since the Company did not consolidate the results of Orange Dominicana during any of the periods under discussion in this section, the results of Orange Dominicana have been discussed separately in this Prospectus, see "Business, Market Overview and Management's Discussion and Analysis or Financial Condition and Results of Operations of ODO". Since the Company did not consolidate the results of SFR during any of the periods under discussion in this section and the SFR Acquisition remains subject to certain closing conditions including regulatory approval, the results of SFR have been discussed separately in this Prospectus, see "Management's Discussion and Analysis or Financial Condition and Results of Operations of SFR".

In the subsections "—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" and "—Capital Expenditures—Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012" below, we compare certain financial information as of and for the year ended December 31, 2012 derived from the Illustrative Aggregated Selected Financial Information with the corresponding financial information as of and for the year ended December 31, 2013 derived from the Pre-Transaction Pro Forma Financial Information. While we do not present any pro forma financial information for the year ended December 31, 2012, the adjustments used to prepare the selected information included in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 are substantially similar to the adjustments used to prepare the corresponding information in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 and therefore a comparison between the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the corresponding information in the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 is on a like-for-like basis. However, we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortisation", or EBITDA, and therefore do not compare any such financial information appearing in the Pre-Transaction Pro Forma Financial Information. In addition, the Illustrative Aggregated Selected Financial Information does not provide for certain pro forma adjustments included in the Pre-Transaction Pro Forma Financial Information which affect the line items in the pro forma income statement below "operating income before depreciation and amortisation", or EBITDA.

Basis of Presentation

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited historical consolidated financial statements of the Group as of and for the years ending December 31, 2013, 2012 and 2011 (the "Historical Consolidated Financial Information").

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

In the year ended December 31, 2010, the Group's most significant assets consisted of its ownership of (i) equity interests in HOT Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical combined financial statements of the *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, Altice International, a wholly-owned subsidiary of the *Company*, made the following acquisitions that fundamentally changed its business undertaking: (i) in the first quarter of 2011, Altice International increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of the Company with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of the Company with effect from July 1, 2011). In addition, Altice International sold 5% of its equity interest in MIRS Communications Limited in 2011.

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

Altice International has added to its portfolio of holdings in 2013 with the following acquisitions: (i) in the first quarter of 2013, Altice International acquired substantially all of the equity interests in Cabovisão that it did not already own; (ii) in the third quarter of 2013, Altice International acquired a controlling equity interest in Groupe Outremer Telecom S.A., a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the historical consolidated financial statements of the Company with effect from July 5, 2013); and (iii) in the third quarter of 2013, Altice International (through its subsidiary

Cabovisão) acquired 100% of the equity interests in Winreason, the owner of Portuguese telecommunications operator holding company ONI S.G.P.S. and its subsidiaries (the financial information of which is consolidated in the historical consolidated financial statements of the Company with effect from August 8, 2013) and (iv) in November 2013, Altice International acquired further equity interests in Coditel pursuant to the 2013 Coditel Acquisition. In addition, in 2013, Altice International disposed of its interests in Valvision and acquired the content subsidiaries, Ma Chaîne Sport and Sportv and acquired Tricom and ODO. In addition, during 2013 Altice International initiated its equity investment in Wananchi ("Wananchi"), a Kenyan cable operator.

As a result of the series of significant acquisitions that have been consummated in the years ended December 31, 2011, 2012 and 2013 and the intra-year timing of such acquisitions, the Historical Consolidated Financial Information does not consolidate the results of operations of the entire business undertaking of the Group as it exists at the date of this Prospectus for any of the periods presented and the comparability of the Historical Consolidated Financial Information over each of the periods presented may be significantly limited. Therefore, in order to facilitate an understanding of the Group's results of operations, this discussion and analysis is being supplemented by: (i) financial information derived from the Unaudited Pro Forma financial information of the Company (giving effect to each such significant acquisition completed on or before December 31, 2013 as if such acquisitions had occurred by January 1, 2013) as of the year ended December 31, 2013 (the "Pre-Transaction Pro Forma Financial Information") and (ii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the years ended December 31, 2011 and 2012 (the "Illustrative Aggregated Selected Financial Information"). For further details regarding the basis of presentation of the Pre-Transaction Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, please see basis of preparation to the Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, respectively, included elsewhere in this Prospectus. The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the Mobius Acquisition, the Tricom Acquisition, the Virgin Mobile Acquisition the ODO Acquisition, the Numericable Acquisition or the SFR Acquisition and therefore does not include any financial information of Mobius, Tricom, the Virgin Mobile, ODO, the Numericable Group or SFR. The Pre-Transaction Pro Forma Financial Information includes the results of operations of Valvision even though the Group disposed of its interests in Valvision to the Numericable Group on June 27, 2013. In each of the years ended December 31, 2013, 2012 and 2011, respectively, Valvision contributed €1.3 million, €2.5 million and €2.6 million to pro forma revenues and €0.5 million, €0.9 million and €0.9 million to pro forma EBITDA.

As we control Coditel Holding and Outremer through which we conduct our operations in Belgium and Luxembourg and the French Overseas Territories respectively, we consolidate 100% of their revenue and expenses in our consolidated income statements despite the fact that third parties own or owned significant interests in these entities during the periods under review. The non-controlling owners' interests in the operating results of Coditel Holding and the non-controlling owner's interests in Outremer in the Historical Consolidated Financial Information and the Pro Forma Financial Information are reflected in the line item "profit or loss attributable to non-controlling interests" in the relevant statements of income. However, since we do not present any Illustrative Aggregated Selected Financial Information below the line item "operating income before depreciation and amortisation", or EBITDA, the non-controlling interests in the operating results of Coditel Holding and Outremer are not reflected anywhere in the Illustrative Aggregated Selected Financial Information. Such non-controlling interests may be significant and amounted to €1.3 million and €1.1 million attributable to non-controlling interests in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 and the Pro Forma Financial Information for the year ended December 31, 2013, respectively. On January 30, 2014, we entered into certain arrangements pursuant to which a large proportion of the minority interests in Outremer will be acquired by the Company in exchange for ordinary shares of the *Company*. For further details, see "*Description of Group's Business—Material Contracts.*" The Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information have not been prepared in accordance with IFRS and are unaudited.

Furthermore, the Company did not consolidate the results of Numericable Group during any of the periods under discussion as the Company did not acquire control of the Numericable Group until February 2014. The results of Numericable Group are presented in the line item "share of profit of associates" item in the Historical Consolidated Financial Information for 2013, 2012 and 2011.

Key Factors Affecting Our Business

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting the ordinary course of our business and our results of operations include, among others, network upgrades, including the roll-out of our UMTS network in Israel and the concurrent phase-out of the old iDEN technology, competition, acquisitions and integration of acquired businesses, macro-economic and political risks in the areas where we operate, pricing, our cost structure, churn and the introduction of new products and services, including multiple- play services.

Acquisitions and Integration of Businesses

Since our formation in 2008, we have from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information is limited. Our revenues and EBITDA increased from €167.2 million and €48.0 million in the year ended December 31, 2010 to €1,286.8 million and € 518.0 million in the year ended December 31, 2013, mainly as a result of the impact of such acquisitions. See "*—Basis of Presentation*". We plan to continue to evaluate value-enhancing acquisition opportunities in the cable and telecommunication sector with the aim of generating strong cash flow and operational synergies.

In general, following any acquisition, our results of operations are impacted by the results of the newly acquired business, debt incurred to acquire the business and expenditures made to integrate the newly acquired business into the Group. When seeking to integrate and improve a newly acquired business, we look to several key areas: (i) reviewing current products and prices and improving operational processes and cost structure to achieve satisfactory operating margins; (ii) implementing cable and mobile network upgrades to bring the acquired business in line with our Group-wide standards; (iii) researching ways to create synergies and benefit from economies of scale including with respect to customer equipment such as set-top boxes and outsourcing of certain services; (iv) sharing knowledge and experience and implementing Group-wide best practices; and (v) leveraging our ability to raise financing, including in the international capital markets. Many of these integration measures require expenditure by us. In the year ended December 31, 2013 and the year ended December 31, 2012, respectively, we incurred restructuring and other non-recurring costs of €61.2 million and €20.8 million, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies and other administrative expenses related to re-organisation of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of December 31, 2013, the goodwill recorded on our balance sheet amounted to €1,100.7 million. Goodwill is subject to impairment reviews in accordance with IFRS and any impairment charge on goodwill would have a negative impact on operating profit.

Network Upgrades

Our ability to provide new or enhanced cable based services, including HDTV and VoD television services, broadband Internet network access at increasing speeds and fixed-line telephony services to additional subscribers depends in part on our ability to upgrade our cable networks by extending the fiber portion of our network, reducing the number of nodes per home passed and upgrading technical components of our network. During each of 2012 and 2013, we deployed fiber on and upgraded a substantial part of our cable networks. As of December 31, 2013, our networks, on a blended basis, are 98% Docsis 3.0 enabled, which allows us to offer our customers high broadband Internet access speeds and better HDTV services across our regions, excluding France and the Dominican Republic. For the year ended December 31, 2013, on a pro forma basis, we invested €57.5 million and for the year ended December 31, 2011 and 2012, on an aggregated basis, we invested €58.1 million and €76.8 million, respectively, in cable network and construction related capital expenditures. We continue to evaluate the need to upgrade our networks for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber on an ongoing basis.

In May 2012, we launched our UMTS network in Israel, which allows us to offer 3G mobile services to our customers in Israel under the "HOT Mobile" brand. Under the terms of our license, among other things, we have committed to provide UMTS network coverage to 90% of the Israeli population and inhabited territory by 2018. Our network already extends to approximately 61% of the inhabited territory of Israel. For the year ended December 31, 2012 and 2013, we invested €83.8 million and €53.6 million and, respectively, in capital expenditures in our mobile business in Israel, of which most related to the build out of our UMTS network. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilisation of the spectrum. Accordingly, we expect that the Network Sharing Agreement will optimise the amount of capital expenditures we incur in relation to the build-out of our UMTS network. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license. See "*Description of Group's Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*."

It is expected that the relevant authorities in Israel and the French Overseas Territories will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the short to medium term. In case of a successful award, our ability to provide LTE mobile services to complement our existing mobile services in Israel and the French Overseas Territories respectively will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which would involve additional capital expenditure or, subject to regulatory approval, investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner. In Israel, because of our extensive fixed-line network and the technologically advanced nature of our advanced UMTS network as well as the Network Sharing Agreement, we believe upgrading our mobile network to the LTE standard will require lesser investment as compared to some of our competitors and significantly less capital expenditure than we incurred to roll out our UMTS network.

Competition

Our Cable Customer Relationships, RGUs and ARPUs are impacted by the levels of competition we experience in each of our regions. Although we increased our total cable RGUs in 2012, our total cable RGUs declined by 87,000 for the year ended December 31, 2013, as we are experiencing significant competition in most of the regions in which we operate. In Portugal, we experienced increased churn and a decline in total cable RGUs and ARPUs in the twelve-months ended December 31, 2012 and 2013 mainly as a result of aggressive competition and adverse economic conditions as well as our strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base. We expect competitive pressures to intensify in each of our regions due to a variety of factors. For example, in Israel, we expect to experience an increase in competition particularly with respect to the broadband Internet services as a result of an increase in speeds offered by the incumbent operator. Further, the number of total mobile subscribers declined in the French Overseas Territories in 2013 primarily due to intense competition. For details regarding our key competitors, please see "*Industry and Market Overview*." Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase the competition in the telecommunications industries, including the establishment of a DTT platform with the possibility of expanding the number of channels broadcasted over such platform, eliminating exit fees for subscribers except in limited circumstances and prohibiting the linkage of the price and terms of a handset to mobile services or benefits. In 2014, the Israeli Ministry of Communications also introduced a policy for the establishment of a wholesale market for broadband Internet infrastructure access pursuant to which certain limitations on structural separation and bundling of products may be reduced, but we would also be required to provide access to our network infrastructure to other service providers on a wholesale basis. The price for such access would be determined based on a commercial agreement between us and any such service provider, but the Israeli Minister of Communications will be entitled to intervene in the determination of the terms or the price that have been agreed or that is demanded by us if it should find that such price is either unreasonable or could harm the competition, or if we have been unable to enter into a commercial agreement with the service provider. On January 2014, the Israeli Ministry of Communication published a list of wholesale services that would be provided by HOT Telecom and Bezeq, and also published a hearing regarding Bezeq's tariffs for certain services. HOT Telecom submitted a response in March 2014 and is currently awaiting further instructions. See "*Regulatory Overview—Israel—Decision Regarding Creation of a Wholesale Market.*"

The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects on our results of operations.

In addition, the cable services and mobile telephony industries typically exhibit churn as a result of high levels of competition, which could lead to increased costs and reduced revenue. Our churn levels may be affected by a variety of factors including changes in our or our competitors' pricing, our level of customer satisfaction, disconnection of non-paying subscribers and changes in regulations. Churn rates in the cable segment in our individual markets are also impacted by customers moving out of our network area, although our nationwide network in Israel allows us to minimize the impact of our customers moving homes as there is a high likelihood that such customer will move into a home passed by our cable network or that could be connected to our cable network without materially extending our cable network plan. We could in some instances incur some capital expenditures related to installation and connection of such relocating customers. With respect to our mobile business, in Israel, prior to the launch of our UMTS based 3G services in May 2012, our churn rates have increased in recent years as subscribers left our iDEN-based network for the more advanced networks of our competitors. Our churn rates further increased in our mobile sector in Israel in 2012 as our contract with the Israeli Defense Force for the provision of iDEN based mobile services terminated in the last quarter of 2012, but were partially offset by certain of our iDEN subscribers switching to our 3G services launched in May 2012 as opposed to those offered by our competitors. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. With the launch of our UMTS network, we expect that our mobile churn rate in Israel will increase from historical levels as 3G mobile services generally have a higher churn rate than iDEN mobile services. In addition, regulatory actions of the Israeli Ministry of Communications which have increased competition by prohibiting exit fees, except in limited circumstances, long-term commitments and, as of January 2013, the linkage of the price and terms of handsets to the mobile service prices and benefits are also likely to have an impact on mobile churn rates in Israel. In Portugal, we experienced an increase in churn in recent periods mainly as a result of aggressive competition and adverse economic conditions. Business customer retention is generally high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Our long term business customer relationships in Portugal (our largest B2B market) usually last on average for six years with contract terms ranging between 24 to 36 months.

Multiple-Play Strategy

We have implemented a product offering across the regions in which we operate with a strategic focus on multiple-play, including triple-play bundles. Subscribers who elect to subscribe for our multiple-play bundles 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 1.7 million as of December 31, 2013, which has driven growth in our cable based services ARPU (other than in Portugal where our ARPU was negatively impacted in 2012 by aggressive competition and adverse economic conditions). Our cable-based services ARPU for the years ended December 31, 2011, 2012 and 2013, respectively were €42.4, € 44.4 and €47.6 in Israel, €36.7, €39.5 and €41.9 in Belgium and Luxembourg, €36.9, €34.9 and €34.6 in Portugal and € 43.1, €48.3 and €51.4 in the French Overseas Territories.

Introduction of New Products and Services

We have significantly expanded our presence and product and service offerings in the past. HOT has been a leader in bringing cable-based services to the Israeli market. HOT launched digital cable television in 2001, high-speed broadband Internet infrastructure access in 2003 and cable based fixed telephony services in 2005. HOT has continued to enhance its product and service offerings, being the first company to introduce VoD services in Israel in 2005 and launching a 100 Mbps broadband Internet service in 2010. In May 2012, we launched UMTS based 3G mobile services in Israel. We have taken similar measures in the other countries in which we operate including introducing mobile services in Belgium, launching our most advanced set top boxes, La Box after the successful introduction in France, in Belgium and Luxembourg (2012), Portugal (2012) and Israel (2014). In the French Overseas Territories, Outremer pioneered flat-fee rate mobile telephony plans by introducing packages with including unlimited calls towards the French Overseas Territories and mainland France in 2012. In addition, we regularly review and invest in the content we offer to provide our subscribers with a flexible and diverse range of programming options, including high quality local content and exclusive premium content. The introduction of new products and services have impacted our result of operations in the periods presented, by among other things, opening new revenue streams (e.g., 3G mobile services in Israel and Belgium) and in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS network build out costs and roaming costs in Israel relating to our 3G mobile services and costs relating to the roll-out of the La Box in Western Europe).

Pricing

We focus our product offering on multiple-play offers. In Israel, we believe our ability to offer triple-play services provides us with a competitive price advantage. The cost of a multiple-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for broadband Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions such as our flat-fee rate plans in the French Overseas Territories which we introduced in the first half of 2012, the more options, content, and included usage time, the higher the price of the multi-play package or stand-alone offering in question. We adjust our pricing policies based on evolving market practices as well as the Group's overall business strategy. For example, in Belgium we increased the prices for our triple-play and stand-alone products in 2012 in line with the market which has resulted in an increase in cable-based ARPU while in Portugal, during the course of 2012 we took the strategic decision to cease offering certain aggressively priced packages and to migrate customers to our triple-play offerings, in order to maintain our EBITDA margins, which resulted in an erosion of our subscriber base but has led to an increase in ARPU. Our ability to increase or maintain the prices for our cable and mobile services, and therefore our ARPU, is also limited by regulatory factors in each of the regions in which we operate. Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive and very low margin, as voice services are highly commoditized, with sophisticated customers and relatively short-term contracts. The B2B market for data services is less price sensitive, as data services require more customization and service level agreements. In both markets, price competition is strongest in the large corporates segment and public sector whereas customer- adapted solutions are an important competitive focus in the medium and smaller business segment.

Cost Structure

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue enhancing measures once we have achieved such margins. We continuously work towards 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 by Altice International over HOT in 2011, HOT's cable EBITDA margin increased to 55.1% in 2013, and in our Portuguese business, following the acquisition by Altice International over Cabovisão in February 2012, Cabovisão's EBITDA margin increased to 39.9% in 2013 compared to 14.2% in 2011.

We make expansion related capital expenditure decisions by applying strict investment return and payback criteria. For the year ended December 31, 2013 and 2012 respectively, we incurred accrued capital expenditure of € 314.2 million and €397.8 million respectively, in each case on a pro forma and aggregated basis, respectively. Of such capital expenditures in 2013, approximately 22.6% related to CPE and installations cable capital expenditures, 18.3% related to our cable network and construction, 24.3% related to other cable capital expenditures, 19.7%

related to capital expenditures for our mobile businesses and 15.1% related to B2B and other capital expenditures. We have recently incurred significant capital expenditures related to the building out and launching of our UMTS network in Israel as well as significant operating expenditures, including national roaming costs pursuant to our roaming arrangement with Pelephone. For the year ended December 31, 2013 and 2012, our national roaming costs amounted to €49.7 million and €21.4 million, respectively. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will each own equal shares of a newly formed limited partnership, which is expected to hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum 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. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have recently entered into an agreement with Pelephone pursuant to which we are no longer tied exclusively to Pelephone. The Network Sharing Agreement is valid until December 31, 2028 and is subject to all required regulatory approvals. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner (subject to regulatory approval) and we expect the arrangements we have entered into with Partner will result in savings relating to roaming, network and maintenance expenses and optimise the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS network. However there can be no assurance that we will be able to obtain the required regulatory approvals or otherwise be able to implement the arrangements we have entered into with Partner in a timely or cost effective manner.

Macro Economic and Political Developments

Annex I
R 9.2.3

Our operations are subject to macro-economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S., certain European countries and countries in the Middle East, combined with weak growth and high unemployment, could lead to low consumer demand, fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our financial condition. For example, our results of operations in the period under review have been affected by adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence. Moreover, in Israel, our largest market, we are subject to the inherent risks associated with the political and military conditions in Israel and the potential for armed conflicts with Israel's neighbors.

Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is euros and our operations outside Israel are primarily conducted in euros. However, in Israel, which accounted for approximately 68.5% of the total revenue of the Group in the year ended December 31, 2013 on a pro forma Historical Combined basis, a substantial portion of our revenue is in NIS while a portion of our operational expenses and capital expenditures are incurred in other currencies, including the U.S. dollar. In the year ended December 31, 2013, approximately 9% of our total operating expenses in Israel and approximately 47% of our total capital expenditures in Israel were incurred in currencies other than NIS. Our borrowings are denominated in NIS, euros and U.S. dollars but do not necessarily correspond to the portion of revenue we earn in such currencies. The exchange rate between U.S. dollars and NIS and the euro and NIS has been volatile in the past and may continue to be so in the future. Although we attempt to mitigate currency risk through hedging, sharp changes in the exchange rate could have a material effect on our results of operations. We are also exposed to translation foreign currency exchange risk arising from the consolidation of the financial results of HOT into the Company's consolidated financial statements. In the year ended December 31, 2013 compared to 2012, foreign exchange translation movements between the NIS and the euro had a positive impact of €32.6 million on our total revenues and €11.8 million on our EBITDA. Further, as of December 31, 2013, we had approximately €1,345.5 million of outstanding indebtedness (assuming full draw down of the 2013 Term Loan), which bears interest at a floating rate and is therefore subject to interest rate risk. We have not entered into interest rate hedges and hence are exposed to interest rate fluctuations with respect to our floating rate debt.

Key Operating Measures

We use several key operating measures, including number of homes passed, Cable Customer Relationships, RGUs, RGUs per Cable Customer Relationship and ARPUs to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies including the Numericable Group.

	As of and for the year ended December 31, 2013 in thousands except percentages and as otherwise indicated				
	Israel(6)	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories(7)**	**Total(8)**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,282	233	908	154	3,577
Docsis 3.0 Upgraded (%)	100%	100%	99%	53%	98%
Unique Customers					
Cable Customer Relationships(1)	1,127	114	237	40	1,518
Triple-Play Cable Customer Relationships	452	50	135	17	654
RGUs & Penetration(2)(3)					
Total RGUs	2,295	239	603	74	3,211
Pay Television RGUs	875	129	224	40	1,268
Pay Television Penetration (%)	38%	55%	25%	26%	40%
Broadband Internet RGUs	744	57	156	17	974
Broadband Internet Penetration (%)	33%	25%	17%	11%	30%
Fixed-Line Telephony RGUs	676	53	223	17	969
Fixed-Line Telephony Penetration (%)	30%	23%	25%	11%	30%
RGUs Per Cable Customer Relationship	2.0x	2.1x	2.54	1.86x	2.1x
ARPU(4)					
Cable ARPU (€)	47.6	41.9	34.6	51.4	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	61%	—	—	89%(9)	—
Subscribers			—		
Total Mobile Subscribers(5)	810	3	—	375	1,188
Postpaid	801	3	—	197	1,001
Prepaid	9	—	—	178	187
ARPU(4)			—		
Mobile ARPU (€)	16.8	36.8	—	27.1	—
xDSL/NON-CABLE BASED SERVICES					
RGUs	—		—		
Total RGUs	—	—	—	133	133
Broadband Internet RGUs	—	—	—	56	56

Fixed Line Telephony RGUs	—	—	—	78	78

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Israel[6]	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories**[7]	**Total**[8]
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,243	233	906	154	3,536
Docsis 3.0 Upgraded (%)	100%	100%	94%	37%	95%
Unique Customers					
Cable Customer Relationships[1]	1,198	120	255	39	1,612
Triple-Play Cable Customer Relationships	413	50	147	12	626
RGUs & Penetration[2][3]					
Total RGUs	2,343	244	648	63	3,298
Pay Television RGUs	896	136	245	39	1,316
Pay Television Penetration (%)	40%	58%	27%	25%	37%
Broadband Internet RGUs	771	55	159	12	997
Broadband Internet Penetration (%)	34%	24%	18%	8%	28%
Fixed-Line Telephony RGUs	676	53	243	12	984
Fixed-Line Telephony Penetration (%)	30%	23%	27%	8%	28%
RGUs Per Cable Customer Relationship	2.0x	2.0x	2.5x	1.6x	2.0x
ARPU[4]					
Cable ARPU (€)	44.4	39.5	34.9	48.3	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	41%	—	—	89%[9]	—
Subscribers					
Total Mobile Subscribers[5]	766	2	—	385	1,153
Postpaid	738	2	—	183	923
Prepaid	28	—	—	203	231
ARPU[4]					
Mobile ARPU (€)	19.4	14.7	—	26.7	—
xDSL/NON-CABLE BASED SERVICES					

RGUs					
Total RGUs	—	—	—	140	140
Broadband Internet RGUs	—	—	—	57	57
Fixe-Line Telephony RGUs	—	—	—	83	83

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Israel[6]	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories[7]**	**Total[8]**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	2,204	213	906	154	3,477
Docsis 3.0 Upgraded (%)	100%	100%	85%	17%	92%
Unique Customers					
Cable Customer Relationships[1]	1,245	117	264	41	1,667
Triple-Play Cable Customer Relationships	348	49	154	9	560
RGUs & Penetration[2][3]					
Total RGUs	2,294	241	669	59	3,263
Pay Television RGUs	891	135	256	41	1,323
Pay Television Penetration (%)	40%	63%	28%	27%	38%
Broadband Internet RGUs	768	54	162	9	993
Broadband Internet Penetration (%)	35%	25%	18%	6%	29%
Fixed-Line Telephony RGUs	635	52	251	9	947
Fixed-Line Telephony Penetration (%)	29%	24%	28%	6%	27%
RGUs Per Cable Customer Relationship	1.8x	2.1x	2.5x	1.4x	2.0x
ARPU[4]					
Cable ARPU (€)	42.4	36.7	36.9	43.1	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory (%)	—	—	—	88%[9]	—
Subscribers					
Total Mobile Subscribers[5]	444	—	—	355	799

Postpaid	389	—	—	158	547
Prepaid	55	—	—	197	252
ARPU[(4)]					
Mobile ARPU (€)	25.5	—	—	28.9	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	—	147	147
Broadband Internet RGUs	—	—	—	58	58
Fixe-Line Telephony RGUs	—	—	—	89	89

---

(1) Cable Customer Relationships represents the number of individual end users who have subscribed for one or more of our cable based services (including pay television, broadband Internet or fixed-line telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. Cable Customer Relationships does not include subscribers to either our mobile or ISP services.

(2) RGUs relate to sources of revenue, which may not always be the same as customer relationships. For example, one person may subscribe for two different services, thereby accounting for only one subscriber, but two RGUs. RGUs for pay television and broadband Internet are counted on a per service basis and RGUs for fixed-line telephony are counted on a per line basis.

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

(4) ARPU is an average monthly measure that we use to evaluate how effectively we are realising revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel, cable based ARPU has been calculated by using the following exchange rates: (i) average rate for the year ended December 31, 2011 €0.2009 = NIS 1.00, (ii) average rate for the year ended December 31, 2012 €0.2018 = NIS 1.00, (iii) average rate for the year ended December 31, 2013, €0.2092 = NIS 1.00.

(5) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile network. In Israel, the total number of mobile subscribers for our iDEN and UMTS services were as follows:

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

(6) In Israel, Homes Passed is the number of total Israeli Homes. Our cable network passes a vast majority of Israel's 2.2 million households.

(7) Only relates to the cable based services (pay television, broadband Internet and fixed-line telephony) we provide in Guadeloupe and Martinique and excludes the xDSL based broadband Internet (including IPTV)

and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte following our acquisition of a controlling interest in Outremer in July 2013.

(8) Total represents the aggregate of the respective key operating measures across all the regions in which we currently operate even though we may not have owned or controlled such business for the entire duration of the periods presented. Israel represents operating measures of HOT (in which we acquired a controlling interest in March 2011) and HOT Mobile; Belgium and Luxembourg represents operating measures of Coditel Belgium and Coditel Luxembourg (in which we acquired a controlling interest from the Numericable Group in June 2011); Portugal represents operating measures of Cabovisão (in which we acquired a controlling interest in February 2012) but not ONI; French Overseas Territories represents operating measures of Le Cable and in respect of mobile services only, Outremer (in which we acquired a controlling interest in July 2013).

(9) Excludes French Guiana.

Key Income Statement Items

Revenue

Revenue consists of income generated from the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. Revenue is recognized at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group. We record revenue generated from the following services:

Cable-based services: Revenue from cable-based services consists of revenue from pay television services, including related services such as VoD, broadband Internet services, fixed-line telephony services and ISP services to our customers. This primarily includes (i) recurring subscription revenue for pay television services, broadband Internet and fixed-line telephony (which are recognized in revenue on a straight-line basis over the subscription period), (ii) variable usage fees from Video On Demand ("VoD") and fixed-line telephony calls (which are recognized in revenue when the service is rendered), (iii) installation fees (which are recognized in revenue when the service is rendered if consideration received is lower than the direct costs to acquire the contractual relationship) and (iv) interconnection revenue received for calls that terminate on our cable network.

Mobile services: Revenue from mobile telephony services primarily consists of (i) recurring subscription revenue for our post-paid mobile services (which are recognized in revenue on a straight-line basis over the subscription period), (ii) revenue from purchases of our pre-paid mobile services (which are recognized in revenue when the service is rendered), (iii) variable usage fees for mobile telephony calls (which are recognized in revenue when the service is rendered), (iv) revenue from the sale of handsets (which are recognized on the date of transfer of ownership), and (v) interconnection revenue received for calls that terminate on our mobile network.

B2B and others: Revenue from the B2B and others segment includes broadband Internet access, telephony, virtual private network, leased lines, data center services and other corporate fixed-line services to large and small businesses or government agencies. However, it does not include revenue from standard pay television, broadband Internet, fixed-line telephony and mobile services to businesses, which are included under cable or mobile revenue as the case may be. In addition, it also includes revenue from other businesses units such as content delivery and production, provided either directly to customers or to other cable network operators. These primarily include revenue from our B2B business in Portugal, certain pure B2B services in Belgium and Luxembourg, our datacenter and B2B businesses in Switzerland and our content business.

Purchasing and subcontracting services

Purchasing and subcontracting services consists of direct costs associated with the delivery of cable-based services, mobile services and B2B and other services to our residential and business subscribers. We record purchasing and subcontracting services paid for the procurement of the following services:

Cable-based services: Purchasing and subcontracting services associated with cable based services consists of all direct costs related to the (i) procurement of non-exclusive television content, royalties and licenses to broadcast, (ii) transmission of data services, (iii) interconnect costs related to fixed-line telephony. In addition, it includes costs incurred in providing VoD or other interactive services to subscribers and accounting variations arising from changes in inventories of customer premises equipment (such as modems, set top boxes and decoders). In Israel, costs relating to the procurement of exclusive television content from third party providers were included in purchasing and subcontracting services for cable based services until March 31, 2013, but these costs have been capitalised thereafter.

Mobile services: Purchasing and subcontracting services associated with mobile services consists primarily of mobile interconnect fees, including roaming charges and accounting variations arising from the changes in inventories of mobile handsets.

B2B and others: Purchasing and subcontracting services associated with B2B and other services consist of, (i) cost of renting space for datacenters (subject to certain exceptions), (ii) utility costs related to the operation of datacenters (such as power and water supply costs), (iii) hosting and interconnect fees for telephony and broadband Internet services to corporate clients or small businesses, and (iv) costs of professional services. In addition, it includes in relation to the content activity of the Group, technical costs associated with the delivery of content, such as satellite rental costs.

Other operating expenses

Other operating expenses consist mainly of the following subcategories:

Customer service costs: Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debts and recovery costs associated therewith.

Technical and maintenance: Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter equipment, maintenance and upkeep of the cable and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not 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 include all costs related to payroll and professional taxes or fees.

General and administrative expenses

General and administrative expenses consist of office rent and maintenance, professional and legal advice, recruitment and placement, welfare and other administrative expenses. For the purpose of this discussion and analysis, it also includes staff costs and employee benefits expenses relating to administrative personnel, which is presented as a separate line item on the income statement.

Other sales and marketing expenses

Other sales and marketing expenses consist of salary and associated payments for sales and marketing personnel, advertising and sale promotion, office rent and maintenance, commission’s for marketers, external sales and storage and other expenses related to sales and marketing efforts.

Depreciation and amortisation

Depreciation and amortisation includes depreciation of tangible assets related to production, sales and administrative functions and amortisation of intangible assets.

Goodwill impairment

Goodwill impairment includes the write off of any goodwill that has been recognized on the acquisition of new assets based upon a re-evaluation of the cash generating capacity of these assets compared to the initial valuation assigned to the original goodwill of such asset acquisition.

Other expenses, net

Other expenses, net includes any one-off or non-recurring income or expenses incurred during the on-going financial year, excluding restructuring and other non-recurring costs. This includes deal fees paid to external consultants for merger and acquisition activities.

Management fees

Management fees include all consulting and management fees paid to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

Restructuring and other non-recurring costs

Restructuring and other non-recurring costs include one-off expenses incurred to reorganise existing or newly acquired businesses. Cost incurred are categorized under: (i) operating and maintenance costs when related to equipment redundancies, (ii) rents and other general and administrative expenses when related to building or redundancies of general installations and (iii) staff expenses, when related to employee redundancies.

Gain arising on de-recognition of assets

Gain arising on de-recognition of assets refers to non-cash accounting gain made on the difference between the book value of receivables contributed by Altice France in exchange for Numericable Group common shares, and their fair value as recognized in Altice France's IFRS accounts. An amount of €255.7 million has been booked in the accounts of Altice France for the year ended December 31, 2013.

Share of profit of associates

Share of profit of associates includes revenue arising from activities that are accounted for using the equity method for associates in the consolidation perimeter of the Group.

Finance income

Finance income consists of changes in the net fair value of the financial derivatives, gains from the disposal of financial assets, net exchange rate differences, and other finance income.

Finance costs

Finance costs includes financing expenses for short-term credit facilities, changes in the net fair value of the financial derivatives that do not qualify as hedges for accounting purposes, financing expenses for banking and credit card companies' commissions, financing expenses for long-term loans, financing expenses for bonds, net exchange rate differences and other expenses paid for financing operations recognized at amortised cost.

Income tax expenses

Income tax expenses or income comprise current tax and deferred tax. Taxes on income are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, at which point the associated tax effect is also recognized under other comprehensive income or in equity.

Discussion and Analysis of Our Results of Operations

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

	Historical Consolidated Financial Information				**Illustrative Aggregated Selected Financial Information**	**Pre-Transaction Pro Forma Financial Information**		
	For the year ended December 31,		**Change**		**For the year ended December 31,**	**For the year ended December 31,**	**Change**	
Statement of Income Items	**2012**	**2013**	**Amount**	**%**	**2012**	**2013**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	873.3	891.8	18.5	2.1	945.7	954.7	9.0	0.1
Mobile services	172.7	256.2	83.5	48.4	304.4	322.8	18.4	6.0
B2B and others	46.4	138.5	92.1	198.5	191.6	183.1	(8.5)	(4.4)
Total Revenue	**1,092.4**	**1,286.8**	**194.1**	**17.8**	**1,441.8**	**1460.6**	18.9	1.3
Purchasing and subcontracting services	(302.1)	(367.8)	65.7	21.7	(444.4)	(433.6)	10.8	(2.4)
Gross Profit	**790.3**	**919.4**	**129.1**	**16.3**	**997.4**	1,027.1	29.7	3.0
Other operating expenses	(307.9)	(320.9)	(13.0)	4.2	(315.3)	(293.2)	22.1	(7.1)
General and administrative expenses$^{(1)}$	(33.3)	(36.2)	(2.9)	8.7	(85.2)	(88.7)	(3.5)	4.1
Other sales and marketing expenses	(44.9)	(43.9)	1.0	(2.2)	(102.8)	(74.5)	28.3	(27.5)
Operating income before depreciation and amortisation	**403.1**	**518.0**	**114.9**	**28.5**	**494.1**	**570.7**	76.5	15.5
Depreciation and amortisation	(266.4)	(399.6)	(133.2)	50.0		(426.7)		
Goodwill impairment	(121.9)	—	(121.9)	—				
Other expenses, net	(6.2)	(15.1)	(8.9)	143.5		(18.8)		
Management fees	(29.8)	(0.6)	29.2	(98.0)		(1.5)		
Restructuring and other non-recurring costs	(20.8)	(61.2)	(40.4)	194.2		(74.7)		
Operating profit	**(42.0)**	**41.5**	**83.5**	**(198.8)**		**49.1**		
Gain arising from de-recognition of assets	—	255.7	255.7	—		255.7		
Finance income	40.7	120.9	80.2	197.1		121.1		
Finance costs	(225.4)	(376.6)	(151.2)	67.1		(427.2)		
Share in income of associates	20.4	15.5	(4.9)	(24.0)		15.5		
(Loss)/profit before income tax expenses	**(206.2)**	**57.0**	**263.2**	**(127.6)**		**14.3**		
Income tax benefits/(expenses)	26.0	(7.4)	(33.4)	(128.5)		(14.5)		
(Loss)/profit for the year	**(180.2)**	**49.6**	**229.8**	**(127.5)**		**(0.2)**		

---

(1) Also includes staff costs and employee benefits expenses.

Significant Events Affecting Historical Results

Annex I
R 6.2
R 9.2.2

Our results of operations for the year ended December 31, 2013 and December 31, 2012 were significantly impacted by the following events:

- In February 2012, Altice International acquired a controlling equity interest in Cabovisão (the results of which are consolidated in the Historical Consolidated Financial Information of the Company with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to EBITDA of the Company on a consolidated basis, in the twelve months ended December 31, 2012 since February 29, 2012. In the first two months of 2012, Cabovisão had €19.8 million of revenue, €1.5 million of operating profit and €2.6 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company. In the first quarter of 2013, Altice International acquired the remaining equity interests in Cabovisão it did not already own.

- In the third quarter of 2013 Altice International acquired a controlling equity interest in Outremer (the financial information of which is consolidated in the Historical Consolidated Financial Information with effect from July 5, 2013). Outremer contributed €102.1 million to revenue, €13.5 million to operating profit and €38.3 million to EBITDA of the Company on a consolidated basis in the twelve months ended December 31, 2013 since July 5, 2013. For the period from January 1 to July 5, 2013, Outremer had €96.5 million of revenue, €19.4 million of operating profit and €33.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the third quarter of 2013, Altice International acquired a 100% equity interest in ONI (through its indirect subsidiary Cabovisão), the financial information of which is consolidated in the Historical Consolidated Financial Information of the Company with effect from August 8, 2013. ONI contributed €41.8 million to revenue, €5.0 million to operating loss and €5.7 million to EBITDA of the Company on a consolidated basis in the five months ended December 31, 2013 since August 8, 2013. For the period from January 1 until August 8, 2013, ONI had €59.0 million of revenue, €2.8 million of operating loss and €9.2 million of EBITDA, which are not consolidated in the Historical Consolidated Financial Information of the Company.

- In the fourth quarter of 2013, Altice International acquired a controlling interest in Ma Chaine Sport S.A.S and SportV S.A., two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of the Company with effect from October 4, 2013. The two entities contributed €6.4 million to revenue, €0.3 million to operating profit and €2.9 million to the EBITDA of the Company on a consolidated basis in the twelve months ended December 31, 2013 since October 4, 2013. For the period from January 1, 2013 until October 4, 2013, the two companies had €18.3 million of revenue, €2.9 million of operating profit and €10.7 million of EBITDA which are not consolidated in the Historical Consolidated Financial Information of the Company.

Revenue

Historical Consolidated Basis

For the year ended December 31, 2013, we generated total revenue of € 1,286.8 million, a 17.8% increase compared to €1,092.4 million for the year ended December 31, 2012. Our total revenue by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €881.8 million and € 850.4 million, (ii) Belgium and Luxembourg, €71.9 million and €71.3 million, (iii) in Portugal, €150.5 million and €98.2 million (revenue for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from February 29, 2012 and revenue for the year ended December 31, 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €126.9 million and € 24.4 million (revenue for the year ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €29.0 million on total revenue.

Cable based services: For the year ended December 31, 2013, we generated cable based services revenue of €891.8 million, a 2.1% increase compared to €873.3 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services revenue of €108.7 million from Portugal for the entire duration of twelve months ended December 31, 2013 compared to € 98.2 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 29, 2012, the inclusion of Outremer's cable based services revenue of €34.8 million for the year ended December 31, 2013 (with effect from July 5, 2013). In addition, cable based services revenue increased in Israel due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a negative impact of €23.9 million on cable based service revenue.

Mobile services: For the year ended December 31, 2013, we generated mobile services revenue of €256.2 million, a 48.3% increase compared to €172.7 million for the year ended December 31, 2013. This was primarily due to an increase in Israel's mobile services revenue due to the factors discussed below and the inclusion of €67.3 million in mobile services revenue generated by Outremer for the year ended December 31, 2013 (with effect from July 5, 2013). Foreign exchange translation movements between the NIS and the euro had a positive impact of €6.2 million on mobile revenues.

B2B and others: For the year ended December 31, 2013, we generated B2B and other services revenue of €138.5 million, compared to €46.4 million for the year ended December 31, 2012, predominately due to the inclusion of €41.8 million in B2B services revenue generated by ONI and due to the inclusion of revenue from the content companies Ma Chaîne Sport and SportV acquired in the fourth quarter of 2013 (€6.4 million from October 4, 2013 onwards).

Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our revenue by country of operation and on a Pro Forma Consolidated Basis based on the Pro Forma Financial Information with respect to the year ended December 31, 2013 and on aggregated basis based on the Illustrative Aggregated Selected Financial Information with respect to the year ended December 31, 2012.

	Illustrative Aggregate Selected Financial Information						**Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel(3)**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
	€ in millions											
Revenue												
Cable based services..	677.9	59.7	118.0	87.8	2.4	945.7	694.2	60.9	108.7	89.6	1.3	954.7
Mobile Services......	172.5	0.2	—	131.7	—	304.4	187.6	1.2	—	133.9	—	322.8

B2B and others...	—	11.5	117.4	—	62.7	191.6	—	8.4	100.9	—	73.9	183.1
Total Revenue......	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**	**881.9**	**70.5**	**209.6**	**223.5**	**75.2**	**1,460.7**

---

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Israel: For the year ended December 31, 2013, we generated total revenue in Israel of €881.8 million, a 3.7% increase compared to €850.4 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our cable based services revenue increased by 2.4% and our mobile services revenue increased by 8.8%. Foreign exchange translation movements between the NIS and euro had a positive impact of €29.0 million on total revenue, €22.8 million on cable services revenue and €6.2 million on mobile services revenue. Accordingly, at a constant exchange rate, our total revenue in Israel remained stable, our cable-based service revenue slightly decreased by 0.2% and our mobile services revenue increased by 6.7%.

Cable based services revenue in Israel was positively impacted due to the increase in cable based services ARPU of 7.2% (3.6% at a constant exchange rate) from €44.4 for the year ended December 31, 2012 to €47.6 for the year ended December 31, 2013 primarily as a result of our strategic focus on multiple-play offerings and an increase in the take- up of our higher value higher speed broadband Internet services (despite a decrease in total broadband Internet RGUs). We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our bundling strategy, with the number of triple-play Cable Customer Relationships increasing from 413,000 as of December 31, 2012 to 452,000 as of December 31, 2013. The positive impact of the increase in cable based services ARPU on cable based services revenue was offset by a 48,000 net decrease in our total cable RGUs, comprising a 21,000 net decrease in pay television RGUs, a 27,000 net decrease in broadband Internet infrastructure access RGUs. The decrease in our cable RGUs was mainly due to the fact that during July and August 2013, respectively, our third party customer service and technical support provider had not allocated sufficient resources to manage the intake and connection arrangements for potential new subscribers and had focused on providing relevant assistance and support to existing subscribers only. The decrease in the interconnection fees for fixed line telephony starting December 2013, following the change in the regulation from the Ministry of Communication, had a blended impact on the cable based services revenue as the interconnection rate was set at 0.99 agorot per minute for both peak or off peak time calls.

The increase in mobile services revenue in Israel was primarily due to the increase in the number of subscribers for our UMTS based services which were launched in May 2012. For the year ended December 31, 2013, we had 810,000 total mobile RGUs in Israel comprising 218,000 iDEN customers and 592,000 UMTS customers compared to 766,000 mobile customers comprising 325,000 iDEN customers and 441,000 UMTS RGUs as of December 31, 2012. The increase in mobile services revenue was offset by the churn of customers for our iDEN services as a result of decreased marketing efforts and the termination of our contract with the Israeli Defense Force in the third quarter of 2012. The gradual migration of the iDEN subscribers under the expired contract with the Israeli Defense Forces to the new service provider was completed in March 2013. Mobile services revenue was further offset by a decrease in mobile ARPU by €2.6, or 13.4%, to €16.8 for the year ended December 31, 2013 compared to €19.4 for the year ended December 31, 2012, mainly due to subscribers disconnecting from our higher ARPU iDEN mobile network and offset by an increase in our lower ARPU UMTS based network subscribers. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. Mobile ARPU was also negatively impacted by highly competitive prices for mobile services, in particular for UMTS based 3G services. On a constant foreign exchange rate mobile ARPU decreased by 16.2%.

Belgium and Luxembourg: For the year ended December 31, 2013, we generated total revenue in Belgium and Luxembourg of €71.9 million, a 0.8% increase compared to €71.3 million for the year ended December 31, 2012. In addition, we launched mobile services (as a MNVO) in Belgium in September 2012 and generated € 1.2 million in mobile services revenue in the year ended December 31, 2013.

The increase in cable based services revenue in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by 6.1% to €41.9 in the year ended December 31, 2013 compared to €39.5 for the year ended December 31, 2012. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand-alone pay television offerings. The increase in cable based services revenue can also be attributed to the full period impact of revenues we generated from AIESH, a Belgian municipality, for which we acquired a concession in the third quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. Cable based services revenue was also positively impacted by a slight increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband Internet networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services. These factors were offset by a decline in television RGUs, including a net decrease in digital television RGUs, due to customers churning to different platforms such as digital television providers over DSL and satellite operators, customers terminating their television service or having moved out of Coditel's network areas. We also experienced a decline in fixed line telephony RGUs due to general the trend of customers switching to mobile services.

The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital multiple-play customers. The decrease in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network in the year ended December 31, 2012, a portion of which reflects non-recurring revenues, slightly offset by an increase in recurring revenue earned for fiber links leased to the Brussels police as part of this project in the twelve months ended December 31, 2013.

Portugal: In the year ended December 31, 2013, we generated total revenue in Portugal of €209.6 million, an 11.0% decrease compared to €235.4 million in the twelve months ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in Portugal for our cable based services decreased by 7.9% and our B2B and other services revenue decreased by 14.1%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by 45,000, comprising of a net decrease of 21,000 pay television RGUs, 20,000 fixed-line telephony RGUs and 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2013, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Cable based services ARPU decreased slightly by €0.3, or 0.9%, to €34.6 in 2013 compared to €34.9 in 2012, predominantly due the impact of aggressive competition in each segment of the cable services market which required us to offer certain discounts and undertake other promotional offers, despite an increase in the prices of our products in January 2013. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The decrease in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI during this period.

French Overseas Territories: For the year ended December 31, 2013, we generated total revenue in the French Overseas Territories of € 223.5 million, a 1.8% increase compared to €219.6 million for the year ended December 31, 2012. As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013, our revenue in the French Overseas Territories for our cable based services increased by 2.1% and our mobile services revenue increased by 1.7%.

The €1.8 million increase in cable based services revenue in the French Overseas Territories was due to (i) a €2.4 million decrease in fixed-line revenue of Outremer, which in turn was mainly as a result of a net decrease of 5,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages and (ii) a €1.9 million decrease in broadband Internet services revenue of Outremer which in turn was mainly as a result of a net decrease of 2,000 xDSL broadband Internet RGUs due to increased competition particularly in La Reunion and the limited ability and marketing investment to provide triple-play services, limited marketing innovation in Outremer's broadband Internet product line and the limited nature of IPTV provided to DSL broadband Internet customers prior to the integration of Outremer in the Group. This was partially offset by a 6.4% increase in cable based services ARPU with respect to our cable based services offered by Le Cable in Guadeloupe and Martinique to €51.4 for the year ended December 31, 2013 compared to €48.3 for the year ended December 31, 2012 and a net increase of 10,000 total cable RGUs during this period largely as a result of our strategic focus on triple-play offerings and an increase in triple- play Cable Customer Relationships to 17,000 as of December 31, 2013 from 12,000 as of December 31, 2012.

The €2.2 million increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to a net increase of 14,000 postpaid mobile subscribers over the period, offset by a decline in prepaid mobile subscribers. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls within the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012 as well as a decrease in termination rates. Mobile ARPUs increased slightly by €0.4 primarily due to the improvement in product mix with greater demand of Outremer's higher value post paid packages following the revamping of its mobile product offering despite the sharp decrease in mobile termination rates from €0.028 in 2012 to €0.01 in 2013 prescribed by the French national regulatory authority for electronic communications, the ARCEP resulting in lower mobile interconnection revenues.

Gross Profit

Historical Consolidated Basis

For the year ended December 31, 2013, our total gross profit was €918.0 million, a 16.3% increase compared to €790.3 million for the year ended December 31, 2012. Our gross profit by our key regions in the twelve months ended December 31, 2013 and 2012, respectively, were: (i) in Israel, €644.4 million and €621.7 million, (ii) Belgium and Luxembourg, €59.0 million and €60.3 million, (iii) in Portugal, €92.1 million and €59.1 million (gross profit for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €89.8 million and €20.4 million (gross profit for the year ended December 31, 2012 and 2013 was impacted by the consolidation of Outremer only with effect from July 5, 2013). Our gross margin decreased from 72.3% in the twelve months ended December 31, 2012 to 71.4% in the twelve months ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €21.0 million on total gross profit.

Cable based services: For the year ended December 31, 2013, our gross profit from our cable based services was €712.5 million, a 7.9% increase compared to €660.4 million for the year ended December 31, 2012. The increase was primarily due to the inclusion of cable based services gross profit from Portugal for the entire duration of the twelve months ended December 31, 2013 of €74.6 million compared to €59.1 million for the year ended December 31, 2012, following the acquisition of Cabovisão on February 28, 2012, and an increase in Israel's gross profit due to the factors discussed below. Foreign exchange translation movements between the NIS and the euro had a positive impact of €18.4 million on cable based services gross profit. Our gross margin for cable based services decreased to 71.4% in the twelve months ended December 31, 2013 from 72.3% in the year ended December 31, 2013.

Mobile services: For the year ended December 31, 2013, our gross profit from our mobile services increased to €126.2 million compared to €102.8 million in the previous year. Although we saw a decrease in gross profit of €22.9 million in Israel, due the factors discussed below, it was offset by the inclusion of gross profit of €46.4 million of Outremer's mobile services with effect from July 5, 2013. Our gross margin for mobile services decreased from 59.5% in the twelve months ended December 31, 2012 to 49.3% in the year ended December 31, 2013. Foreign exchange translation movements between the NIS and the euro had a positive impact of €2.6 million on mobile services gross profit.

B2B and others: For the year ended December 31, 2013, our gross profit from B2B and others was €80.2 million, a 195.9% increase compared to €27.1 million for the year ended December 31, 2012. Our gross margin for B2B and other services decreased from 58.4% in the year ended December 31, 2012 to 57.9% in the year ended December 31, 2013. The increase in gross profit was primarily due to the inclusion of B2B services gross profit of €17.5 million generated by ONI and €4.6 million gross profit generated by the content companies MCS and SportV.

Pre-Transaction Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a Pro Forma Consolidated Basis based on the Pre-Transaction Pro Forma Financial Information with respect to the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Financial Information with respect of the year ended December 31, 2012.

	Illustrated Aggregated Selected Financial Information						**Pre-Transaction Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**
	€ in millions											
Purchasing and subcontracting services												
Cable based services...	159.0	10.1	47.9	26.5	0.5	243.9	129.6	10.6	34.1	25.1	0.3	199.7

Mobile Services ..	69.8	0.1	—	41.5	—	111.4	107.8	0.9	—	41.7	—	150.4
B2B and others......	—	0.7	66.8	—	21.5	89.2	—	1.0	55.6	—	26.5	83.0
Total purchasing and subcontracting services ..	**228.8**	**10.9**	**114.7**	**68.0**	**22.0**	**444.5**	**237.4**	**12.6**	**89.7**	**66.8**	**27.1**	**433.5**

---

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Israel: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Israel were €240.7 million, a 5.2% increase compared to €228.8 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 17.8% and our purchasing and subcontracting services costs for mobile services increased by 57.7%. Foreign exchange translation movements between NIS and euro had the impact of increasing purchasing and subcontracting services costs by €7.8 million (including €4.2 million of cable based services purchasing and subcontracting services costs and €3.6 million of mobile services purchasing and subcontracting services costs). Accordingly, at a constant exchange rate, our total purchasing and subcontracting services costs in Israel increased by 0.4%, our cable based service purchasing and subcontracting services costs decreased by 20.5% and our cellular services revenue increased by 52.5%.

The decrease in purchasing and subcontracting services costs for cable based services in Israel was primarily due to a decrease in interconnection fees paid as a result of lower call volumes by our customers due to customers switching from fixed-line telephony services to mobile services, as a result of the competitive prices and unlimited price plan packages, and a decrease in the royalties paid to the State of Israel following the regulations enacted under the Communications Law pursuant to which the rate of royalties applicable to our cable telecommunication licenses have been reduced to 0% with effect from January 2, 2013. Purchasing and subcontracting services costs for cable based services also decreased due to the positive effect of renegotiated movie channels contracts and the capitalisation of costs arising from the purchase of exclusive third party content from April 1, 2013, as previously, we were able to capitalise exclusive in-house content costs only. In the twelve months ended December 31, 2013 we capitalised €7.7 million of costs relating to exclusive third party content.

The increase in purchasing and subcontracting services costs for mobile services in Israel was primarily due to an increase in interconnection fees of €81.5 million we incurred in the twelve months ended December 31, 2013 with respect to our 3G mobile services which was launched in May 2012 compared to €43.7 million in the twelve months ended December 31, 2012. Interconnection fees in the year ended December 31, 2013 included national roaming costs of €49.8 million compared to €21.3 million in the year ended December 31, 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Belgium and Luxembourg were €12.6 million, a 14.5% increase compared to €11.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our purchasing and subcontracting services costs for cable based services increased by 6.0% and our purchasing and subcontracting services costs for B2B services increased by 25.0% (from €0.8 million to €1.0 million). We began providing mobile services in Belgium in September 2012 as a MVNO and incurred costs of sales in an amount of €0.9 million in the twelve months ended December 31, 2013.

The increase in purchasing and subcontracting services costs for cable based services in Belgium resulted from (i) the increase in the cost of certain French channels in Belgium and (ii) the inclusion of cost of sales incurred in relation to the migration of AIESH customers from analogue to digital ports during 2013.

The increase in purchasing and subcontracting services costs for mobile services in Belgium and Luxembourg was due to an increase in expenses associated with (i) the launch of our mobile operation in September 2012 and the full year impact of its operations in 2013 and (ii) the payments made to Mobistar under the MNVO agreement.

The increase in cost of sale for B2B services and others in Belgium and Luxembourg was due to (i) the nature of B2B projects undertaken in 2013 as compared to the same period in the previous year (for which costs were primarily in the form of capital expenditures) and (ii) promotional offers and incentives in responses to the strategy adopted by our competitors.

Portugal: For the year ended December 31, 2013, our purchasing and subcontracting services costs in Portugal was €89.7 million, a 21.8% decrease compared to €114.7 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 28.8% and our purchasing and subcontracting services costs for B2B and others decreased by 16.8%.

The 28.8% decrease in purchasing and subcontracting services costs for cable based services in Portugal can primarily be attributed to the larger impact in the year ended December 31, 2013 compared to the prior year of an operational optimisation program implemented by the Group following the acquisition of Cabovisão in February 2012, which included savings through renegotiations of television content rights.

The 16.8% decrease in costs of sales for B2B and others in Portugal was due to the higher level of ONI’s business with carriers (transit) and sales of equipment in the year ended December 31, 2012, which are projects that inherently have a lower gross profit margin. Also, during the last quarter 2013, some savings were achieved as a result of the measures undertaken to implement a cost reduction which are still ongoing.

French Overseas Territories: For the year ended December 31, 2013, our purchasing and subcontracting services costs in the French Overseas Territories were €66.8 million, a 1.8% decrease compared to €68.0 million for the year ended December 31, 2012. As compared to the year ended December 31, 2012, for the year ended December 31, 2013, our purchasing and subcontracting services costs for cable based services decreased by 5.3% and our purchasing and subcontracting services costs for mobile services increased by 0.5%.

The decrease in purchasing and subcontracting services costs for cable based services in the French Overseas Territories was primarily due to the decrease in interconnection rates and the decrease in Outremer’s fixed-line telephony and xDSL broadband Internet RGUs.

The increase in costs of sales for mobile services in the French Overseas Territories was mainly due to the increase in postpaid RGUs and interconnections costs with the success of Outremer's flat-fee rate plans which include unlimited calls, and was partially offset by the decrease in termination rates.

As a result of the factors described above, our gross profit and gross margin by country of operation on a Pro Forma Consolidated Basis based on the Pre- Transaction Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012 was as follows:

	Illustrative Aggregated Selected Financial Information						**Pre-Transaction Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**
	€ in millions											
Gross profit												
Cable based services....	518.9	49.6	70.1	61.3	1.9	701.9	564.6	50.2	74.5	64.5	1.0	754.9
Mobile Services....	102.7	0.1	—	90.2	—	193.0	79.9	0.3	—	92.2	—	172.4
B2B and others...	—	10.6	50.6	—	41.2	102.4	—	7.3	45.3	—	47.2	99.8
Total gross profit....	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**	**644.5**	**57.9**	**119.8**	**156.7**	**48.2**	**1,027.0**

	Illustrative Aggregated Selected Financial Information						**Pre-Transaction Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**
Gross margin												

Cable based services (%)..	76.5	83.1	59.3	69.8	79.2	74.2	81.3	82.4	68.5	72.0	76.9	79.1
Mobile Services (%)..	59.5	50.0	—	68.5	—	63.4	42.6	25.0	—	68.9	—	53.4
B2B and others (%)..	—	92.2	43.1	—	65.7	53.5	—	86.9	44.9	—	63.9	54.5
Total gross margin (%)	**73.1**	**75.1**	**51.2**	**69.0**	**66.1**	**69.2**	**73.1**	**82.1**	**57.2**	**70.1**	**64.1**	**70.3**

---

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France and Luxembourg (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) These numbers are adjusted to eliminate intercompany transactions between HOT Telecom and HOT Mobile in Israel. Such intercompany transactions consist of (i) mobile services sold by HOT Mobile to HOT Telecom and (ii) fixed line telephony services sold by HOT Telecom to HOT Mobile. These transactions were considered to be non-material (below €1 million) up until the nine months ended September 30, 2013 as they had no significant impact on the segmental analysis. However, during the fourth quarter of 2013, each of HOT Mobile and HOT Telecom generated revenue from such intercompany transactions which were subject to purchasing and subcontracting services costs that exceeded the materiality threshold. As third party purchasing and subcontracting costs for such intercompany transactions were not eliminated when showing the cable and mobile segments individually, the adjustments were required to present the actual gross margin figures for each of the segments for the year ended December 31, 2013.

Foreign exchange translation movements between the NIS and euro had a positive impact of €21.1 million on total gross profit in Israel, €18.5 million for cable based services and €2.6 million for mobile services.

Operating Expenses and EBITDA

Historical Consolidated Basis

For the year ended December 31, 2013, our total operating expenses (other than purchasing and subcontracting services costs) were €400.9 million, a 3.6% increase compared to €387.1 million for the year December 31, 2012. Our total operating expenses comprise of other operating expenses, which increased by 4.2%, general and administrative expenses, which increased by 8.7% and other sales and marketing expenses, which decreased by 4.4%, in each case in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Our total operating expenses by our key regions in the year ended December 31, 2013 and 2012, respectively, were: (i) in Israel, € 316.5 million and €281.7 million, (ii) Belgium and Luxembourg, €14.7 million and €12.9 million, (iii) in Portugal, € 29.2 million and €43.0 million (operating expenses for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €40.5 million and €8.3 million (operating expenses for the years ended December 31, 2012 and 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013).

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortisation, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. We define Adjusted EBITDA as EBITDA before equity based compensation expenses.

As a result, for the year ended December 31, 2013, our EBITDA increased to €518.0 million a 28.5% increase compared to €403.2 million for the year ended December 31, 2012. Our EBITDA by our key regions for the years ended December 31, 2012 and 2013, respectively, were: (i) in Israel, €305.2 million and €362.7 million, (ii) Belgium and Luxembourg, €45.6 million and €46.1 million, (iii) in Portugal, €29.9 million and €49.1 million (EBITDA for the year ended December 31, 2012 was impacted by the consolidation of Cabovisão only with effect from March 1, 2012 and EBITDA for the years ended December 31, 2012 and 2013 were impacted by the consolidation of ONI only with effect from August 8, 2013), and (iv) in the French Overseas Territories, €12.1 million and €49.3 million due to the fact that EBITDA for the year ended December 31, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013. Our EBITDA margin for the year ended December 31, 2013 was 40.3% compared to 36.9% for the year ended December 31, 2012.

Pre-Transaction Pro Forma Consolidated Basis and Aggregated Basis

The following paragraphs set forth our total operating expenses by country of operation and on a pro forma consolidated basis based on the Pre-Transaction Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

For the year ended December 31, 2013, our total operating expenses were €455.6 million, a 9.5% decrease compared to €503.3 million for the year ended December 31, 2012.

Israel: For the year ended December 31, 2013, our total operating expenses in Israel were €281.7 million, an 11.0% decrease compared to €316.5 million for the year ended December 31, 2012. Foreign exchange translation movements between NIS and euro had the impact of increasing operating expenses by €6.6 million. Accordingly, at a constant exchange rate, our total operating expenses in Israel decreased by 11.6%.

Other operating expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Israel decreased by 8.6% from €223.4 million to €204.1 million. This decrease was primarily due to a decrease in salaries and social benefits and a reduction in head count as part of the measures implemented to maximize cost structure efficiency. In addition, in July 2013, our customer services and technical support functions were outsourced which also contributed to the decrease in salaries and social benefits expenses. We were able to apply these measures due to an increase in the quality of our network resulting from recent investments in and the improvement of our technical service systems. The decrease of other operating expenses was also impacted by a decrease in cable network maintenance and set-top box maintenance expenses due to recent investments leading to the improvement of our network and a more efficient maintenance process for set-top boxes.

General and administrative expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Israel decreased by 6.2% from €29.3 million to €27.5 million. This decrease was primarily as a result of a decrease in salary and social benefits expenses due to a reduction in administrative personnel and equity based compensation of €3.8 million in the year ended December 31, 2012 pertaining to HOT stock options.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Israel decreased by 21.6% from €63.7 million to €49.9 million. Compared to the prior year period, our sales and marketing expenses decreased as a result of a decrease in sales commissions to retailers, advertising costs and sales promotions and decreases in salaries and social benefits of sales personnel resulting from the measures implemented to maximize cost structure efficiency.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, in Israel our EBITDA was €362.7 million, a 18.8% increase compared to €305.2 million for the year ended December 31, 2012 and our EBITDA margin was 41.1% in the twelve months ended December 31, 2013 compared to 35.9% in the twelve months ended December 31, 2012. Foreign exchange translation movements between the NIS and euro had a positive impact of €11.8 million on total EBITDA.

Belgium and Luxembourg: For the year ended December 31, 2013, our total operating expenses in Belgium and Luxembourg were €12.9 million, a decrease of 12.2% compared to €14.7 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Belgium and Luxembourg decreased from €6.2 million to €5.3 million. This decrease was primarily due to a decrease in customer service costs as a result of measures undertaken by our management to improve the efficiency in handling and resolving "first-time" complaints.

General and administrative expenses: General and administrative costs remained stable at €4.1 million for the years ended December 31, 2013 and 2012 respectively.

Other sales and marketing expenses: As compared to the year ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Belgium and Luxembourg decreased from €4.4 million to €3.4 million. This decrease can be attributed to the capitalisation of sales commissions (only on the sales target), a practice that was implemented from 2013 onwards, offset by certain sales and marketing expenses associated with the launch of 'La Box' in Q2 2013.

EBITDA: As a result of the factors discussed above, for the year ended December 31, 2013, our EBITDA in Belgium and Luxembourg was € 45.0 million, a 1.3% decrease compared to €45.6 million for the year ended December 31, 2012. Our EBITDA margin was 63.9% in the twelve months ended December 31, 2013 compared to 64.0% in the twelve months ended December 31, 2012.

Portugal

In the twelve months ended December 31, 2013, our total operating expenses in Portugal were €61.5 million, 15.4% decrease compared to €72.7 million for the year ended December 31, 2012. This decrease was due to the larger impact in the twelve months ended December 31, 2013, compared to the prior year period, of an operational optimisation program implemented by the Group following the acquisition of Cabovisão in February 2012 and a reduction in operational expenses by ONI, from €36.8 million for the year ended December 31, 2012 to €30.4 million for the year ended December 31, 2013 achieved as a result of the optimisation efforts in several areas.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in Portugal increased slight to €38.6 million compared €38.3 million for the year ended December 31, 2012 due the reallocation of certain salary expenses for the technical personnel.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in Portugal decreased by 40.6% from €21.8 million to €12.8 million. This decrease was primarily due to savings from headcount reductions in corporate and administrative staff and savings through cancelation and renegotiation of certain contracts for administrative services, in each case mainly relating to Cabovisão.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in Portugal decreased by 21.0% from €12.6 million to €10.0 million. This decrease was mainly due to the cancelation and renegotiation of certain marketing and advertising contracts and headcount reduction in sales personnel, in each case relating to Cabovisão.

EBITDA: As a result of the factors discussed, in 2013, our EBITDA in Portugal was €58.3 million, a 21.5% increase compared to €47.9 million in 2012. Our EBITDA margin was 27.8% in the twelve months ended December 31, 2013 compared to 20.4% in the twelve months ended December 31, 2012.

French Overseas Territories: For the year ended December 31, 2013, our total operating expenses in the French Overseas Territories were €72.2 million, a 5.6% decrease compared to €76.4 million for the year ended December 31, 2012.

Other operating expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other operating expenses in the French Overseas Territories decreased by 15.3% from €45.1 million to €38.2 million. This decrease was primarily due to measures taken by Outremer to optimise its fixed costs, including to reduce payroll through (i) automated cash recovery systems with the roll-out of self-service payment machines in each of its 81 outlets, (ii) reallocation of customer care staff from local centers in the French Overseas Territories to its offshoring center in Mauritius, thereby reducing headcount in the French Overseas Territories and (iii) an increased use of online self-care systems. These cost savings were partially offset by increased costs related to measures taken to improve its quality of service, in particular the densification of mobile networks.

General and administrative expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our general and administrative expenses in the French Overseas Territories increased by 17.7% from €11.9 million to €14.0 million. This increase was primarily due to a non-recurring expense indirectly related to the acquisition of Outremer by Altice International.

Other sales and marketing expenses: As compared to the twelve months ended December 31, 2012, for the year ended December 31, 2013 our other sales and marketing expenses in the French Overseas Territories increased by 2.6% from €19.5 million to €20.0 million. This increase can be attributed to the launch of new cable-based products in Martinique and Guadeloupe and the launch of new mobile post-paid offers in La Réunion during the fourth quarter of 2013.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2013, our EBITDA in the French Overseas Territories was €84.5 million, a 12.7% increase compared to €75.1 million for the year ended December 31, 2012. Our EBITDA margin was 37.8% in the year ended December 31, 2013 compared to 34.2% in the year ended December 31, 2012.

The following tables set forth our EBITDA across our segments for the years ended December 31, 2012 and 2013 on an aggregated basis and on a pro forma basis, respectively.

	Illustrative Aggregated Selected Financial Information	**Pre-Transaction Pro Forma Consolidated Financial Information**

	For the year ended December 31, 2012						For the year ended December 31, 2013					
	Israel(3)	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others(2)**	**Total**	**Israel(3)**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others(2)**	**Total**
EBITDA(1)	**305.2**	**45.6**	**48.0**	**75.1**	**20.2**	**494.1**	**363.0**	**45.0**	**58.3**	**84.6**	**19.8**	**570.7**

---

(1) The Company defines EBITDA as operating profit before depreciation and amortisation, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs.

(2) Comprises (i) €9.8 million and €13.4 million of EBITDA generated by our content production and distribution businesses for the year ended December 31, 2012 and 2013, respectively, (ii) €15.5 million and €16.4 million of EBITDA generated by Green Datacenter/Green for the year ended December 31, 2012 and 2013 and (iii) €5.0 million and €11.2 million of negative EBITDA generated by our other holding entities (including corporate expenses) for the year ended December 31, 2012 and 2013, respectively.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalised with effect from April 1, 2013. Consequently, EBITDA for the year ended December 31, 2012 reflects costs relating to the purchase of exclusive third party content for the entire period and EBITDA for the year ended December 31, 2013 reflects costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

	Illustrative Aggregated Selected Financial Information	**Pre-Transaction Pro Forma Consolidated Financial Information**
	For the year ended December 31,	
	2012	**2013**
	€ in millions	
EBITDA	**494.2**	**570.7**
Equity based compensation(1)	3.8	—
Adjusted EBITDA	**498.0**	**570.7**

---

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

Depreciation and Amortisation

Historical Consolidated Basis

For the year ended December 31, 2013, depreciation and amortisation on a historical consolidated basis totaled €399.6 million, a 50.0% increase compared to €266.4 million for the year ended December 31, 2012. Depreciation and amortisation in the twelve months ended December 31, 2013 was impacted by (i) the acquisitions and subsequent consolidation of Outremer (with effect from July 5, 2013) and ONI (with effect from August 8, 2013) and (ii) the impact of the consolidation of Cabovisão for the entire ten months period, following its acquisition on February 29, 2012. However, the increase in depreciation and amortisation as a result of the above factors were more than offset due to the recognition of an impairment charge in 2012 of NIS 604 million (€121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount.

Operating Profit

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, (i) other expenses, net totaled €15.1 million, a 49.3% decrease compared to €29.8 million for the year ended December 31, 2012; (ii) management fees primarily relating to consulting services totaled €0.6 million compared to €6.2 million for the year ended December 31, 2012 and (iii) restructuring and other non-recurring costs totaled €61.2 million compared to restructuring and other non- recurring costs of €20.8 million for the year ended December 31, 2012 (primarily due to the implementation of a reorganisation implemented at ONI, fees and other outlays paid to external consultants in relation to the increased M&A activity in 2013 compared to 2012 and due to a one-off provision at HOT Mobile of €31.6 million relating to its agreement with Pelephone).

As a result of the factors described above, for the year ended December 31, 2013, our operating profit was €41.5 million, compared to an operating loss of €42.0 million for the year ended December 31, 2012.

Gain on de-recognition of assets

Historical Consolidated Basis

The gain on de-recognition of assets booked in the accounts of Altice France in the year ended December 31, 2013, corresponds to the difference between the carrying amount of the loans and receivables contributed by Altice France in exchange for shares in Numericable Group and the fair value of these instruments as recorded in the IFRS compliant accounts of Altice France at the time of the contribution.

The carrying amount of the loans at the time of the contribution was € 418.3 million and the fair value recorded in the accounts of Altice France amounted to € 162.6 million, thus leading to a gain of € 255.7 million.

This gain is non-cash in nature and does not impact the operating income or EBITDA of Altice France.

Share in profit of associates

Historical Consolidated Basis

Share in profit of associates refers to Altice France's share of the net profit of Numericable Group S.A, in which it held a 27.4% stake as of December 31, 2013. The share in profit of associates decreased from €20.4 million for the year ended December 31, 2013 to €15.5 million for the year ended December 31, 2013.

Finance costs (net)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our net finance costs totaled €255.7 million, a 38.4% increase compared to €184.7 million for the year ended December 31, 2012 which was primarily due to (i) the incurrence of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013), offset slightly by a positive impact of the gain on foreign exchange transactions.

Income tax benefits/ (expenses)

Historical Consolidated Basis

For the year ended December 31, 2013, on a historical consolidated basis, our total income tax expense was €7.4 million compared to an income tax benefit of €26.0 million for the year ended December 31, 2012 which was primarily due to higher income tax expense in Israel due to higher profit before tax, the increase in the tax rate from 25% in 2012 to 26.5% in 2013 and a decrease in deferred tax assets.

Profit/ (loss) for the year

Historical Consolidated Basis

As a result of the factors discussed above, on a historical consolidated basis, for the year ended December 31, 2013, our profit for the year was €49.6 million compared to a loss of €180.2 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

	Historical Combined Financial Information				**Illustrative Aggregated Selected Financial Information**			
	For the year ended December 31,		**Change**		**For the year ended December 31,**		**Change**	
Statement of Income Items	**2011**	**2012**	**Amount**	**%**	**2011**	**2012**	**Amount**	**%**
	€ in millions except percentages							
Revenue								
Cable based services	560.3	873.3	313.0	55.9	941.2	945.7	4.5	0.5
Mobile services	180.6	172.7	(7.9)	(4.4)	306.5	304.4	(2.1)	(0.7)
B2B and others	43.3	46.4	3.1	7.2	178.5	191.6	13.1	7.3
Total Revenue	**784.2**	**1,092.4**	**308.2**	**39.3**	**1,426.2**	**1,441.8**	**15.6**	**1.1**
Purchasing and subcontracting services	(175.4)	(302.1)	(126.7)	(72.2)	(399.6)	(444.4)	(44.8)	(11.2)
Gross Profit	**608.8**	**790.3**	**181.5**	**29.8**	**1026.6**	**997.4**	**(29.2)**	**(2.8)**
Other operating expenses	(195.4)	(248.9)	(53.5)	(27.4)	(319.5)	(315.3)	4.2	1.3
General and administrative expenses[1]	(51.3)	(58.2)	(6.9)	(13.5)	(101.0)	(85.2)	15.8	15.6
Other sales and marketing expenses	(64.4)	(80.1)	(15.7)	(24.4)	(108.9)	(102.8)	6.1	5.6
Operating income before depreciation and amortisation	**297.7**	**403.1**	**105.4**	**35.4**	**497.2**	**494.2**	**(3.1)**	**(0.6)**
Depreciation and amortisation	(176.0)	(266.4)	(90.4)	51.4	—	—	—	—
Goodwill impairment	—	(121.9)	(121.9)	—				
Other expenses, net	(5.6)	(29.8)	(24.2)	(432.1)	—	—	—	—
Management fees	(3.6)	(6.2)	(2.6)	(72.2)	—	—	—	—
Restructuring and other non-recurring costs	(7.6)	(20.8)	(13.2)	(173.7)	—	—	—	—
Operating profit	**104.9**	**(42.0)**	**(146.9)**	**(140.0)**	—	—	—	—
Gain arising on step acquisitions	134.8	—	(134.8)	—				
Share of profit of associates	58.6	20.4	(38.2)	(65.2)	—	—	—	—
Finance income	26.8	40.7	13.9	51.9	—	—	—	—
Finance costs	(130.6)	(225.4)	(94.8)	(72.6)	—	—	—	—

(Loss)/profit before income tax expenses	**194.5**	**(206.2)**	**(400.7)**	**(206.0)**	—	—	—	—
Income tax benefits/(expenses)	(32.5)	(26.0)	6.5	20	—	—	—	—
(Loss)/profit for the year	**162.0**	**(180.2)**	**(342.2)**	**(211.2)**	—	—	—	—

---

(1) Also includes staff costs and employee benefits

Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2012 were significantly impacted by the acquisition of a controlling equity interest in Cabovisão, a Portuguese telecommunications company, by Altice International in February 2012 (the results of which are consolidated in the Historical Combined Financial Information with effect from February 29, 2012). Cabovisão contributed €98.2 million to revenue, €20.0 million to operating loss and €29.8 million to the combined EBITDA of the Group in the year ended December 31, 2012.

In addition, in the fourth quarter of 2012, Altice International completed the take-private transaction of the HOT Group whereby it acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. it did not previously own.

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

- in March 2011, Altice International increased its ownership in HOT- Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the Historical Combined Financial Information with effect from March 31, 2011). In 2011, the HOT Telecom Group had €165.2 million of revenue, €30.9 million of operating loss and €34.9 million of EBITDA, which are not consolidated in the Historical Combined Financial Information, whereas HOT Telecom Group contributed €499.7 million to revenue, €98.4 million to operating profit and €212.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since March 31, 2011.

- in May 2011, Altice International's subsidiary MIRS Communications Ltd. was awarded a license to provide UMTS based 3G mobile services pursuant to which it began building out its UMTS mobile network and launched 3G mobile services in May 2012, resulting in us incurring significant capital expenditures and operating costs.

- in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l in Belgium and Coditel S.à r.l. in Luxembourg through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the Historical Combined Financial Information with effect from July 1, 2011). In 2011, Coditel Brabant S.p.r.l and Coditel S.à r.l. together had €32.3 million of revenue, €9.9 million of operating profit and € 18.1 million of EBITDA, which are not consolidated in the Historical Combined Financial Information whereas Coditel Holding S.A. contributed €34.8 million to revenue, €(1.4) million to operating profit and €20.4 million to EBITDA on a consolidated basis in the year ended December 31, 2011 since June 30, 2011.

In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group".

Revenue

Historical Combined Basis

For the year ended December 31, 2012, we generated total revenue of €1,092.4 million, a 39.3% increase compared to €784.2 million for the year ended December 31, 2011. Our total revenue by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €850.4 million and €680.4 million (2011 revenue was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €71.3 million and € 34.8 million (2011 revenue was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €98.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, € 24.4 million and €23.6 million.

Cable based services: For the year ended December 31, 2012, we generated cable based services revenue of €873.3 million, a 55.9% increase compared to €560.3 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of revenue from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011.

Mobile services: For the year ended December 31, 2012, we generated mobile services revenue of €172.7 million, a 4.4% decrease compared to €180.6 million for the year ended December 31, 2011. This was primarily due to the decline in mobile revenue in Israel due to the factors discussed below.

B2B and others: For the year ended December 31, 2012, we generated B2B and other services revenue of €46.4 million, a 7.2% increase compared to €43.3 million for the year ended December 31, 2011. Foreign exchange translation movements between the CHF and euro had a positive impact of €1.0 million on B2B revenue.

Aggregated Basis

The following table sets forth our revenue by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories$^{(2)}$**	**Others$^{(1)}$**	**Total**
	€ in millions											
Revenue												
Cable based services...	664.9	58.5	123.4	92.0	2.4	941.2	677.9	59.7	118.0	87.8	2.4	945.7
Mobile Services.......	180.6	—	—	125.8	—	306.5	172.5	0.2	—	131.7	—	304.4
B2B and others......	—	8.8	115.4	—	54.3	178.5	—	11.5	117.4	—	62.7	191.6

Total Revenue.......	**845.5**	**67.3**	**238.8**	**217.9**	**56.7**	**1,426.2**	**850.4**	**71.3**	**235.4**	**219.6**	**65.2**	**1,441.8**

---

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes revenues from cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, we generated total revenue in Israel of €850.4 million, a 0.6% increase compared to €845.5 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.0% and our mobile services revenue decreased by approximately 4.5%.

The increase in cable based services revenue in Israel was due to the increase in cable based services ARPU of 4.7% (4.3% at a constant exchange rate) from €42.4 for the year ended December 31, 2011 to €44.4 for the year ended December 31, 2012 primarily as a result of our strategic focus on multiple-play offerings. We experienced an increase in the number of Cable Customer Relationships subscribing for our triple-play service as a result of our attractive bundling strategy, with the number of triple-play Cable Customer Relationships increasing from approximately 348,000 as of December 31, 2011 to approximately 413,000 as of December 31, 2012. In addition, cable based services ARPU was impacted by other factors, including: (i) the introduction of, and an increase in take-up of, our higher value higher speed broadband Internet infrastructure services (including 100 Mbps services which we introduced in 2010) resulting in an increase in ARPU associated with our broadband Internet infrastructure access services and (ii) with respect to our fixed-line telephony services, decreased interconnect fees and call volumes which resulted in lower interconnection revenues, as subscribers reduced the number of calls placed over landlines, (as a result of strong competition from the mobile segment), which we believe is consistent with general industry-wide trends as well as the reduction in revenue as a result of the increased take-up of our unlimited fixed-line telephony offerings, resulting in a decrease in ARPU associated with our fixed-line telephony services. Our cable based ARPU was also positively impacted by the migration of customers from analog to digital pay television services, with a 38,000 net increase digital RGUs and a 33,000 net decline in analog RGUs in 2012. We intend to continue focusing on increasing ARPUs by increasing our triple play penetration, promoting the migration of analog cable television subscribers to our digital services and launching other revenue and service enhancing measures. Our revenue was also positively impacted by a 49,000 net increase in our total cable RGUs, comprising a 5,000 net increase in pay television RGUs, a 3,000 net increase in in broadband Internet infrastructure access RGUs and a 41,000 net increase in fixed-line telephony RGUs. The growth in RGUs is attributable to the success of our multiple-play offerings, our efforts to increase the attractiveness of our television channel offering, including an overall increase in HD content, VoD and PVR services and the growth in the number of subscriptions to broadband Internet infrastructure access overall in Israel and our ability to offer our subscribers higher speeds and increased bandwidth capacity compared to alternative technologies such as xDSL.

The decrease in mobile services revenue in Israel was primarily due to a decrease in mobile ARPU by €6.1, or 23.9%, to €19.4 for the year ended December 31, 2012 compared to €25.5 for the year ended December 31, 2011. This decrease in mobile ARPU was mainly due the combined effects of a decrease in interconnection revenues and subscribers disconnecting from our higher ARPU iDEN mobile network as a result of decreased marketing and the termination in the third quarter of 2012 of our contract with the Israeli Defense Force, which was offset by an increase in our lower ARPU UMTS based network subscribers following the launch of 3G services in May 2012. Consequently, ARPU from gross-adds to our mobile RGUs were generally lower than the ARPU for customers churned. As of December 31, 2012 we had 766,000 total mobile RGUs in Israel comprising 325,000 iDEN customers and 441,000 UMTS customers compared to 444,000 mobile customers (all iDEN based) as of

December 31, 2011. Revenue and mobile ARPU were also negatively impacted by price pressure for mobile services, in particular for our UMTS based 3G services.

Belgium and Luxembourg: For the year ended December 31, 2012, we generated total revenue in Belgium and Luxembourg of €71.3 million, a 5.9% increase compared to €67.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our cable based services revenue increased by approximately 2.1% and our B2B and other services revenue increased by approximately 30.7%. In addition, we launched mobile services in Belgium in September 2012 and generated €0.2 million in mobile services revenue in the year ended December 31, 2012.

The increase in cable based services in Belgium and Luxembourg was primarily due to an increase in cable based ARPU by €2.8, or 7.6%, to €39.5 for the year ended December 31, 2012 compared to €36.7 for the year ended December 31, 2011. The increase in cable based services ARPU was due to price increases in our triple-play packages as well as stand alone pay television offerings, but was partially offset by an increased uptake of Coditel's flat rate fixed-line telephony offers. Cable based services revenue was also positively impacted by an approximately 1,000 net increase in the number of television RGUs due in part to our acquisition of a concession from the AIESH, a Belgian municipality, in the fourth quarter of 2012, to provide pay television services to existing analog customers served by the AIESH network and to upgrade the AIESH network. As of December 31, 2012, the AIESH concession represented approximately 12,400 Cable Customer Relationships. The AIESH concession is for a period of 30 years and can be extended for a further period of 20 years. We have upgraded the entire AIESH network and converted the analog customers served by the upgraded AIESH network into digital customers. This was partially offset by an approximately 2,000 net decrease in the number of digital television RGUs primarily due to competition, particularly from IPTV offers by Belgacom in Brussels and POST in Luxembourg. Cable based services revenue was also positively impacted by an increase in broadband Internet RGUs which was primarily due to our ability to offer subscribers higher speeds and increased bandwidth capacity compared to providers relying on alternative technologies such as xDSL and mobile broadband networks, our attractive pricing of broadband Internet services and due to increase in uptake of our triple-play bundles, which includes broadband Internet services.

The increase in B2B and other revenue in Belgium and Luxembourg was primarily due to higher installation fees earned from our project for the Brussels police involving installation of fiber links for the CCTV network, a portion of which reflects non-recurring revenues.

Portugal: For the year ended December 31, 2012, we generated total revenue in Portugal of €235.4 million, a 1.4% decrease compared to €238.8 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in Portugal for our cable based services decreased by approximately 4.4% and our B2B and other services revenue increased by 1.7%.

The decrease in cable based services revenue in Portugal was primarily driven by a net decrease in total number of cable RGUs by approximately 21,000, comprising of a net decrease of approximately 11,000 pay television RGUs and approximately 3,000 broadband Internet RGUs. These were the result of intense competition in the Portuguese cable services market during 2012, with aggressive promotions and pricing policies adopted by competitors and their increased focus on competing multiple-play offerings, as well as the adverse economic conditions and austerity measures in Portugal which had a negative effect on consumer confidence pushing them to opt for cheaper packages. Our strategic decision during the course of 2012 to cease offering certain aggressively priced packages and to migrate customers to triple-play offerings also contributed to the decline in cable RGUs. Although there was a net reduction of approximately 8,000 fixed-line telephony RGUs in the twelve months ended December 31, 2012, the average fixed-line telephony RGU's for the twelve months ended December 31, 2012 was higher compared to the twelve months ended December 31, 2011, which partially offset a decline in cable based services revenue in 2012. A decrease in cable based services ARPU by €2.0, or 5.4%, to €34.9 for the twelve months ended December 31, 2012 compared to €36.9 for the twelve months ended December 31, 2011 also contributed to the decrease in the cable based services revenue. In 2012, our cable based services ARPU was negatively impacted by aggressive competition in each segment of the cable services market which required us to offer discounts and undertake other promotional offers. As a result, the ARPU from gross-adds to our RGUs were generally lower than the ARPU for customers churned. We nevertheless took the strategic decision during the course of 2012 to cease offering certain aggressively priced packages to reduce the decrease of ARPU, which has resulted in an increase in ARPU towards the end of 2012. We have implemented certain measures which are aimed at improving our competitive position in future periods, including improvements to our website which will enable customers to directly subscribe for our products online, rolling out additional stores and entering into arrangements with distributors (primarily supermarkets). There can however be no assurance that these measures will be successful in achieving RGU or ARPU growth in future periods.

The increase in B2B and other revenue in Portugal was primarily due to the higher level of business with carriers (transit) and sales of equipment that occurred in 2012, linked to certain specific projects undertaken by ONI.

French Overseas Territories: For the year ended December 31, 2012, we generated total revenue in the French Overseas Territories of €219.6 million, a 0.8% increase compared to €217.9 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our revenue in the French Overseas Territories for our fixed-line services decreased by 4.7% and our mobile services revenue increased by 4.7%.

The decrease in fixed-line services revenue in the French Overseas Territories was primarily due to a decrease in fixed-line revenue of Outremer prior to its acquisition by the Group, which in turn was mainly as a result of a net decrease of approximately 6,000 fixed-line telephony RGUs due to continuation in the trend of customers switching from traditional voice telephony towards multiple-play VoIP packages. Revenue associated with Outremer's broadband Internet services (including IPTV) remained relatively stable during the period, which was influenced by increased competition, particularly in the Indian Ocean region comprising La Reunion and Mayotte, and the limited ability and marketing investment to provide triple-play services prior to the integration of Outremer in the Group. The decrease in fixed- line revenue of Outremer, was partially offset by the increase in revenue from Le Cable, the Group's cable business in the French Overseas Territories of Guadeloupe and Martinique, primarily due to an increase in cable based services ARPU by €5.2, or 12.1%, to €48.3 for the twelve months ended December 31, 2012 compared to €43.1 for the twelve months ended December 31, 2011. This ARPU growth was primarily due to migration of standalone pay television customers to triple-play packages as a result of our strategic focus on triple-play offerings, migration of customer from analog to digital services and an increase in uptake of VoD services, as well as price increases for our cable based services. RGU growth for our cable based services by approximately 4,000 RGUs net, which was driven by an increase in triple-play penetration also contributed to the increase in cable based services revenue.

The increase in mobile services revenue in the French Overseas Territories, all of which is attributable to Outremer, was primarily due to net increase of 30,000 mobile subscribers over the period. This increase was a result of the revamping of Outremer's mobile post-paid offering, particularly due to the success of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France, which Outremer introduced in the first half of 2012. This increase was offset by a decrease in mobile ARPUs by €2.2, or 7.6%, to €26.7 for the year ended December 31, 2012 compared to €28.9 for the year ended December 31, 2011. This decrease in mobile ARPU during the year ended December 31, 2012 was mainly due to sharply lower mobile interconnection rates prescribed by the French national regulatory authority for electronic communications, the ARCEP, in 2012 compared to 2011, which was partially offset by the improvement in product mix with greater demand for Outremer's higher value post-paid packages following the revamping of its mobile product offering in the first half of 2012. We expect overall mobile ARPU to further decrease in future periods due to price pressure in mobile services.

Gross Profit

Historical Combined Basis

For the year ended December 31, 2012, our total gross profit was €790.3 million, a 29.8% increase compared to €608.8 million for the year ended December 31, 2011. Our gross profit by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, €621.7 million and €535.3 million (2011 gross profit was impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €60.3 million and €27.5 million (2011 gross profit was impacted by the consolidation of Coditel Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €59.1 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €20.4 million and €19.8 million. Our gross margin decreased from 77.6% in the year ended December 31, 2011 to 72.3% in the year ended December 31, 2012.

Cable based services: For the year ended December 31, 2012, our gross profit from our cable based services was €660.4 million, a 51.8% increase compared to €435.0 million for the year ended December 31, 2011. The increase was primarily due to the inclusion of gross profit from Portugal in 2012 following the acquisition of Cabovisão and the consolidation of the HOT Telecom Group and Coditel Holding S.A. for the full year in 2012 compared to only a part of the year in 2011. Our gross margin for cable based services decreased from 77.6% in the year ended December 31, 2011 to 75.6% in the year ended December 31, 2012.

Mobile services: For the year ended December 31, 2012, our gross profit from our mobile services was €102.8 million, a 31.3% decrease compared to €149.7 million for the year ended December 31, 2011. This was primarily due to the increase in purchasing and subcontracting services for mobile revenue in Israel due to the factors discussed below. Our gross margin for mobile services decreased from 82.9% in the year ended December 31, 2011 to 59.5% in the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2012, our gross profit from B2B and others was €26.9 million, an 11.6% increase compared to €24.2 million for the year ended December 31, 2011. Our gross margin for B2B and other services increased from 55.7% in the year ended December 31, 2011 to 58.4% in the year ended December 31, 2012.

Aggregated Basis

The following table sets forth our purchasing and subcontracting services by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

	Illustrative Aggregated Selected Financial Information											
	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
	€ in millions											
Purchasing and subcontracting services												
Cable based services	154.4	11.6	54.7	27.6	0.5	248.8	159.0	10.1	47.9	26.5	0.5	243.9
Mobile Services	30.9	—	—	40.7	—	71.8	69.8	0.1	—	41.5	—	111.4
B2B and others	—	1.0	58.8	—	19.2	79.0	—	0.7	66.8	—	21.5	89.2
Total Purchasing and subcontracting services	**185.3**	**12.6**	**113.5**	**68.4**	**19.7**	**399.6**	**228.8**	**11.0**	**114.7**	**68.0**	**22.0**	**444.5**

---

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes purchasing and subcontracting services for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our purchasing and subcontracting services in Israel were €228.7 million, a 23.5% increase compared to €185.3 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services costs for cable based services decreased by approximately 3.0% and our purchasing and subcontracting services costs for mobile services increased by approximately 125.2%.

The increase in purchasing and subcontracting services for cable based services in Israel was primarily due to an increase in interconnection fees paid as a result of higher call volumes by our customers due to the increased take-up of our unlimited fixed-line calls package offered as a component of our multiple-play offers.

The increase in purchasing and subcontracting services for mobile services in Israel was primarily due to the launch of UMTS based 3G mobile services in 2012, including interconnection fees of €43.6 million we incurred with respect to our 3G mobile services and increased costs in respect of offering compatible mobile handsets. Interconnection fees in 2012 included national roaming costs of €21.3 million.

Belgium and Luxembourg: For the year ended December 31, 2012, our purchasing and subcontracting services in Belgium and Luxembourg was € 11.0 million, a 13.2% decrease compared to €12.6 million for the year ended December 31, 2011. As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our purchasing and subcontracting services for cable based services decreased by approximately 13.9% and our purchasing and subcontracting services for B2B services decreased by approximately 14.8%. We began providing mobile services in Belgium in September 2012 as an MVNO and incurred minor purchasing and subcontracting services in an amount of approximately €0.1 million in the year ended December 31, 2012.

The decrease in purchasing and subcontracting services for cable based services in Belgium and Luxembourg was primarily due to a reduction in VoIP costs following the renegotiating of contracts and change of supplier, lower data interconnection costs and slightly lower VoD costs, which were partially offset by an increase in amounts paid to television channels due to the addition of more expensive premium channels in Coditel's television packages.

The decrease in purchasing and subcontracting services for B2B services in Belgium and Luxembourg was due to 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**					
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
	€ in millions											
Gross profit												
Cable based services..	510.5	46.8	68.7	64.4	1.9	692.4	518.9	49.6	70.1	61.3	1.9	701.9
Mobile Services......	149.7	—	—	85.1	—	234.7	102.7	0.1	—	90.2	—	193.0
B2B and others.....	—	7.8	56.6	—	35.1	99.5	—	10.6	50.6	—	41.2	102.4
Total gross profit.....	**660.2**	**54.7**	**125.3**	**149.5**	**36.9**	**1,026.6**	**621.7**	**60.3**	**120.7**	**151.5**	**43.1**	**997.4**

	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Illustrative Aggregated Selected Financial Information											
	Israel	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**	**Israel**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories(2)**	**Others(1)**	**Total**
Gross margin												

Cable based services (%)..	76.8	80.1	55.7	73.3	79.1	73.2	78.0	84.7	56.7	66.3	79.1	74.5
Mobile Services (%)..	82.9	—	—	64.6	—	77.1	56.8	41.0	—	71.7	—	62.9
B2B and others (%)..	—	88.9	49.0	—	55.9	51.9	—	92.2	43.1	—	75.8	57.3
Total gross margin (%)	**78.1**	**81.2**	**52.5**	**68.1**	**56.6**	**71.2**	**73.5**	**89.6**	**50.5**	**69.5**	**76.0**	**69.9**

---

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services includes gross profit and gross margin for cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Foreign exchange translation movements between the NIS and euro had a positive impact of €4.0 million on total gross profit in Israel.

Operating Expenses and EBITDA

Historical Combined Basis

For the year ended December 31, 2012, our total operating expenses were €387.1 million, a 24.5% increase compared to €311.0 million for the year ended December 31, 2011. Our total operating expenses (other than purchasing and subcontracting services) comprise of other operating expenses, which increased by 27.4%, general and administrative expenses, which increased by 13.5% and other sales and marketing expenses, which increased by 24.4%, in each case in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Our total operating expenses by our key regions in the years ended December 31, 2012 and 2011, respectively, were: (i) in Israel, € 316.5 million and €279.2 million (2011 operating expenses were impacted by the consolidation of the HOT Telecom Group only with effect from March 2011), (ii) Belgium and Luxembourg, €14.7 million and € 7.0 million (2011 operating expenses were impacted by the consolidation of Coditel

Holding S.A. only with effect from July 1, 2011), (iii) in Portugal, €29.2 million and nil (the Group did not have any activities in Portugal in 2011), and (iv) in the French Overseas Territories, €8.3 million and €8.1 million.

We define EBITDA in our Historical Consolidated Financial Statements as operating profit before depreciation and amortisation, 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 centers in the French Overseas Territories to an offshoring center in Mauritius).

General and administrative expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our general and administrative expenses in the French Overseas Territories decreased by approximately 12.5% from €13.6 million to €11.9 million.

Other sales and marketing expenses: As compared to the year ended December 31, 2011, for the year ended December 31, 2012 our other sales and marketing expenses in the French Overseas Territories decreased by approximately 2.7% from €20.0 million to €19.5 million. This was principally due to the decrease of external sales (mainly door to door sellers for xDSL offerings), which was partially offset by increased marketing costs associated with the comprehensive revamping of Outremer's mobile service portfolio in 2012, including the launch of flat-fee rate plans with unlimited calls towards the French Overseas Territories and mainland France.

EBITDA: As a result of the factors discussed, for the year ended December 31, 2012, our EBITDA in the French Overseas Territories was € 75.1 million, a 3.7% increase compared to €72.4 million for the year ended December 31, 2011. Our EBITDA margin was 34.2% in the year ended December 31, 2012 compared to 33.2% in the year ended December 31, 2011.

The following tables set forth our EBITDA across our segments on an aggregated basis for the years ended December 31, 2011 and 2012.

Illustrative Aggregated Selected Financial Information

	For the year ended December 31, 2011						**For the year ended December 31, 2012**					
	Israel(3)	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others(2)**	**Total**	**Israel(3)**	**Belgium & Luxembourg**	**Portugal**	**French Overseas Territories**	**Others(2)**	**Total**
EBITDA(1)......	**327.2**	**41.0**	**39.0**	**72.4**	**17.7**	**497.2**	**305.2**	**45.6**	**48.0**	**75.1**	**20.2**	**494.1**

---

(1) The Group defines EBITDA as operating profit before depreciation and amortisation, 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 capitalised 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.

Annex I
R 10.2
R 10.3
R 10.4

Depreciation and amortisation

Historical Combined Basis

For the year ended December 31, 2012, depreciation and amortisation totaled €266.4 million, a 51.4% increase compared to €176.0 million for the year ended December 31, 2011. These were impacted by the factors listed under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*". Depreciation and amortisation in the year ended December 31, 2012 was impacted by the following events:

In May 2011, prior to its acquisition by the Group, Cabovisão recorded an impairment loss relating to its principal tangible fixed assets (its cable network), amounting to approximately €141.7 million and at the same time it stopped recording depreciation on the amount of such impaired assets. During Cabovisão's financial year ended August 31, 2012, following its acquisition by the Group, the impairment charge was reviewed and it was concluded that there was not sufficient rational for the impairment charge. Accordingly, the impairment charge was reversed in its entirety and such amount, reduced by depreciation associated with the impaired assets for the last three months of the financial year ended August 31, 2011, was directly recorded in retained earnings of Cabovisão for the financial year ended August 31, 2012 (and accordingly did not have any impact on Cabovisão's income statement for the twelve month period ended December 31, 2012). Depreciation for the twelve months ended December 31, 2011 however includes €11.6 million of depreciation expenses related to the catch-up of depreciation on the relevant assets for the period from September 1, 2011 to December 31, 2011 (corresponding to the first four months of financial year ended August 31, 2012). Depreciation for the twelve months ended December 31, 2011 includes approximately € 141.7 million relating to the impairment charge. These events did not have an impact on the financial results of the Group in the periods under review.

Goodwill impairment

In 2012, Cool Holding a subsidiary of Altice International and the holding company of HOT, recorded an impairment charge of approximately NIS 604 million (€ 121.9 million equivalent) as a result of a valuation by Cool Holding, with the assistance of an external appraiser, pursuant to which Cool Holding concluded that the recoverable amount of the in-country fixed line communication segment was lower than its carrying amount. There was no goodwill impairment recorded in 2011.

Operating Profit

Historical Combined Basis

For the year ended December 31, 2012, (i) other expenses, net totaled €29.8 million, a 432.1% increase compared to €5.6 million for the year ended December 31, 2011; (ii) management fees primarily relating to consulting services totaled €6.2 million to €3.6 million for the year ended December 31, 2011 and (iii) restructuring and other non-recurring costs totaled €20.8 million compared to a restructuring and other non-recurring costs of €7.6 million for the year ended December 31, 2011. As a result, for the year ended December 31, 2012, our operating loss was €42.0 million, compared to an operating profit of €104.9 million for the year ended December 31, 2011.

Gains arising on step acquisition

Gain arising on step acquisitions was nil in the year ended December 31, 2012 compared to €134.8 million for the year ended December 31, 2011, which was primarily due to a non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT and the subsequent change in accounting via the consolidation method from equity method as a result of which the equity stake held in HOT prior to the change in control was re-evaluated at its fair value on the date of the change in control.

Share of profit of associates

For the year ended December 31, 2012 our share of profit of associates was €20.4 million compared to €58.6 million for the year ended December 31, 2011 representing share of profit from HOT and Altice France S.A's investment in the French cable businesses of Numericable and Completel. HOT was accounted for using the equity method in the accounts of Altice International prior to the acquisition of controlling interest in March 2011.

Finance costs (net)

For the year ended December 31, 2012, our net finance costs totaled € 184.7 million, a 77.9% increase compared to €103.8 million for the year ended December 31, 2011 which was primarily due to full year impact of higher debt levels of the Group mainly due to the debt incurred by the Group to finance the Group's investments in HOT and Coditel in 2011.

Income tax benefits/(expenses)

For the year ended December 31, 2012, our total income tax benefit was €26.0 million compared to an income tax expense of €32.5 million for the year ended December 31, 2011 which was primarily due to higher profit before taxes in the year ended December 31, 2011 as a result of the factors described above and in particular, the non-recurring income of €133.0 million recognized in the year ended December 31, 2011 owing to the acquisition of a controlling stake in HOT Telecom and the subsequent change in accounting via the consolidation method from equity method.

Profit for the year

As a result of the factors discussed above, for the year ended December 31, 2012, our loss for the year was €180.2 million compared to a profit of €162.0 million for the year ended December 31, 2011.

Liquidity and Capital Resources

Annex I
R 10.1
R 10.2
R 10.5

Cash and Debt Profile

As of December 31, 2013, our consolidated cash and cash equivalents amounted to €1,304.4 million on an actual basis (including restricted cash of €1,242.8 million, held in escrow resulting from the drawdown of debt to be used to finance the ODO and Tricom operations). Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to- day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012, June 2013 and December 31, 2013 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. We issued additional debt in November and December 2013 to finance the acquisition of ODO and Tricom, as well as an additional stake in the Numericable Group. Our total debt as of December 31, 2013 was €3,741.0 million (including the fully drawn 2013 Term Loan), in each case excluding finance leases and other long term and short term liabilities. Furthermore, as of December 31, 2013, Altice Financing made a renewal request for a guarantee of up to a maximum amount of €8.4 million to be issued under the 2013 Guarantee Facility, which represents a contingent liability of the Group. As of December 31, 2013, we had €185.0 million equivalent of additional borrowing capacity under the Existing Revolving Credit Facilities and the 2013 Guarantee Facility. In connection with the Transactions, we expect to enter into the €200 million Altice S.A. Revolving Credit Facility Agreement, the €3,780 million (equivalent) New Numericable Term Loan and the €750 million Numericable Group Revolving Credit Facilities Agreement. In addition, in connection with the Transactions, we expect to issue the Notes and Numericable is expected to issue the New Numericable Senior Secured Notes.

Our material indebtedness (excluding the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility, the New Altice Financing Revolving Credit Commitment, the Numericable Group Revolving Credit Facilities Agreement and finance leases and other long term and short term liabilities) and principal repayment obligations, giving effect to the Transactions but without giving effect to any hedging transaction and excluding accrued interest and debt issuance costs, with respect to such indebtedness are set forth below. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments. See "*Description of Certain Indebtedness*".

	Period ending December 31,				
	2014	**2015**	**2016**	**2017 or later**	**Total**
			€ in millions		
Existing HOT Unsecured Notes(1)	27	27	27	195	276
Existing Coditel Mezzanine Facility	—	—	—	111	111
Green Datacenter Debt	—	—	—	24	24
2012 Senior Secured Notes(2)	—	—	—	544	544
2013 Term Loan Facility(3)	8	8	8	771	795
2012 Senior Notes(2)	—	—	—	308	308
2013 Senior Notes	—	—	—	250	250
2013 Dollar Senior Notes(4)	—	—	—	290	290
2013 Senior Secured Notes(4)	—	—	—	953	953
Notes				4,172	4,172
New Numericable Senior Secured Notes				7,873	7,873
New Numericable Term Loan	0	38	38	3,705	3,780
Total	**35**	**73**	**73**	**19,195**	**19,376**

---

(1) The amount is based on the exchange rate as of December 31, 2013 of NIS 0.2092 = €1.00

(2) The amount is based on the exchange rates as of December 31, 2013 of $1.3789 = €1.00.

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

(4) The amount is based on a fixed exchange rate of €0.7346= $1.00.

Annex I
R.10.3
R 10.5
Annex III
R 3.1

Sources of Liquidity

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required there is $80.0 million and €60.0 million of available borrowings under the Existing Revolving Credit Facilities, €75 million under the 2013 Guarantee Facility. As of December 31, 2013, we had €185.0 million equivalent of borrowing capacity under the Existing Revolving Credit Facilities and the 2013 Guarantee Facility. On January 14, 2014, we drew €20.5 million under the 2013 Revolving Credit Facility. In connection with the Transactions, we expect to enter into the €200 million Altice S.A. Revolving Credit Facility Agreement and the €750 million Numericable Group Revolving Credit Facilities Agreement. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility Agreement, the Numericable Group Revolving Credit Facilities Agreement and the New Altice Financing Revolving Credit Facility Commitments will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See "*Summary—Summary of Risk Factors—Risks Relating to Our Financial Profile.*"

The Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility Agreement and the Numericable Group Revolving Credit Facilities Agreement require, while there are any utilisations outstanding, us to maintain compliance with the leverage ratios specified therein, tested as of the end of each fiscal quarter. The HOT Unsecured Notes contain certain financial covenants which require HOT to maintain compliance with a maximum consolidated leverage ratio of 6.0 (calculated on a net debt basis) and minimum equity of NIS 300 million. Further, HOT may only distribute dividends if its consolidated leverage ratio (calculated on a net debt basis) is 5.5 or less. In addition, under the Coditel Mezzanine Facility, Coditel's financial and operating performance is monitored by a financial covenant package that requires it to maintain the ratios including cash flow cover ratio, net interest cover ratio and leverage ratio that vary over time and to observe limitations on capital expenditure. For the twelve month period ending on December 31, 2013, the required leverage ratio is 5.65:1 and will fall to 2.60:1 at the termination date. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries' ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Revolving Credit Facilities, the HOT Unsecured Notes and the Coditel Mezzanine Facility, in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

The Company is a holding company with no direct source of operating income. It is therefore dependent on dividends, servicing of intercompany loans and other payments from its operating subsidiaries to meet its liquidity requirements.

Working Capital Annex III R 3.1

As of December 31, 2013, we had a negative net working capital position of €198.4 million compared to a negative working capital position of €164.3 million as of December 31, 2012.The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short Days of Sales Outstanding and suppliers are paid in the beginning of the following month, thus generating a negative working capital. Payables due the following month are generally covered by operating cash flow. We expect our operating cash flows and, if required, available borrowings under the Existing Revolving Credit Facilities, the 2013 Guarantee Facility, the Altice S.A. Revolving Credit Facility, the New Altice Financing Revolving Credit Facility Commitment and the Numericable Group Revolving Credit Facilities Agreement will be sufficient to meet our working capital requirements during the next 12 months.

Consolidated Cash Flow Statements

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	**2012**	**2013**
	€ in millions		
Cash and cash equivalents at beginning of period	26.9	24.2	129.7
Net cash provided by operating activities	306.1	464.5	439.1
Net cash used in investing activities	(576.6)	(574.2)	(2.157.5)
Net cash provided by financing activities	268.7	215.1	1,649.8
Effects of exchange rate changes on the balance of cash held in foreign currencies	(0.9)	0.2	0.1
Cash and cash equivalents at end of year	**24.2**	**129.7**	**61.6**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Changes in the Company's cash flows in the year ended December 31, 2013 compared to the year ended December 31, 2012 were impacted by the significant acquisitions and related financing arrangements described under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2013 compared to the Year Ended December 31, 2012—Significant Events Affecting Historical Results*".

Net cash provided by operating activities

Net cash provided by operating activities decreased by 5.5% to € 439.1 million for the year ended December 31, 2013 compared to €464.5 million for the year ended December 31, 2012. The decrease in net cash provided by operations was mainly related to the increase in income taxes paid by the Group for the year ended December 31, 2013 as compared to the year ended December 31, 2012 from a cash refund of €1.6 million in the year ended December 31, 2012 to a payment of €2.3 million made in the year ended December 31, 2013

Net cash used in investing activities

Net cash used in investing activities increased by 275.7% to €2,157.5 million for the year ended December 31, 2013 compared to €574.2 million for the year ended December 31, 2012. The increase in the year ended December 31, 2013 can be attributed to the cash that was held in escrow as of December 31, 2013, which amounted to €1,242.8 million (equivalent) for the acquisition of ODO and Tricom in Q1 2014. We completed the Tricom Acquisition on March 12, 2014.

Additionally, the increase in cash flow from acquisitions was impacted by (i) the acquisition of certain subsidiaries (OMT, ONI, MCS and SportV) for a total of €253.1 million, (ii) the buyback of minority interests in Coditel (€30.6 million) and (iii) the buy-out of Cabovisao non-controlling interests (€90.0 million).

It also includes the payments made to other major shareholders in Numericable Group, to purchase an additional 6% stake, amounting to a total cash outflow of €243.7 million.

Net cash provided by (used in) financing activities

Net cash provided by financing activities increased to €1,649.8 million for the year ended December 31, 2013 compared to € 215.1 million for the year ended December 31, 2012. The increase can primarily be attributed to the 2013 Senior Secured Notes and the 2013 Dollar Senior Notes issued on December 5, 2013 proceeds of which were being held in escrow as of December 31, 2013, and which were released upon the completion of the ODO Acquisition and the Tricom Acquisition, respectively.

Such proceeds were therefore accounted for as restricted cash $1,309 million (€1,242.8 million) as of 31 December 2013 (US$1.3789 = €1.00). As of the date of this Prospectus $405 million (€291.3 million) have been used as consideration for the completion of the Tricom Transaction on March 12, 2013.

Part of these proceeds were used to repay existing debts in the Altice International group, amounting to total of €756.3 million. Cash flow from financing activities also includes payments made to the holders of subordinated debt instruments issued by Altice International, for a total of €212.5 million.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Changes in the Group's cash flows in the year ended December 31, 2012 compared to the year ended December 31, 2011 were impacted by the significant acquisitions and related financing arrangements described under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011—Significant Events Affecting Historical Results*".

Net cash provided by (used in) operating activities

Net cash provided by operating activities increased by 51.7% to €464.5 million for the year ended December 31, 2012 compared to €306.1 million for the year ended December 31, 2011. Despite a net loss of income of €180.2 million in the year ended December 31, 2012 compared to a net gain in income of €162.0 million in the year ended December 31, 2011, the operating cash flow in 2011 was offset by the elimination of higher non-cash gains of €133.0 million relating to the step acquisition of HOT (see Note 27 to the 2011 historical combined financial statements of the Company). This increase was slightly offset by a €3.4 million negative impact from the movement in changes in working capital.

Net cash provided by (used in) investing activities

Net cash used in investing activities decreased by 0.4% to €574.2 million for the year ended December 31, 2012 compared to €576.6 million for the year ended December 31, 2011. The decrease was primarily due to the higher cash outflows of €347.3 million in the year ended December 31, 2011 for acquisitions (including investments in the HOT Telecom Group and Coditel) compared to €35.1 million the year ended December 31, 2012. In addition, we used €172.9 million to acquire the remaining minority interests in HOT in the Take Private Transaction in December 2012 which is included in cash used in investing activities. This decrease was partially offset by higher capital expenditures in the year ended December 31, 2012 as discussed under "*—Capital Expenditures—Year Ended December 31, 2012 compared to the Year Ended December 31, 2011*".

Net cash provided by (used in) financing activities

Net cash provided by financing activities decreased by 20.0% to €215.1 million for the year ended December 31, 2012 compared to €268.7 million for the year ended December 31, 2011. The decrease was primarily due to the higher levels of interest paid in an amount of €117.8 million in the year ended December 31, 2012 compared to €69.0 million in the year ended December 31, 2011 and the dividends paid to the minority shareholders in an amount of €26.0 million in the year ended December 31, 2012, which was partially offset by the higher levels of debt incurred for purposes other than refinancing of existing indebtedness in the year ended December 31, 2012 (in an amount of €358.9 million versus €338.1 million in the year ended December 31, 2011).

Capital Expenditures

We classify our capital expenditures in the following categories.

Cable based services related: Includes capital expenditures related to (i) connection of customer premises and investment in hardware, such as set-top boxes, routers and other equipment, which is directly linked to RGU growth ("CPEs and installation related"); (ii) investment in improving or expanding our cable network, investments in the television and fixed-line platforms and investments in Docsis network capacity ("cable network and construction related") and (iii) other capital expenditures related to our cable based business.

Mobile services related: Includes capital expenditures related to improving or expanding our mobile networks and platforms and other investments relating to our mobile business.

B2B and others: Includes capital expenditures relating to data centers, backbone network, connection fees of clients premises, rental equipment to customers and other B2B operations as well as content related capital expenditures relating to our subsidiaries that produce and distribute content. Capital expenditures relating to network and equipment that is common to the delivery of cable or mobile services on the one hand and B2B on the other hand are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

	Historical Consolidated Financial Information		
	For the year ended December 31,		
	2011	**2012**	**2013**
	€ in millions		
Cable based services	127.1	252.1	204.0
Mobile services	47.1	83.8	62.4
B2B and others	15.5	11.1	23.8
Total Capital Expenditures	**189.8**	**347.0**	**290.1**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Capital expenditures on a Historical Consolidated Basis

For the year ended December 31, 2013, our total capital expenditures were €290.1 million (representing 22.5% of revenue), a 19.6% decrease compared to €347.0 million for the year ended December 31, 2012 (representing 31.8% of revenue).

Cable based services related: For the year ended December 31, 2013, cable based services capital expenditures were €204.0 million (representing 70.3% of total capital expenditures); a 19.1% decrease compared to €252.1 million (representing 72.7% of total capital expenditures) for the year ended December 31, 2012.

Mobile services related: For the year ended December 31, 2013, mobile services capital expenditures were €62.4 million (representing 21.5% of total capital expenditures); a 25.6% decrease compared to €83.8 million (representing 24.1% of total capital expenditures) for the year ended December 31, 2012.

B2B and others: For the year ended December 31, 2013, B2B and other capital expenditures were €23.8 million (representing 8.4% of total capital expenditures); a 114.2% increase compared to €11.1 million (representing 3.2% of total capital expenditures) for the year ended December 31, 2012.

Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Pro Forma Financial Information for the year ended December 31, 2013 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2012.

	Illustrative Aggregated Selected Financial Information						**Pro Forma Financial Information**					
	For the year ended December 31, 2012						**For the year ended December 31, 2013**					
	Israel[3]	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories[2]**	**Others[1]**	**Total**	**Israel[3]**	**Belgium and Luxembourg**	**Portugal**	**French Overseas Territories[2]**	**Others[1]**	**Total**
	€ in millions											
Capital expenditures												
CPEs and installations	98.1	4.4	8.7	7.5	—	118.8	49.0	8.3	9.4	3.9	0.3	70.9
Cable network and constructions	55.7	6.4	7.1	7.7	—	76.8	43.0	2.8	7.4	4.3		57.5
Other cable	57.8	6.2	2.4	0.9	—	67.3	63.3	10.5	1.5	1.2		76.4
Cable based services	**211.6**	**17.0**	**18.1**	**16.1**	—	**262.8**	155.3	**21.5**	18.3	9.5	0.3	**204.8**
Mobile services	83.8	—	—	9.2	—	93.0	53.6	—	—	8.3		61.9
B2B and others	—	—	12.7	10.5	18.7	41.9	—	1.4	5.7	18.5	21.8	47.5
Total capital expenditures	**295.4**	**17.0**	**30.8**	**35.7**	**18.7**	**397.8**	**208.9**	**23.0**	**24.0**	**36.2**	**22.1**	**314.2**
EBITDA—total capital expenditures	**9.8**	**28.6**	**17.2**	**39.4**	**1.6**	**96.6**	**154.1**	**22.1**	**34.2**	**48.3**	**(2.2)**	**256.5**

---

(1) Others include our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), our datacenter operations in France (Auberimmo) and our content production and distribution businesses in France (Ma Chaîne Sport and Sportv). We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

(3) In Israel, costs relating to the purchase of exclusive third party content have only been capitalised with effect from April 1, 2013. Consequently, the capital expenditures for the year ended December 31, 2012 do not include any costs relating to the purchase of exclusive third party content and the capital expenditures for the year ended December 31, 2013 do not include costs relating to the purchase of exclusive third party content incurred in the period prior to April 1, 2013.

Israel: For the year ended December 31, 2013, our total capital expenditures in Israel were €208.9 million (representing 66.5% of total capital expenditures); a 29.3% decrease compared to €295.4 million for the year ended December 31, 2012 (representing 74.3% of total capital expenditures). This decrease was primarily due to higher capital expenditures during the twelve months ended December 31, 2012 related mainly to a one time capital expenditure for the purchase of a building for our call center operations, capital expenditures relating to the purchase of our new set top boxes, HOT Magic HD, and higher cable network and constructions related capital expenditure related to the completion of the upgrade to 100Mb capacity throughout our cable network and the fiber roll out in certain areas in 2012. The decrease in capital expenditures in the mobile segment was primarily due to higher expenditures relating to the expansion of our UMTS network in the twelve months ended December 31, 2012 prior to the launch of our UMTS based cellular services in May 2012.

Belgium and Luxembourg: For the year ended December 31, 2013, our total capital expenditures in Belgium and Luxembourg were €23.0 million (representing 7.3% of total capital expenditure), a 35.3% increase compared to €17.0 million (representing 4.3% of total capital expenditure) for the year ended December 31, 2012 The increase was due to the installation work we conducted following the acquisition of the AIESH concession and the launch of La Box in 2013, having installed a substantial number of set-top boxes during the twelve months ended December 31, 2013 and capitalisation of certain exclusive copyrights.

Portugal: For the year ended December 31, 2013, our total capital expenditures in Portugal were €24.0 million (representing 7.6% of total capital expenditures), a 22.1% decrease compared to €30.8 million for the twelve month ended December 31, 2012 (representing 7.7% of total capital expenditures). This was due to a decrease in B2B and other capital expenditure incurred by ONI in the twelve months ended December 31, 2013, offset by an increase in cable capital expenditure mainly due to the high level of investments made during year ended December 31, 2013 to deploy 'La Box'.

French Overseas Territories: For the year ended December 31, 2013, our total capital expenditures in the French Overseas Territories were €36.2 million (representing 11.5% of total capital expenditures), a 1.4% increase compared to €35.7 million for the year ended December 31, 2012 (representing 9.0% of total capital expenditures). The increase was primarily due to the expansion of our 3G mobile networks in Martinique, Guadeloupe, French Guyana, Mayotte and La Reunion and a major renovation work relating to Outremer's distribution network as well as due to the development of a payment platform offering value-added payment services to Outremer's customers and the acquisition of KERTELcom, a small fixed line French operator.

Others: Capital expenditures for our other businesses increased by 21.0% in the year ended December 31, 2013 to €22.1 million as compared to €18.7 million for the year ended December 31, 2012.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Capital expenditures on a Historical Combined Basis

For the year ended December 31, 2012, our total capital expenditures were €347.0 million (representing 31.8% of revenue), a 82.9% increase compared to €189.7 million for the year ended December 31, 2011 (representing 24.2% of revenue).

Cable based services related: For the year ended December 31, 2012, cable based services capital expenditures were €252.1 million (representing 72.7% of total capital expenditures), a 98.3% increase compared to €127.1 million (representing 67.0% of total capital expenditures) for the year ended December 31, 2011.

Mobile services related: For the year ended December 31, 2012, mobile services capital expenditures were €83.8 million (representing 24.1% of total capital expenditures), a 77.9% increase compared to €47.1 million (representing 24.8% of total capital expenditures) for the year ended December 31, 2011.

B2B and others: For the year ended December 31, 2012, B2B and other capital expenditures were €11.1 million (representing 3.2% of total capital expenditures), a 28.4% decrease compared to €15.5 million (representing 8.2% of total capital expenditures) for the year ended December 31, 2011.

Capital expenditures on an Aggregated Basis

The following table sets forth our capital expenditures by country of operation and on a total aggregate basis based on the Illustrative Aggregated Selected Financial Information.

Annex I
R 5.2.2

Illustrative Aggregated Selected Financial Information

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

---

(1) Others includes our B2B telecommunications solutions business and datacentre operations in Switzerland (Green and Green Datacenter), our datacentre operations in France (Auberimmo) and our content

production and distribution businesses in France (Ma Chaîne Sport and Sportv.) We disposed of our interests in Valvision in 2013 (which was included in Others).

(2) For the French Overseas Territories, cable based services capital expenditures includes capital expenditures relating to cable based services we provide in Guadeloupe and Martinique as well as the xDSL based broadband Internet (including IPTV) and fixed-line telephony services we provide in Guadeloupe, Martinique, French Guiana, La Réunion and Mayotte.

Israel: For the year ended December 31, 2012, our total capital expenditures in Israel were €295.4 million (representing 74.3% of total capital expenditures), a 69.9% increase compared to €173.9 million for the year ended December 31, 2011 (representing 59.2% of total capital expenditures). This increase was primarily due to increased CPE and installation related capital expenditures as a result of higher capital expenditure incurred during the first two quarters of 2012 relating to our new set top boxes (HOT Magic HD) as well as significantly higher mobile related capital expenditures primarily due to the expansion of our UMTS network. We also experienced an increase in cable network and construction related capital expenditures as a result of the expenditure incurred to complete the upgrade to 100Mb capacity throughout our cable network and fiber roll out in certain areas in 2012. In addition, other cable capital expenditures increased as a result of a one time capital expenditure related to the purchase of a building which houses one of our call center operations and due to an increase in 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 fiber links for the CCTV network (amounting to €0.6 million).

Annex I
R 5.2.2
R 5.2.3
R 10.5

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

Annex I
R 5.2.3

The following table summarises the payments that we will be obligated to make under our material contractual commitments as of December 31, 2013. The information presented in the table below reflects management's estimates of the contractual maturities of our obligations and does not give effect to the Transactions. These maturities may differ significantly from the actual maturity of these obligations.

Payments due by period

	Period ending December 31,				
	2014	**2015**	**2016**	**2017 or later**	**Total**
	€ in millions				
Long-term debt obligations	35.0	35.0	358.9	3,445.9	3,874.8
Finance leases	12.6	7.3	5.0	10.4	35.3
Operating leases(1)	52.2	35.0	22.4	22.7	132.3
Total	**99.8**	**77.3**	**386.4**	**3,479.0**	**4,042.4**

---

(1) Includes lease of buildings, office equipment and vehicles for various terms through 2020. Does not take into account any optional extension periods.

In addition, we have other contractual obligations incurred in the ordinary course of business, including commitments relating to building or upgrading network infrastructure, purchase of set-top boxes, modems, mobile handsets and other end-user equipment and various maintenance and support contracts primarily relating to the maintenance and support of network infrastructure and equipment, purchase commitments for content, royalty payments to regulatory authorities and authors' rights to societies and commitments under interconnection contracts. For further details regarding our significant contractual commitments, see note 32 to the Company's financial statements as of and for the year ended December 31, 2013 and note 31 to the Company's financial statements as of and for the year ended December 31, 2012 respectively.

In addition, we have obligations under defined benefit and defined contribution pension plans. Our cash outflow relating to these obligations will vary depending on a number of factors. In the case of defined benefit plans, we recognize a liability regarding employee benefits in the statement of financial position of the Company which represents the present value of the defined benefits liability less the fair value of the plan assets, and the past service costs. The liability in respect of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions with regards, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty. Actuarial gains and losses are reflected in the statement of income and statement of other comprehensive income in the period in which they arise, as part of the salary costs. Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as an expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is recognized in the financial statements. As of December 31, 2013, out total pension liabilities were €8.2 million.

Post Balance Sheet Date Events

Tricom and ODO Acquisition

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

Pursuant to an agreement dated November 26, 2013 between Altice Bahamas (a wholly-owned indirect subsidiary of Altice International) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), on April 9, 2014, Altice Bahamas, through one of its newly formed fully owned subsidiary, Altice Dominican Republic II, acquired from Wirefree Services Denmark A/S and certain of its affiliates all of the outstanding share capital of ODO. The aggregate purchase price payable by Altice Bahamas was $1.4 billion.

Potential Benefits from the acquisition of Tricom and ODO

The completion of the Tricom Acquisition and the expected acquisition of ODO is consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom's high speed broadband Internet and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilise both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom's and ODO's network infrastructures are complementary. We intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realising 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 utilising Tricom's excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

Initial public offering

On January 31, 2014, the Company, a newly incorporated Luxembourg entity and the new ultimate parent company of the Group, listed its shares in an initial public offering on Euronext Amsterdam. As part of the offering, the Company floated 206 million shares at an offering price of € 28.25 per share. The primary offering consisted of the issuance and sale of a total amount of 26.5 million shares in the newly incorporated company and yielded proceeds of €750 million, and the secondary offering consisted of the sale of 19.6 million pre-existing shares by Next L.P. and yielded proceeds of €555 million. The proceeds were primarily used to finance the acquisition of a controlling stake in Numericable by Altice France, a wholly- owned subsidiary of the Company, for a total amount of €317.7 million (including acquisition tax), the buyout of limited partners who had invested in Next L.P. for a total amount of €141.9 million (including accrued interest), the repayment of a vendor loan relating to MCS of €13.9 million, repayment of other debt relating to its holding companies, amounting to €34.3 million, with the remaining amount was kept as cash on balance sheet for an amount of approximately €221 million approximately €221 million (excluding certain IPO fees) of which a portion was used for the Orange Dominicana acquisition. Initial listing occurred on January 31, 2014 and settlement of the proceeds occurred on February 5, 2014. On February 6, 2014, the underwriters in the initial public offering announced that they would fully exercise the over-allotment option, resulting in the sale of 6.9 million additional secondary shares and bringing the total proceeds to €1,501 million.

Change in minority interests of Altice Blue Two

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

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management) in exchange for shares in the *Company*, for a base value of €55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits. For further details, see "*Description of Group's Business—Material Contracts—Roll over of the Outremer Minority Shareholders and the Mobius Managers*."

Acquisition of SFR

On April 6, 2014, Vivendi announced that it had accepted an offer from Numericable Group to acquire the shares of SFR and their subsidiaries. After the completion of the transaction, the Company is expected to hold approximately 59.7% of the new Numericable Group. Under the terms of the agreement, the details of which are laid out in the appendix, Vivendi will receive €13.5 billion in cash and 20% of the combined SFR - Numericable Group as well as a potential earn-out of €750 million. Vivendi will also at a later stage have the possibility of selling its 20% stake according to set terms.

Issuance of debt to finance the acquisition of SFR

On April 23, 2014, The Company announced the issuance of (i) €2,075 million in aggregate principal amount of its 7 1/4% Senior Notes due 2022 ("Senior Euro Notes") and (ii) $2,900 million aggregate principal amount of its 7 3/4% Senior Notes due 2022 ("Senior Dollar Notes" and, together with the Senior Euro Notes, the "Senior Notes"). Following their release from escrow, proceeds of the Senior Notes, together with proceeds from certain future equity financings, will be used to (i) exercise all preferential subscription rights to be allocated to Altice France, pursuant to the €4,732 million rights issue by Numericable Group comprising ordinary shares with preferential subscription rights to its existing shareholders (the "Numericable Rights Issue"), (ii) purchase certain ordinary shares of Numericable from funds affiliated with Carlyle Group and Cinven Ltd., (iii) repay certain existing indebtedness of Altice France, and (iv) pay fees and expenses related thereto. The offering of the Senior Notes closed on May 8, 2014, and the proceeds from such offering are now held in segregated escrow accounts pending satisfaction of certain escrow release conditions (including the completion of the Numericable Rights Issue).

Additional RCF (€200 million)

As part of the debt issuance to finance the SFR Acquisition and in order to provide it with additional liquidity and flexibility, the Company obtained an additional revolving credit facility of € 200 million.

Acquisition of additional shares in Numericable

In February 2014, the Company's wholly-owned subsidiary, Altice France, completed the acquisition (the "Numericable Acquisition") of 12.4 million additional shares in Numericable, representing 10% of Numericable's outstanding shares, from Cinven and Carlyle pursuant to a previously announced agreement. The total consideration for the Numericable Acquisition was approximately €317 million in cash, representing €25.58 per share (excluding an earn-out, if any, payable depending on the fluctuation of the price of Numericable's shares until May 8, 2014). As a result of the Numericable Acquisition, Altice France holds 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes on the board of directors of Numericable.

In addition, on or prior to the Completion Date, Altice France will acquire 14% of the shares of common stock of Numericable from Cinven and Carlyle, and Cinven and Carlyle will transfer their remaining 20.6% ownership interest in Numericable to the Company in exchange for shares of common stock of the Company.

Following the consummation of the SFR Debt, including the Numericable Rights Issue, Altice France is expected to increase its total shareholding in Numericable to 59.7%.

Acquisition of certain investment funds

On June 6, 2014, Altice France completed the acquisition of the entirety of the stakes Pechel Funds and Five Arrows Funds in the share capital of Numericable representing 2.6% of the share capital of Numericable) after exercising the call options granted by these funds to Altice France on November 7, 2013.

Share issuances since the incorporation of the Company

The Company has, since incorporation, undettaken the following capital increases:

- January 30, 2014, an increase within the limits of the authorised capital by (i) an amount of one million seven hundred twenty nine thousand euro (€1,729,000) by the creation and issuance of 172,900,000 new ordinary shares in exchange of a contribution in kind in an aggregate value of €4,971,969,000; (ii) by an amount of €2,385.20 by the creation and issuance of 238,520 new ordinary shares in exchange of a contribution in kind in an aggregate value of €6,738,190; and (iii) by an amount of €265,486.73 by the creation and issuance of 26,548,673 new ordinary shares in exchange of a contribution in kind in an aggregate value of €750,000,012.25 in the context of the initial public offering and admission to trading of 202,787,193 ordinary shares of the Company on Euronext Amsterdam on January 31, 2014;

- March 13, 2014, an increase within the limits of the authorised capital: (i) by an amount of €1,631.50 by the creation and issuance of 163,150 new ordinary shares in exchange of a contribution in kind in an aggregate value of €4,609,054; (ii) by an amount of €14,409.05 by the creation and issuance of 1,440,905 new ordinary shares in exchange of a contribution in kind in an aggregate value of €40,705,598.53; and (iii) by an amount of €5,108.54 by the creation and issuance of 510,854 new ordinary shares in exchange of a contribution in kind in an aggregate value of €14,431,797.10;

- April 15, 2014, an increase within the limits of the authorised capital by an amount of €1,329.40 by the creation and issuance of 132,940,000 new ordinary shares in exchange of a contribution in cash in an aggregate value of €3,130,004;

- June 24, 2014, an increase within the limits of the authorised capital by an amount of €355.75 by the creation and issuance of 35,575 new ordinary shares in exchange of a contribution in cash in an aggregate value of €1,000,000; and

- June 27, 2014, an increase within the limits of the authorised capital by an amount of €179,000.- by the creation and issuance of 17,900,000 new ordinary shares in exchange of a contribution in cash in an aggregate value of €911,110,000.-

Related Party Transactions

Annex I
R 19

During the year ended December 31, 2011, 2012 and 2013 the Group paid an aggregate of €3.6 million, €6.2 million and €0.6 million to related parties as management fees. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks.

The Group has entered into certain arrangements with Numericable, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the "Numericable" brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. Additionally, except as disclosed in note 31 to the historical consolidated financial statements, the Group did not have any material transactions with related parties during the years ended December 31, 2013 and 2012.

Off Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources, other than the contractual commitments relating to purchase of property plant, and equipment, operating leases and others described under "*—Contractual*

Obligations" or as disclosed below or in the notes to the historical consolidated financial statements of the Group included in this Prospectus.

Guarantees

In connection with our operations, we are required to provide a certain number of commitments in terms of performance guarantees for the completion of work, guarantees to municipalities, guarantees to suppliers and guarantees to regulators and other government agencies. At December 31, 2013, these guarantees amounted to approximately €489.5 million.

Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks relating to fluctuations in interest rates and foreign exchange rates, primarily as between the U.S. dollar, Euro and New Israeli Shekels, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest Rate and Related Risk

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT Unsecured Notes, pursuant to amortisation obligations. As adjusted for the Issuance, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €14,771 million (excluding finance leases and other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Senior Notes, the HOT Unsecured Notes, the 2013 Senior Secured Notes, the 2013 Dollar Senior Notes, the New Numericable Senior Secured Notes, the Existing Coditel Mezzanine Facility and the Notes, while our primary floating rate debt obligations (excluding finance leases and other liabilities) were in an amount equivalent to €4,599 million comprising of the 2013 Term Loan issued by Altice International, the New Numericable Term Loan entered into by Numericable and debt of Green Datacenter. In addition, any borrowings we make under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate. In addition, a portion of our debt in an amount of NIS 280.9 million (€58.6 million equivalent), comprising Series A of the HOT Unsecured Notes, is linked to the Consumer Price Index in Israel and therefore actual amounts outstanding may vary from time to time and differ from the nominal amount outstanding. As we have not entered into interest rate hedges, we are exposed to interest rate fluctuations with respect to our floating rate debt.

Foreign Currency Risk

Our business is exposed to fluctuations in currency exchange rates. The HOT Group's primary transactional currency is the New Israel Shekel. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of the Company and its other operating subsidiaries is the euro. We conduct, and will continue to conduct, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Our existing debt is primarily denominated in U.S. dollars, euros and New Israeli Shekels although the amounts incurred in euros and New Israeli Shekels do not necessarily match the amount we earn in the corresponding currency. We seek to manage such transactional foreign currency exposures though our hedging policy in accordance with our specific business needs. As of December 31, 2013, we had the following derivative instruments outstanding to secure foreign currency liabilities and to reduce foreign currency exposure:

- Foreign exchange forward contract relating to a swap of a notional amount of $550 million into New Israeli Shekels (maturing on December 15, 2017);

- Foreign exchange forward contract relating to interest rate hedging on a notional amount of $98.9 million and €40.1 million (maturing on each interest payment date under the 2012 Senior Secured Notes and the 2012 Senior Notes until December 15, 2017), which exchanges fixed euro and U.S. dollar payments into fixed New Israeli Shekels payments;

- Cross currency swaps on notional principal amounts of $200 million, $225 million and €100 million, each swapping into New Israeli Shekels at certain specified rates (maturing on December 15, 2017); and

- Cross currency swaps on notional principal amounts of $293 million, $407 million and $133 million, each swapping into New Israeli Shekels and Euros respectively at certain specified rates (maturing between July and November 2018).

In connection with the Transactions, we expect to enter into various derivative instruments.

In addition, because the reporting currency of the Company is the Euro while the reporting currency of the HOT Group and Green is New Israeli Shekels and Swiss Francs respectively, we are exposed to translation foreign currency exchange risk arising from the consolidation of such entities into the Company's consolidated financial statements. For more information on our foreign currency translation risk and sensitivity analyses, please see note 19 to the Company's financial statements as of and for the year ended December 31, 2013.

Critical Accounting Policies, Judgments and Estimates

See note 1 to our Historical Consolidated Financial Information included in Part XXV of this Prospectus.

PART XII
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE NUMERICABLE GROUP

The following discussion of the Numericable Group's financial condition and results of operations should be read together with the Numericable Group's audited annual consolidated financial statements for the years ended December 31, 2013 and audited annual combined financial statements for the years ended 2011and 2012. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties. See "Forward-Looking Statements."

In this section, unless the context otherwise requires, the terms "Numericable Group", "we", "us" and "our" refers only to Numericable Group and its subsidiaries (but excluding SFR). For discussion of the financial condition and results of operations of SFR please see "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR".

Overview

Introduction

Numericable Group is the sole major cable operator in France. It was created through the combination of several cable and B2B telecommunications operators and operates using a highly capillary network infrastructure to serve three telecommunication market segments in France:

- the B2C segment, which includes retail products and services under the Numericable brand and fiber white label offerings. The B2C segment makes up the largest part of the Numericable Group's revenues, contributing € 864.6 million in revenues for the year ended December 31, 2013 and €826.2 million in revenues for the year ended December 31, 2012 (or 65.8% and 63.4% of the respective Numericable Group totals).

- the B2B segment, which includes services offered to SMEs, large businesses and government entities. The B2B segment is the second largest contributor to Numericable Group revenues, contributing €309.6 million in revenues for the year ended December 31, 2013 and € 323.2 million in revenues for the year ended December 31, 2012 (or 23.5% and 24.8% of the respective Numericable Group totals).

- the wholesale segment, which includes voice, data, infrastructure and DSL white label services for telecommunications operators and Internet access providers. The wholesale segment is the third largest contributor to Numericable Group revenues, contributing €140.0 million in revenues for the year ended December 31, 2013 and €153 million in revenues for the year ended December 31, 2012 (or 10.7% and 11.8% of the respective Numericable Group totals).

The following table provides a breakdown of segment revenues (before elimination of inter-segment sales) for the years ended December 31, 2011, 2012 and 2013. This table follows the breakdown found in Note 5 to the consolidated annual financial statements where eliminations of inter-segment sales are not allocated by segment. The Numericable Group analyzes segment revenues in this Section based on this breakdown, pursuant to which sales and related costs are within the same segment.

	For the year ended December 31,		
	2011	2012	2013
	(in € millions)		
Revenue			
B2C	835.3	832.6	869.4
B2B	331.1	324.5	312.6
Wholesale	201.1	211.5	200.8
Inter-segment eliminations	(60.6)	(66.1)	(68.6)

Total	**1,306.9**	**1,302.4**	**1,314.2**

In order to reconcile this contribution with each segment's contribution to the Numericable Group consolidated revenue for the year ended December 31, 2013 and the combined revenue for the years ended December 31, 2011 and 2012, the following table allocates inter-segment sales eliminations by segment revenue for the relevant periods:

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € millions)		
Revenue			
B2C	(5.0)	(6.4)	(4.9)
B2B	(2.9)	(1.3)	(3.0)
Wholesale	(52.8)	(58.4)	(60.8)
Total inter-segment eliminations	**(60.6)**	**(66.1)**	**(68.6)**

The Numericable Group's service and product offerings are supported by an integrated network and are adapted to the characteristics and requirements of each market segment:

- In the B2C segment, the Numericable Group offers television, very-high-speed broadband Internet and fixed-line and mobile telephony services on both a bundled and stand-alone basis, and in both branded and white label form (through its fiber/cable network). The Numericable Group also offers analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers.

- In the B2B segment, the Numericable Group offers data services, including IP VPN, LAN to LAN, Internet, security, hosting and cloud computing, as well as voice services, including voice calls, VoIP and Centrex.

- In the wholesale segment, the Numericable Group offers voice and data wholesale carrier services, as well as DSL white label products. Within this segment, the Numericable Group also sells fiber network infrastructure-based wholesale services to other telecommunication operators and to the B2B segment as well.

As of December 31, 2013, the Numericable Group served approximately 1.3 million direct individual subscribers, approximately 1.78 million bulk customers, and approximately 363,000 white label end-users and had approximately 600 large B2B clients, including large corporations such as Auchan, EDF, Caisse des Dépôts et Consignations and public entities such as the French Ministry of the Interior and the Paris municipality, as well as approximately 12,000 medium-sized businesses.

For the year ended December 31, 2013, the Numericable Group's consolidated revenues were €1,314.2 million and EBITDA was € 560.1 million.

Presentation of the Consolidated Annual Financial Statements Included in this Prospectus

The Numericable Group was formed on August 2, 2013. On November 7, 2013, in the context of the listing of the Numericable's shares on Euronext Paris, two Luxembourg holdings companies, Ypso Holding S.à r.l, parent company of Ypso France, and Altice Lux Holding S.à r.l, parent company of Altice B2B France, were contributed to the *Company*. Prior to the contribution, the Ypso France led the commercial activities of Numericable, being a provider of cable television services through high-end digital channel packages accessible to households with "triple-play" cable network connections and also provided broadband Internet access to the French residential market as well as fixed and mobile telephony services. Altice B2B France, through its main operational entity Completel S.A.S., managed the largest alternative fiber-to-the-office ("FTTO") network in France and is the third largest alternative digital subscriber line ("DSL") network in France. By directly connecting its business customers' sites to fiber and DSL networks, Completel S.A.S. provided the commercial market with a complete range of services that includes data transfer and very high speed Internet and telecommunications services, as well as convergence and mobility services.

This Prospectus includes the Numericable Group's consolidated financial statements for the year ended December 31, 2013 and combined financial statements for the year ended December 31, 2012. These financial statements were prepared in accordance with International Financial Reporting Standards and adopted in the European Union.

The comparative data presented for the year ended December 31, 2012 corresponds to the combined financial statements of the two sub-groups, Ypso and Altice B2B. Prior to their contribution to Numericable Group on November 7, 2013, these two sub-groups were separate entities under the joint control of the private investment funds Carlyle, Cinven and Altice. As a result, the financial information included for purposes of comparison reflect the historical assets, liabilities, income, expenses and cash flow of the Ypso and Altice B2B sub-groups, which were two separate groups as of December 31, 2012, 2011 and 2010.

Critical Accounting Policies

For a description of the Numericable Group's significant accounting policies and critical accounting estimates, see Notes 2 and 3 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English language translation of which is included elsewhere in this 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, as an MNVO. The Numericable Group also provides analog television services to individual subscribers and bulk digital services to multiple-dwelling unit managers. The B2C segment also includes the Numericable Group's white label business with Bouygues Télécom using the Numericable Group's fiber/cable network. These products compete with those of the Numericable Group's competitors. See "*Risk Factors—Risks Relating to the Group's Industry and Markets—The Group operates in a competitive industry, and competitive pressures could have a material adverse effect on its business*".

The Numericable Group's new B2C customers commit for a period of twelve months. A security deposit (of €75) is required only for subscriptions to packages that include LaBox.

The Numericable Group frequently upgrades its product offerings and service quality, in particular by increasing broadband Internet speeds and expanding its digital television offering and the range of interactive services offered, in order to stay competitive in a highly competitive environment, retain existing customers and attract new customers and increase ARPU (see below). Promotional offers may also include a price reduction (thereby reducing ARPU and related revenue) in a given period.

The Numericable Group's most recent efforts have focused on its triple- and quadruple-play services offered to individual subscribers. The Numericable Group's triple- and quadruple-play offers combine several services into packages, thus enabling subscribers to conveniently order television, broadband Internet and fixed telephony services together and, if desired, mobile telephony services. The Numericable Group believes that its introduction of triple- and quadruple-play packages has been a key factor in its success in attracting new subscribers and retaining existing subscribers. The Numericable Group's progressive upgrading of its network to EuroDocsis 3.0 technology also enables it to offer customers top of market broadband speeds and access services. The Numericable Group also recently introduced a package that includes a tablet or smartphone for €1 extra per month.

In May 2012, the Numericable Group began marketing "LaBox," an integrated set-top box and cable router that it offers to triple-play and quadruple-play customers who subscribe to the Numericable Group's premium packages. Marketing increased significantly in September 2012. The Numericable Group believes that LaBox is one of the most powerful and interactive set-top boxes on the French market, taking advantage of the portion of the Numericable Group's network that has been upgraded to EuroDocsis 3.0 technology. LaBox has generated increasing ARPU for the Numericable Group as the proportion of premium sales (which include LaBox) has increased and has allowed the Numericable Group to attract new customers to its network. Approximately 70% of new customer adds for the period from September 30, 2012 to December 31, 2013 were for the Numericable Group's high-end multi-play offerings, including LaBox. More than 300,000 LaBox units were deployed as of December 31, 2013, representing a penetration rate of 29% of the Numericable Group's multi-play customers.

B2B Segment Product Offerings

The Numericable Group provides business customers with a comprehensive service offering, which includes voice services, including voice calls, VoIP and Centrex, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. This service offering competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—B2B Market*".

As described in "Business—The Group's Business Lines—B2B Segment—Customers," contracts with B2B customers are generally entered into for an initial minimum period of one year (for voice services) and three years (for data services), but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years, following mandatory tender processes.

The Numericable Group's voice and data services offer a complete range of telecommunications services. Voice and data services offerings enable customers to centralize their telephony needs on their principal sites by centralizing all of their equipment and telephone calls and connecting the customer's central site to the Numericable Group's fiber optic network for better quality and to the Numericable Group's SDSL network for remote sites. The Numericable Group believes that such access to its network is a major competitive advantage that has allowed to it to both attract and retain a large customer base. As most of the Numericable Group's customers are located near the Numericable Group's fiber or DSL network, only limited additional investment is needed to connect customer sites.

The Numericable Group has adapted to the changing telecommunications environment by deploying a full range of cloud computing solutions, including external flexible telephony services, messaging and security solutions and hosting services (e.g., servers and platforms). The Numericable Group focuses in particular on providing "infrastructure as a service," which provides customers with the benefits of infrastructure without having to invest in it.

The Numericable Group has made strategic acquisitions in order to bolster the competitiveness and attractiveness of its B2B product offering. For example, in 2010, the Numericable Group significantly enhanced its IP VPN offering by acquiring Altitude Télécom, a French specialist in IP VPN which had close relationships with the public sector, and thereby solidified the Numericable Group's public sector entity customer base. Combining "infrastructure as a service" with the Numericable Group's broadband network uses the power of fiber and contributes to customer loyalty, while leveraging Completel's expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans).

The Numericable Group has a packaged offering for medium-sized companies—Completude—which bundles fixed voice, data and additional services. Completel's premium package, Completude Max, offers broadband Internet at a speed of up to 100 Mbps through the Numericable Group's FTTB network for the same price as DSL access.

Wholesale

In the wholesale market, the Numericable Group provides wholesale voice and data carrier services and network infrastructure-based wholesale services, including IRUs or bandwidth capacity on its network. It provides these services directly or through its subsidiary Sequalum, under a public-private partnership. The segment also includes the Numericable Group's ADSL white label business, which currently consists of services for former Darty customers who have been transferred to Bouygues Télécom (see "*Description of Group's Business—Material Contracts—White Label Contracts*"). The Numericable Group's wholesale business is an opportunistic one; the Numericable Group can use the network in which it has invested for its B2C and B2B businesses and generate higher margins and benefit from growth opportunities. The wholesale segment also benefits from cross-selling opportunities with the B2B segment, when analysis of a customer's requirements indicates that the Numericable Group can better serve it through a wholesale offering to another operator. This service offer competes with those of the Numericable Group's competitors. See "*Industry and Market Overview—Wholesale Market*".

Pricing

B2C Segment Pricing

Pricing in the French B2C market segment is primarily driven by the pricing of multi-play packages, to which the vast majority of customers subscribe. The cost of a multi-play subscription package generally depends on market conditions and pricing by competitors with similar offerings. In addition, pricing depends on the content and options available on each platform (i.e., number of regular and premium channels offered for television, maximum speed for Internet, regular and long-distance minutes for fixed-line telephony, and number of voice minutes and text messages for mobile telephony). Subject to certain exceptions, the more options, content, and included usage time, the higher the price of the multi-play package in question. For example, the addition of a basic mobile telephony package is currently free for premium triple-play subscribers, while the addition of a premium mobile telephony package raises the subscription price. Subscription fees for stand-alone offerings are also sensitive to the number of options, the content and the included usage time, although pricing for these services tends to be less competitive as the majority of the market competes primarily on the multi-play arena.

The Numericable Group adjusts its pricing policies based on evolving market practices. In the past, the French triple-play market was structured around offers at €30 per month. Accordingly, the initial customer migration from the Numericable Group's "TV-only" offers generally priced at €40 per month to lower-priced triple-play packages negatively affected the Numericable Group's results of operations. Like other operators, the Numericable Group raised the price of its basic triple play package in January 2011. Similarly, in 2012, the Numericable Group made further changes to its pricing structure in response to changing market conditions. In particular, the Numericable Group began offering its basic triple-play package, "Start," and its entry-level package, "iStart," and also lowered the price of its stand-alone mobile telephony services. In the first quarter of 2014, the Numericable Group further modified its pricing structure and slightly raised the prices of its products. See "*Risk Factors—Risk Relating to the Group's Industry and Markets—B2C Market—Triple-and quadruple-play*".

The Numericable Group continues to offer television services on a stand-alone basis to existing subscribers. Where technically possible, the Numericable Group aims to offer these customers a triple-play offering.

The Numericable Group's bulk packages to building managers include a basic television services package and a basic triple-play package that includes a standard digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access up to 2 Mbps and unlimited inbound fixed-line telephone calls. These packages are sold for a fixed subscription fee per apartment, irrespective of whether the services are actually used by the residents. The contracts have an average duration of five years. Most bulk contracts are for only basic television services. Pricing for bulk packages varies by building and by the content provided, with an average price of €3.00 per end-customer per month.

The Numericable Group believes that its current B2C pricing structure, together with the growth in the adoption of additional content-related services such as VOD, should drive growth in revenue and ARPU.

B2B Segment Pricing

Prices for B2B contracts are negotiated with each customer. The B2B market for voice services is extremely price sensitive, as voice services are highly commoditized, with sophisticated customers and relatively short-term (one year) contracts. The B2B market for data services is less price sensitive, as data services require more customization. In both markets, price competition is strongest in the large corporates segment whereas customer-adapted solutions are an important competitive focus in the medium and smaller business segment.

Wholesale Segment Pricing

Prices for wholesale contracts are either regulated and based on a "cost plus" structure, with the interconnection cost set by the ARCEP or freely negotiated with the Numericable Group's wholesale customers, depending on the service. The Numericable Group's ability to offer competitive prices is a major factor in winning contracts.

Moreover, Sequalum charges fees for various services rendered to operators (see "*Description of Group Business—Wholesale Market—Wholesale Market Product and Service Offering—Infrastructure Wholesale Services*"), such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network. It also sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of Hauts-de-Seine that is classified as a "dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated.

Churn

B2C Churn

The B2C television, broadband Internet and telephony industries typically exhibit relatively high churn rates as a result of high levels of competition. Churn rates result primarily from changes in the Numericable Group's or its competitors' pricing, the level of customer satisfaction and the relocation of subscribers outside of its network area. Increases in the churn rate may lead to increased costs and reduced revenues. The Numericable Group has implemented initiatives designed to improve its customers' experience. These initiatives include enhanced CRM systems, which enable the Numericable Group to manage new subscribers more efficiently and to identify and offer special retention packages to subscribers identified as at risk of churning.

The following table sets out the B2C segment's churn rates for direct customers (i.e., not including white label end-users or bulk subscribers) for the years ended December 31, 2011, 2012 and 2013. The B2C churn rate (i.e. the discontinuance of services to a customer either voluntarily or involuntary) used herein is the percentage measure of the number of subscribers disconnected during a particular period (either at the subscriber's request or due to a termination of the subscription by the Numericable Group) divided by the number of subscribers at the beginning of the period, excluding transfers between the Numericable Group's products.

	For the year ended December 31,		
Product	**2011**	**2012**	**2013**
Stand-alone digital television	16.4%	19.0%	18.9%
Analog television	20.1%	18.3%	19.2%
Triple-play	17.3%	17.2%	17.0%
Overall	**19.4%**	**18.6%**	**19.0%**

The overall B2C segment has had higher churn rates as compared to the triple-play market average; the Numericable Group believes this reflects in particular the loss of customers who move outside of the Numericable Group's fiber/cable network area, which connects only approximately 35% of homes in metropolitan France; the Numericable Group believes that this factor accounts for a churn rate of approximately 4%. In order to reduce this type of churn, the Numericable Group launched a new DSL triple-play offering in August 2013 in the non-fiber/cable part of its network.

The Numericable Group believes its improved CRM systems have contributed to a significant reduction in churn. The Numericable Group's analog television churn rate spiked in 2011, with the official transition to DTT broadcasting completed in November 2011. The Numericable Group expects high churn rates to continue in analog television until the service is ultimately phased out.. The increase in stand-alone digital television churn results from migration to triple-play packages, in line with market trends. For a definition of churn as it is used herein, see the "*Glossary*" included in this Prospectus.

B2B Churn

The Numericable Group also tracks the churn rate of its B2B customers. The calculation of this rate differs from that of the B2C churn rate due to the nature of the Numericable Group's business, as the value of B2B customer contracts may vary greatly. The Numericable Group therefore calculates a churn rate based on the relative value of its B2B contracts in a month compared to the value of the same B2B contracts in the prior month, reflecting both the loss of customers and pricing readjustments.

The following table shows the trends of the B2B segment's churn rate in 2011, 2012 and 2013.

	For the year ended December 31,		
Product	**2011**	**2012**	**2013**
Churn rate	19.0%	25.8%	31.6%

B2B churn rates have been high with respect to voice services, primarily as a result of regulation imposing reduced termination rates, which reduced the Numericable Group's revenues from termination services and led to a decrease in the price of B2B voice services. In addition, given the overall market decline in voice prices, customers tend to be aggressive (such as by organising successive requests for proposals and changing providers based largely on pricing terms, known as "tariff churn") in negotiating price reductions with respect to voice services. See "*Regulation Overview—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications—Market Analysis—Asymmetric Regulation*". This phenomenon was particularly apparent in the churn rates for the year ended December 31, 2013, taking into account the significant decline in regulated call termination fees. B2B churn rates can also be affected by the loss of personnel, as occurred in the year ended December 31, 2012 in connection with the Numericable Group's relocation of segment engineers from Champs-sur-Marne to Rouen.

Cost Structure and Cost 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 fiber/cable network are allocated to the B2C segment, whereas costs related to the Numericable Group's backbone and DSL network are allocated to the B2B segment. No network-related costs are allocated to the wholesale segment. The Numericable Group's general and administrative costs are allocated pro rata based on the relative size of the segments.

Since 2010, the Numericable Group has initiated several cost-saving initiatives that have resulted in an improvement of its cost base, despite an increase in marketing over the period. Such initiatives include (i) the renegotiation of content contracts, (ii) the restructuring of the Numericable Group's sales force, and (iii) measures to reduce bad debt costs. The Numericable Group regularly reviews opportunities to decrease its costs and improve its profitability.

Network Upgrade and Maintenance

In 2011, 2012 and 2013, approximately 6% (€14 million), 12% (€ 33 million) and 15% (€48 million), respectively, of the Numericable Group's capital expenditures were related to its network, including upgrades, extensions and bandwidth capacity enhancements in relation to its existing network as well as capital expenditures related to DSP 92 (discussed below). The Numericable Group also incurred €91 million, €107 million and €120 million in network operation and maintenance expenses in 2011, 2012 and 2013, respectively.

The Numericable Group's ability to provide new HD and on-demand digital television services, broadband Internet access at ever higher speeds and telephony services to additional subscribers depends in part on the Numericable Group's ability to upgrade its network. During each of 2012 and 2013, the Numericable Group deployed fiber on a substantial part of its network and upgraded a portion of it to EuroDocsis 3.0 technology, making substantial capital expenditures in this respect.

The Numericable Group also upgrades and expands the reach of its network through public-private partnerships. The most significant current public-private partnership is implemented through the Numericable Group's subsidiary Sequalum, which carries out wholesale activities in the "Hauts de Seine" district that includes the "La Défense" business district. Sequalum was established in 2008 to plan, finance, market, deploy and operate an FTTH very-high-speed fiber network under a French law scheme known as délégation de service public (with this one known as the "DSP 92"). Fiber deployment began in October 2009 and continues today; revenues are currently generated and are accounted for in the wholesale segment. Capital expenditures in connection with DSP 92 are included within the Numericable Group's network capital expenditures. In July 2013, the Numericable Group received notification from the conseil général des Hauts-de-Seine of the approval of Phase II of this project, which is expected to continue until 2016. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group—Capital Expenditures*". The Numericable Group expects to pursue similar public-private opportunities to expand its network in the future, which would result in increased capital expenditures.

Going Concern

The Numericable Group's consolidated annual financial statements have been prepared assuming that the Numericable Group will continue as a going concern. As discussed in Note 1.5 to the consolidated financial statements, the Numericable Group was formed by a series of acquisitions, mainly funded through borrowings. In addition, the construction and subsequent upgrading of the Numericable Group's network have required substantial investments. These two factors explain the structure of the Numericable Group's balance sheet the proportion of financial liabilities in relation to total equity, and the significant amount of amortisation 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. Furthermore, as explained in Note 4.1.6, the Group refinanced its senior debt in 2013, rescheduling a large portion of its debt. Under the conditions described in Note 1.5 to the consolidated annual financial statements for the year ended December 31, 2013 included elsewhere in this Prospectus, and given the updated cash flow projections, Numericable Group management and Board of Directors believes that the Numericable Group will be able to finance its cash requirements for the next twelve months from the date of approval of the consolidated annual financial statements and meet its financial debt obligations during the period. As a result, the Numericable Group's consolidated financial statements as of December 31, 2013 and the combined financial statements as of December 31, 2012, 2011 and 2010 have been prepared on a going concern basis.

Changes in Scope of Consolidation

The Numericable Group's results in the periods under review are affected by acquisitions and divestitures.

In the year ended December 31, 2013, the Numericable Group made various acquisitions:

- in March 2013, the Numericable Group acquired Auchan's television, very high speed Internet access and fixed telephony services business (thereby terminating a white label agreement with Auchan), which represented approximately 5,000 individual subscribers.
- in June 2013, the Numericable Group acquired the French simplified stock company (*société par actions simplifiée*) Valvision, a small regional cable operator in France, with approximately 5,000 individual subscribers and 8,000 bulk subscribers.
- in October 2013, through Altice B2B France, the Numericable Group acquired LTI Télécom SA, a telecommunications operator created in 1998 and present in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized French businesses with 5 to 250 employees.

The Numericable Group did not carry out any significant divestitures in 2012 or 2013.

The Numericable Group made one significant divestiture during the period covered by the financial statements included elsewhere in this Prospectus: on December 31, 2011, it sold its holdings in Coditel Belgium and Coditel Luxembourg to Coditel Holding S.A., a Luxembourg entity owned by Altice, Deficom and Apax MidMarket. The sale, which generated a gain of €118 million (from a gross sale price of €369 million), was in line with the Numericable Group's strategy to focus exclusively on the French market. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"):

- the results of Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 statement of income in the line item "Net income resulting from discontinued operations" for all the periods presented;
- the cash flows from Coditel Belgium and Coditel Luxembourg are presented separately in the 2010 and 2011 cash flow statement in the line item "Net cash flow from discontinued operations" for all the periods presented.

Additional information regarding discontinued operations is provided in Note 30 to the Numericable Group's combined financial statements as of and for the years ended December 31 2012, 2011 and 2010, included elsewhere in this 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 analyze the success of its different offerings and packages of offerings, and adjust its offerings accordingly.

	As of December 31		
Footprint(1)	**2011**	**2012**	**2013**
	(in thousands)		
Homes passed(2)	9,833	9,875	9,940
Triple-play enabled	8,368	8,428	8,511
EuroDocsis 3.0 enabled plugs	4,285	4,788	5,196
Digital individual subscribers	1,238	1,228	1,264
Multi-play(3)	938	972	1,041
Stand-alone television	267	223	193

Other[4]	34	34	31
Fiber white label end-users[5]	206	297	363
Total digital individual users	**1,444**	**1,525**	**1,628**
Analog television individual subscribers	133	103	81
Total individual users	**1,577**	**1,628**	**1,709**
Bulk subscribers[6]	1,837	1,829	1,753
DSL white label end-users (Bouygues ex-Darty)	204	168	120

---

(1) Operating data related to the Numericable Group's footprint and penetration are presented as of the end of the period presented.

(2) A home is deemed "passed" if it can be connected to the distribution system without further extension of the network.

(3) Dual-play services (Internet and fixed-line telephony, fixed-line telephony and television, television and Internet)

(4) Stand-alone Internet and stand-alone fixed-line and mobile telephony subscribers.

(5) Fiber white label end-users (i.e., not including DSL white-label end users), in accordance with the financial communication policy of Ypso France, as well as the accounting segments of the Numericable Group (fiber white label activities are included in the B2C segment and DSL white label activities are included in the wholesale segment).

(6) Bulk subscribers are subscribers through a collective contract entered into between a cable operator and a property agent or housing association.

The Numericable Group generates new subscribers through a broad range of sales channels, primarily through its own sales outlets, from other retail outlets, its website, inbound and outbound telesales and door-to-door sales. Sales through the Numericable Group's stores, retail sales points and door-to-door sales typically generate a higher ARPU than web-based sales and telesales, as they are more conducive to the promotion of premium offerings. The Numericable Group maintains a detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction. See "*Description of the Group's Business—The Group's Business Lines—B2C Market—B2C Segment Offers—Sales and Marketing*".

The total number of customers and the mix between subscriptions to lower-range or premium products significantly affect the Numericable Group's revenues, ARPU and EBITDA.

RGUs

The Numericable Group uses RGUs, or "Revenue Generating Units," to track the level of subscription to its B2C services. Each individual subscriber receiving cable TV, broadband Internet, fixed or mobile telephony services over the Numericable Group's network counts as one RGU. Thus, one direct subscriber who receives all of the Numericable Group's services is counted as four RGUs.

RGU is not a measure of financial performance under IFRS, nor is RGU verified by a third party. RGU is derived from management estimates. As defined by the Numericable Group's management, RGU may not be comparable to similar terms used by other companies. See the Glossary included in this Prospectus. The Numericable Group's RGUs only reflect Numericable brand subscribers and do not include white label end-users or bulk subscribers

The following table summarises the Numericable Group's RGUs for the dates indicated:[1]

As of December 31,

	2011	2012	2013
	(in thousands except RGUs per individual user)		
TV Individual RGUs	1,216	1,163	1,140
Internet Individual RGUs	950	985	1,054
Fixed Telephony Individual RGUs	897	946	1,024
Mobile Telephony Individual RGUs	47	113	186
Total individual RGUs	**3,110**	**3,207**	**3,404**
Number of individual RGUs per individual user	**2.27**	**2.41**	**2.53**

---

(1) Only Numericable direct individual subscribers (i.e., not including white label end-users or bulk subscribers).

ARPU

The Numericable Group uses the ARPU metric to track the performance of its B2C business. ARPU is not a measure of financial performance under IFRS, nor has ARPU been reviewed by an outside auditor, consultant or expert. ARPU is derived from internal management calculations and assumptions. The definition of the term used by the Numericable Group's management may not be comparable to similar terms used by other companies. See the Glossary included in this Prospectus.

ARPU is a measure the Numericable Group uses to evaluate how effectively it is realising potential revenues from its direct digital customers. Monthly ARPU is generally calculated on a yearly and quarterly basis by dividing the Numericable Group's total direct digital subscription-related revenue for the period, excluding installation, carriage, connection and disconnection fees, and deposits, by the average number of the Numericable Group's direct digital subscribers served in that period. Operational data related to gross-adds ARPU and customer-base ARPU presented in this Prospectus reflect ARPU from the Numericable Group's direct digital subscribers only.

ARPU is highly sensitive to the pricing of the Numericable Group's packages. For example, the Numericable Group saw an increase in ARPU resulting from price adjustments in its triple-play packages and the launch of its quadruple-play packages in 2011, primarily as a result of price increases due to evolving market trends. See "*—Significant Factors Affecting Results of Operations—Pricing*". Recent ARPU increases result from (i) upgrades to the Numericable Group's B2C offers by adding new television channels, new content, new television applications, (ii) customer migration to premium packages, driven primarily by the availability of very high speeds (EuroDocsis 3.0 technology) and LaBox, as well as by price increases, and (iii) an increased mobile telephony penetration rate.

The table below shows the evolution of the Numericable Group's customer-base ARPU (calculated by dividing the Numericable Group's total direct digital subscription related revenue, including paid subscription fees and extra consumption on fixed and mobile telephony and TV options but excluding VOD revenues and installation and carriage fees, for the period by the average number of direct digital customers served in that period) and gross-adds ARPU (calculated based on the subscription revenue from new clients, plus the average value of consumption outside of subscription plans from existing clients, as calculated for the ARPU of the overall subscriber base) for the periods indicated. The operational data relating to gross-adds ARPU and customer-base ARPU presented below reflect ARPU from the Numericable Group's direct digital subscribers only.

	For the year ended December 31,		
	2011	**2012**	**2013**
ARPU per month—new digital individual subscribers (gross-adds)	€41.5	€41.7	€41.3
Monthly ARPU—digital individual subscribers (customer-base)[1]	€40.3	€40.7	€41.5

---

(1) Operating data related to ARPU are presented in euro per month (excluding VAT) for the periods indicated.

Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

Incremental B2B Contract Monthly Adds

The Numericable Group is focused on growing its B2B business profitably and tracks trends in this segment with an indicator of incremental B2B contract revenue adds, a measure which displays the monthly recurring value of the order intakes in a given period. This indicator includes the incremental revenues of new contracts signed in a period. It is comparable to the product of gross-adds ARPU multiplied by the volume of new customers in the B2C segment.

The following table shows the level of incremental B2B contract revenue adds based on contracts signed in each of 2011, 2012, and 2013.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Order intake revenue	5,290.0	5,659.7	6,656.5

The discussion above should be read in connection with the discussion regarding B2B churn rates. See "—*Churn—B2B Churn*".

Subscriber Acquisition Costs

The Numericable Group is focused on growing its business profitably as it increasingly offers new digital products to its customer base. The Numericable Group's ability to profitably market its multi-play service offerings at competitive prices is tied to its end-to-end control of its cable network, its large customer base to which it can sell additional services, and the cost structure of the Numericable Group's business, all of which are key determinants of the payback profile of its incremental multi-play service customers.

The subscriber acquisition costs for B2C fiber/cable products consist of costs for customer premise equipment (set-top boxes), when applicable, in-house and on-site wiring and installation, and the costs per order including marketing, sales, general and administrative and all other costs. Due to the Numericable Group's own extensive local loop network, it is not obligated (unlike other alternative operators) to make payments to Orange to gain access to its last mile network and therefore has a structural cost advantage. Certain acquisition costs (in particular equipment) are capitalised.

The Numericable Group does not follow subscriber acquisition costs for B2B or wholesale customers, but evaluates its return on investment, considering capital expenditures (equipment, installation and wiring at customer sites as well as the creation of fiber links to customer sites) and operating expenditures (mainly commissions paid to its direct and indirect sales force).

Key Income Statement Items

Below is a summary description of certain Numericable Group income statement line items and other metrics used by the Numericable Group.

Revenue

Revenue is generally a function of (i) volume, which depends on the number of subscribers, sites connected or lines provided for subscription packages and the level of usage, and (ii) prices, for subscription packages, minutes, line rentals and other services, which depend on the offer selected.

Revenue recognition principles are described in Notes 2.3 and 2.4 to the Numericable Group's consolidated financial statements for the year ended December 31, 2013 included elsewhere in this Prospectus.

The structure of segment revenues is summarised below.

B2C Segment Revenues

Revenue in the B2C segment consists mainly of:

- Digital revenue, including (a) recurring monthly subscription fees for the Numericable Group's television, broadband Internet, fixed-line and mobile telephony services, whether sold on a stand-alone basis or bundled into triple- and quadruple-play packages, (b) variable usage fees from VOD, fixed-line and mobile telephony, (c) one-time connection and disconnection fees, (d) telephony termination fees, and (e) fees paid to the Numericable Group by pay-TV channels based on the number of Numericable Group customers who subscribe to their offerings;

- Bulk revenue, including quarterly, semi-annual and annual fees paid by multiple-dwelling unit managers, including subsidized housing, for the provision of basic television or triple-play services to the residents of their buildings. The incremental revenues from subscribers who upgrade to a full triple- or quadruple-play package are counted as digital revenues and not bulk revenues;

- Analog revenue, including recurring monthly subscription fees for the Numericable Group's analog television offering, including related one-time connection and disconnection fees; and

- Fiber white label revenue, in particular recurring monthly fees paid to the Numericable Group under its white label contracts with Bouygues Télécom

B2B Segment Revenues

Revenue in the B2B segment consists mainly of:

- Voice services, including revenue from variable usage fees from telephony (including VoIP and Centrex) services, recurring monthly subscription fees and one-time connection, disconnection and termination fees; and

- Fixed data services, including revenue from recurring monthly subscription fees for services such as point-to-point bandwidth, LAN to LAN, SAN to SAN and IP VPN and hosting and cloud services.

Wholesale Segment

Revenue in the wholesale segment consists mainly of:

- Revenue relating to wholesale voice carrier services;

- Revenue relating to wholesale data carrier services;

- Revenue relating to the sale of infrastructure (dark fiber); and

- DSL white label revenue, including revenue from the Numericable Group's white label contracts with Darty (in the form of both subscription fees and activation fees). Since the end of 2012, such white label customers have, in certain cases, been migrated to the network of Bouygues Télécom (see "*Description of Group's Business—Material Contracts—White Label Contracts*"). Monthly fees paid to the Numericable Group are based on the number of end-users to whom a white label customer sells the Numericable Group's triple-play packages, as well as the type of packages. Additional fees are payable by the Numericable Group's customers who require additional services, such as customer care and billing.

Purchases and Subcontracting Services

Purchases and subcontracting services consist mainly of television content costs, data and broadband Internet interconnection costs and fixed-line telephony interconnection and termination costs (the levels of which are regulated). Other additional purchase and subcontracting services include costs of outsourced work, which primarily relates to outsourced network maintenance, installation work and call centers; advertising costs; fees payable under the Numericable Group's MVNO contracts with Bouygues Télécom and SFR; utilities, including electricity, and fees paid for rights of way and rental and leasehold charges. See Note 7 to the Numericable Group's consolidated annual financial statements for year ended December 31, 2013, included elsewhere in this 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, (iii) costs associated with the use of temporary, external and non-salaried personnel, and (iv) costs relating to the stock option plan required to be recognized under IFRS 2.

The Numericable Group's personnel costs depend on the number and salary levels of its full-time staff and external personnel. The Numericable Group believes that its current personnel levels are adequate and it does not expect to increase its personnel levels significantly in the near future. Salary negotiations are customarily held each year.

Taxes and Duties

Taxes and duties consist mainly of general direct and indirect taxes such as certain business taxes (*imposition forfaitaire annuelle and taxe professionnelle*) and the taxes implemented in replacement thereof (*cotisation sur la valeur ajoutée des entreprises* and *cotisation fonciére des entreprises*), local government taxes (*impôts locaux*), taxes on the Numericable Group's vehicle fleet (*taxe sur les véhicule de société*), social security taxes (*contribution sociale de solidarité des sociétés*) and taxes on certain advertising expenses (in particular taxes on advertisement leaflets), as well as taxes applicable to telecommunications operators and television providers, such as taxes on television providers, taxes supporting the audio-visual content industry (*cotisation de soutien à l'industrie des programmes audiovisuels*) and taxes on VOD.

This line item does not include corporate income tax (*impôt sur les bénéfices*), which is recorded under the line item "Income tax expense."

Provisions

Provisions consist mainly of provisions for operational risks, disputes and pensions. See note 23 to the Numericable Group's consolidated annual financial statements for the year ended December 31, 2013.

Other Operating Income

Other operating income consists mainly of own work capitalised (i.e., related to network upgrade projects and IT product development work staffed with in-house employees), proceeds from disposals of tangible assets, and other income. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court. In 2011, this line item included €10 million paid by France Telecom to the Numericable Group pursuant to a judgment of the Paris Commercial Court..

Other Operating Expenses

Other operating expenses consist mainly of:

- net book value of assets sold;
- advisory fees paid in connection with refinancings;
- management fees paid to the Numericable Group's shareholders Altice, Cinven and Carlyle in relation to certain management, financing and advisory services provided. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. In and before 2011, such management fees consisted of a variable component based on Numericable Group revenues and a fixed component. As from 2012, management fees are calculated solely on the basis of a fixed fee. As from 2012, management fees are calculated solely on the basis of a fixed fee; and
- miscellaneous operating expenses.

Operating Income Before Depreciation and Amortisation (EBITDA)

Operating income before depreciation and amortisation (EBITDA) is one of the main indicators the Numericable Group tracks in order to manage and assess the results of its operations, make decisions with respect to investments and allocation of resources, and assess the performance of management personnel. It is calculated as revenues, minus purchases and subcontracting services, staff costs and employee benefits expense, taxes and duties, provisions, other operating income, and other operating expenses.

The Numericable Group believes that this measure is useful to readers of its consolidated financial statements and combined financial statement, respectively, as it provides them with a measure of the operating results which excludes non-cash elements such as depreciation and amortisation, enhancing the predictive value of its consolidated financial statements and combined financial statements, respectively, and providing information regarding the results of the Numericable Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in its financial performance.

The Numericable Group's calculation of EBITDA may not be comparable to similarly titled measures used by other entities. Furthermore, this measure should not be considered as an alternative to operating income as the effects of depreciation, amortisation 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 amortisation and depreciation) adjusted for items the Numericable Group considers to be outside of recurring operating activities or that are non-cash. During the period under review, these items consisted of: advisory fees paid in relation to debt refinancing, acquisition-related restructuring costs (in connection with the acquisition of Altitude Télécom), provisions and costs tied to tax and social security audits, commercial penalties, receipt of a litigation-related payment, receipt of a contract early termination payment charges (non-cash) resulting from the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning subscribers, the transfer of the remaining net accounting value of assets returned to municipal governments in connection with the exiting of DSP contracts, CVAE tax (*cotisation sur la valeur ajoutée des entreprises*) (a French business tax) and the costs relating to the stock option plans.

The Numericable Group believes that this measurement is useful to readers of its consolidated financial statements and combined financial statements as it makes trends more visible and provides more precise information regarding the Numericable Group's operating income and cash-flow generation.

Depreciation and Amortisation

Depreciation and amortisation consists mainly of regular depreciation and amortisation 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, amortisation fees paid in connection with implementation of certain new indebtedness facilities and provisions for financial risks.

Income Tax Expense

Income tax expense consists of corporate income tax (*impôt sur les bénéfices*) and provisions for tax audits. It does not include other taxes due by the Numericable Group, which are recorded under the line item "Taxes and duties" discussed above.

The Numericable Group has substantial tax loss carry-forwards (described in Note 12.4 to the consolidated annual financial statements for the three-year period ended December 31, 2013) which by their nature could reduce its corporate income tax burden.

However, the ability to effectively use these losses (and to achieve all or part of the theoretical tax savings they represent) will depend on a number of factors, such as:

- The ability of the Numericable Group or of certain Numericable Group companies to generate taxable profits and the difference between such taxable profits and tax losses; in this respect, it should be noted that (i) a large part of the tax loss carry-forwards (€1,168 million as of December 31, 2013) can currently only be offset against the profits of NC Numericable, an operating company of the Numericable Group (mostly present in the B2C segment); (ii) a part of the tax loss carry-forwards (€148 million as of December 31, 2013) can only be offset against the profits of Completel, an operating company in the B2B and Wholesale segments and (iii) a part of the tax loss carry-forwards (€6 million as of December 31, 2013) can only be offset against the profits of Sequalum; (iv) a portion of the losses (€13 million as of December 31, 2013) can only be offset against the profits of Altice B2B France, a holding company without operating activities; and (v) a portion of the tax loss carry-forwards (€42 million) can only be offset against the profits of Ypso France, a holding company without operating activities. The use of the losses specific to the two holding companies is extremely limited (because they can only be offset against each of these company's profits, respectively, and both these companies are structurally in deficit).

- The two tax consolidation groups formed by Ypso France and Altice B2B France , respectively, remained in place through December 31, 2013. As of December 31, 2013, the Ypso France group had €642 million of tax loss carry-forwards and the Altice B2B France group had €217 million of tax loss carry-forwards. Numericable intends to become the head of a tax consolidation group in accordance with articles 223 A and 223 L 6 i of the French General Tax Code, with effect from January 1, 2014, and including the companies of the Altice B2B France and Ypso France sub-groups. The relevant filings that will be required will be made on March 31, 2014 and will have a retrospective effect as of January 1, 2014. If this occurs, based on the numbers as of December 31, 2013, all of the €642 million of tax loss carry-forwards generated by the Ypso France group and all of the €217 million of tax loss carry-forwards generated by the Altice B2B France group should remain available, subject to certain conditions and limitations, against the profits of the prior scopes of Ypso France and Altice B2B, respectively, which will be included in the scope of the new group.

- The general limitation pursuant to French tax regulations, under which the percentage of French tax loss carry-forwards that may be used to offset the portion of taxable profit exceeding one million euros is limited to 50% in respect of financial years ending on or after December 31, 2012, as well as certain more specific restrictions with respect to certain tax categories;
- Ypso France's specific tax loss carry-forwards (€42 million) should be considered as lost since the company has not received any favorable tax ruling allowing their transfer;
- The outcome of current or future tax audits and tax-related litigation; and
- Possible changes in applicable laws and regulations.

As of December 31, 2013, given the potential to generate income, the Numericable Group was able to use a portion of the tax loss carry forwards that it had recorded. The Company therefore decided to recognize a deferred tax asset on a basis of €357 million tax losses, (€132.7 million of income tax benefit recognized) or 14%, of the total tax loss carry-forwards.

Net Income from Discontinued Operations

Net income from discontinued operations consists of the net income of Coditel, which the Numericable Group divested in June 2011. Net income from discontinued operations amounted to €126.1 million in 2011.

Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013

The table below shows the Numericable Group's consolidated statement of income for the year ended December 31, 2013 and the combined statement of income for the year ended December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2012(1)		**2013(1)**		
	(in € millions)	**(as a % of revenues)**	**(in € millions)**	**(as a % of revenues)**	**Change**
Revenues	**1,302.4**	**100.0%**	**1,314.2**	**100.0%**	**0.9%**
Purchases and subcontracting services	(602.1)	(46.2)%	(611.0)	(46.5%)	1.5%
Staff costs and employee benefits expense	(141.5)	(10.9)%	(154.6)	(11.8%)	9.3%
Taxes and duties	(32.4)	(2.5)%	(33.9)	(2.6)%	4.6%
Provisions	(6.2)	(0.5)%	(20.5)	(1.6)%	229.1%
Other operating income	89.2	6.9%	86.3	6.6%	(3.3%)
Other operating expenses	(17.2)	(1.3)%	(20.5)	(1.6)%	19.2%
Operating income before depreciation and amortisation (EBITDA)	**592.3**	**45.5%**	**560.1**	**42.6%**	**(5.4)%**
Depreciation and amortisation	(291.7)	(22.4)%	(304.0)	(23.1)%	4.2%
Operating income	**300.5**	**23.07%**	**256.0**	**19.5%**	**(14.8)%**
Financial income	4.3	0.3%	9.7	0.7%	124.3%

Interest relative to gross financial debt	(183.1)	(14.1)%	(184.8)	(14.1%)	1.0%
Other financial expense	(32.7)	(2.5)%	(148.5)	(11.3%)	354.2%
Finance costs, net	**(211.4)**	**(16.2)%**	**(323.6)**	**(24.6)%**	**53.1%**
Income tax expense	(2.5)	(0.2)%	132.8	10.1%	N/A
Share in net income (loss) of equity affiliates	(0.2)	0.0%	(0.5)	(0.0%)	143.2%
Net income (loss) from ongoing activities	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Net income from discontinued operations	—	0.0%	—	—	—
Net income (loss)	**86.4**	**6.6%**	**64.7**	**4.9%**	**(25.1)%**
Attributable to owners of the entity	86.4	6.6%	64.6	4.9%	(25.3%)
Attributable to non-controlling interests	0.0	0.0%	0.2	0.0%	218.4%

---

(1) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 an English translation of which included elsewhere in this Prospectus. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Contribution to revenues

	Year ended December 31,		
	2012	**2013**	**Change**
	(in millions of euros)		
B2C	826.2	864.6	4.7%
B2B	323.2	309.6	(4.3%)
Wholesale	153.1	140.0	(8.3%)
Total	1,302.4	1,314.2	0.9%

See "—*Key Performance Indicators*" for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues increased by €11.8 million, or 0.9% from €1,302.4 million for the year ended December 31, 2012 to € 1,314.2 million for the year ended December 31, 2013. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

Of the Numericable Group's activities, B2C's revenues saw an increase of 4.7%, the highest increase compared to our other segments, primarily driven by an increase in our subscriber base. As of December 31, 2013, our B2C subscribers increased by 81,000 subscribers to 1.7 million subscribers compared a subscriber base of

1.6 million as of December 31, 2012, mainly as a result of the growth in the number of multi-play subscribers under the Numericable brand (an increase of 69,000 between December 31, 2012 and December 31, 2013) and in the number of Fibers White Label subscribers (an increase of 66,000 between December 31, 2012 and December 31, 2013). Furthermore, the increase in our B2C revenue can also be attributed to the positive effect of our ARPU, which remained high at €41.90 and €41.5 for the fourth quarter of 2013 and the as of December 31, 2013, respectively. It increased by €1.10 and €0.8 as compared with ARPU for the Numericable customer base for the fourth quarter of 2012 and as of December 31, 2012, respectively. Gross-adds ARPU decreased slightly by approximately 1.0% to €41.3 for the year ended December 31, 2013 compared to €41.7 for the year ended December 31, 2012, due to a high seasonality effect in the third quarter of 2013 and higher level of sales for the Numericable Group's web and telesales which generate lower gross-adds.

B2B revenues decreased by 4.3% from 2012 to 2013. This decrease is primarily the result of (i) the effect of decreases in call termination rates, which in turn led customers (especially large customers) to demand decreases in the rates they paid, and (ii) the impact of administrative and operational difficulties in 2012, which resulted in particular in the issuance of credit notes during the first half of 2013. However, the trend appears to be improving, as the value of new signed contracts grew significantly, from €5.660 million in 2012 to €6.656 million in 2013, an improvement of 17.6%. This growth can be expected to impact 2014 revenues, given the installation delays for new business.

Furthermore, we also experienced a decrease in the Wholesale segment's revenues, also due to the systematic passing through of the decreases in call termination rates. Wholesale revenues decreased by 8.4% in 2013 as compared with 2012. The primary reason for this decrease was the decreases in call termination rates. In the Wholesale segment, these decreases led to an immediate and systematic effect on other operations. In addition, 2013 was marked by a progressive decline in the Bouygues (ex-Darty) White Label DSL customer base. This customer base, which had totaled 168,005 subscribers at December 31, 2012, decreased to 120,261 subscribers at December 31, 2013, a contraction of 28%.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €8.9 million, or 1.5%, from €602.1 million in 2012 to €611.0 million in 2013. This increase is primarily due to an increase in subscriber acquisition costs for new B2C customers relating to the higher volume of new customers, partially offset by a significant decrease in call termination costs in B2C, B2B and Wholesale.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by €13.1 million, or 9.3%, from €141.5 million in 2012 to €154.6 million in 2013. This increase was partly the result of an increase in the number of employees, which went from 1,910 employees (excluding trainees) at the end of 2012 to 2,077 employees (excluding trainees) at the end of 2013. This increase in headcount was predominantly led by the hiring of more sales force personnel during the course of 2013 and was further impacted by the integration of LTI, a company acquired in early November 2013, which had 100 employees at the time of the acquisition. The increase of €13.1 million therefore comes from both an increase in the number of employees and an increase in the level of compensation, with a general salary increase of approximately 1% in 2013 and a significant bonus distribution relating, in particular to increased sales (B2C) and orders (B2B) during the period. Approximately €3.6 million in costs relating to stock options issued in 2013 also contributed to the increase.

Taxes and Duties

Taxes and duties rose by €1.5 million, or 4.6%, from €32.4 million in 2012 to €33.9 million in 2013, due primarily to the impact of the increase in B2C and Wholesale income on the CVAE.

Provisions

Provisions (net of reversals) increased by €14.3 million, from € 6.2 million in 2012 to €20.5 million in 2013. Most of this increase comes from the B2B segment, in which a provision was recorded following a tax audit performed in 2013 relating to the years 2010 and 2011. Following the audit, the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of these assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income decreased by €2.9 million, from €89.2 million in 2012 to €86.3 million in 2013. This decrease in other operating income primarily reflects a slow-down in costs incurred relating to the DSP 92 project, at a time when the Phase 2 agreement for the project was being discussed and Phase 1 was nearing completion. This slow-down in activity led to a lower level of capitalisation of external costs, partly offset by sales of cable networks to municipal governments in connection with the winding up of (public service concession) (*délégation de service public*) contracts. In 2013, this item also includes repayment of a €5.0 million fine assessed by ARCEP in 2012, due to the Constitutional Council's decision to invalidate ARCEP's power to impose sanctions.

Other Operating Expenses

Other operating expenses increased by €3.3 million, from € 17.2 million in 2012 to €20.5 million in 2013. This increase is due to the B2C segment and to expenses related to the termination of certain DSPs, which resulted in a return of certain assets to municipal governments. This return of assets results in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow. The increase in these expenses was partially offset by the decrease in fees paid in connection with refinancing transactions (as the costs incurred in connection with the initial public offering were fully deducted from share premium and were not recorded as expenses) and the decrease in management fees paid to shareholders.

Operating Income Before Depreciation and Amortisation (EBITDA)

EBITDA decreased by €32.1 million, from €592.3 million in 2012 to €560.1 million in 2013. This decrease reflects both decreases directly related to activity and other decreases that are either non-recurring or have no impact on cash flow, and which are eliminated when calculating adjusted EBITDA (see below). Activity in 2013 was principally characterised by accelerated growth in the B2C business, which generates significant subscriber acquisition costs (sales and marketing expenses). These costs, which are necessary to create dynamic sales, generate expenses in the year during which the new customers are acquired. In 2013 they offset the positive recurring effect of this growth in the B2C business. In the B2B business, the decline in telephony activities and the decision taken in 2013 to issue credit notes to resolve customer management problems related to the service quality problems that occurred in 2012 and 2011 also negatively affected the year's results.

In addition, 2013 was affected by a series of costs that either were non-recurring or had no impact on cash flow, such as the effect of the tax audit in the B2B segment and the related increase on provisions, and the non-cash termination costs of certain DSPs.

Adjusted EBITDA

Once non-recurring items and items that have no impact on cash flow are deducted, adjusted EBITDA for 2013 amounted to €615.9 million, a slight decrease of €5.0 million, or 0.8%, as compared with 2012.

These results primarily demonstrate the accelerating acquisition of new clients in B2C, which decreases profitability in the first year, as well as the effect of the slow-down in B2B voice activities, due to the last regulated decrease in call termination rates as of January 1, 2013. In Wholesale, a return to profitability was achieved by pursuing growth in high-margin fiber and traditional data capacity resale.

See "*—Reconciliation of EBITDA and Adjusted EBITDA*" for details on the components of adjusted EBITDA.

Depreciation and Amortisation

Depreciation and amortisation expenses increased by €12.3 million, or 4.2%, from €291.7 million in 2012 to €304.0 million in 2013. This increase reflects increased investment in the B2C and B2B segments in recent years to upgrade and modernize the network and connect an increasing number of clients.

Operating Income

Operating income decreased by €44.5 million, or 14.8%, from € 300.5 million in 2012 to €256.0 million in 2013, for the reasons discussed above.

Finance Costs, Net

Finance costs, net increased by €112.2 million, from a net charge of €211.4 million for the year ended December 31, 2012 to a net charge of €323.6 million for the year ended December 31, 2013. The majority of this increase (€81.6 million) is the result of capitalising the Super PECs (see below). The remainder of the increase (€ 30.6 million) is primarily the result of (i) a €34.2 million increase in Other Financial Expenses, excluding the effect of capitalising the Super PECs, and (ii) a €1.8 million increase in interest expense, offset by a €5.4 million increase in interest income.

At the time of the restructuring of the Numericable Group's debt in 2009, shareholders of the Numericable Group acquired certain loans under the Ypso France Senior Facility. Ypso Holding S.à r.l. issued equity securities that were subscribed by the shareholders, and in particular 132,664,023 subordinated interest preferred equity certificates (the "Super PECs"), with a nominal value of one euro each. Interest due to shareholders was capitalised.

Cinven, Carlyle and Altice contributed these Super PECs to Numericable Group on November 7, 2013 in connection with the transactions relating to the initial public offering. As a result, this debt was retired, and newly issued equity securities were delivered in consideration. In turn, debt extinction charges ("premium") were recorded in financial expenses for an amount of €81.6 million. This expense has no impact on the Numericable Group's cash flow.

The increase of €34.2 million in Other Financial Expenses, excluding the effect of capitalising Super PECs of Ypso Holdings, is a result of costs incurred relating to the repayment of various credit lines using the Facility D ,a tranche of the Ypso France Senior Facility, and the capital increase at the time of the initial public offering. The repayment of a portion of the October 2012 Notes and the February 2012 Notes, respectively, led to the payment of a premium to the noteholders. Thus, the Numericable Group paid a total of €28.0 million on certain tranches of the Ypso France Senior Facility (12.375% of the amounts repaid on the C1A Facility tranche, 8.75% of the amounts repaid on their C2A Facility tranche, and 2% on the C2B Facility tranche, which was fully repaid). The early repayments of these facilities, as well as the facilities under Altice B2B's senior facility, resulted in the recording of €15.2 million in costs relating to the initial entry into the cancelled debt, which had initially been recorded at amortised cost. The outstanding amount under the Facility D will repaid as part of the Transaction. See "*Capitalisation and Indebtedness*"

The increase in interest income relates primarily to two payments totaling €7.1 million received by the Numericable Group following the bankruptcy of Lehman Brothers. The remainder of interest income recorded on the income statement consists of a reversal of provisions for risks of €1.9 million.

Interest on debt increased primarily as a result of the refinancing in October 2012, but also as a result of the refinancing in February 2012 (to a lesser extent, because it relates only to the first 45 days of the year). The refinancing transactions carried out in the fourth quarter have lowered interest payments only slightly so far, because they closed in December.

Income Tax Expense

The initial public offering and the structural reorganisation implemented in November and December 2013 gave the Numericable Group better visibility over its tax structure and its ability to generate, in line with the Numericable Group's future income perspectives, taxable profits enabling the Company to use at least a portion of its available tax loss carryforwards. Given the potential to generate income, it became clear that the Numericable Group was able to use a portion of the tax loss carryforwards that it had recorded. The Company therefore decided to recognize a deferred tax asset for the share of the tax losses that can be used within five years. The result was the recognition of deferred tax income of €132.8 million for 2013. See Note 4.4.6 for a description of the rules governing the use of these losses.

Analysis of Results by Segment for the Years Ended December 31, 2012 and December 31, 2013

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the B2C segment for the years ended December 31, 2012 and 2013.

B2C Segment[1]	Year ended December 31, 2012[2]	Year ended December 31, 2013[2]	Change 2013/2012
	(in € millions)		
Revenues	**832.6**	**869.4**	**4.4%**
Digital revenues	650.4	681.5	4.8%
Analog revenues	36.9	28.6	(22.5)%
Bulk revenues	70.1	68.6	(2.1)%
Fiber white label revenues	75.3	90.7	20.5%
Purchases and subcontracting services	(386.1)	(415.1)	7.5%
Staff costs and employee benefits expense	(77.6)	(87.1)	12.2%
Taxes and duties	(19.9)	(20.5)	3.0%
Provisions	(4.5)	(8.6)	91.0%
Other operating income	68.1	65.5	(3.8%)
Other operating expenses	(16.0)	(18.6)	16.3%
Operating income before depreciation and amortisation (EBITDA)	**396.6**	**385.0**	(2.9)%
EBITDA margin rate	*47.5%*	*44.3%*	—

---

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Prospectus. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenues

B2C segment revenues increased 4.4% to €869.4 million for the year ended December 31, 2013, compared to €832.6 million for the year ended December 31, 2012.

The increase in B2C revenues was predominately due to the Numericable brand digital business, which increased by €31.1 million, or 4.8%, from €650.4 million in 2012 to €681.5 million in 2013. Digital revenues comprise revenues generated by sales of digital multi-play packages and options, such as VOD and additional channels. This increase was primarily due to an increase in the digital customer base, which totaled 1.264 million at December 31, 2013, as compared to 1.228 million at December 31, 2012. This increase in the client base primarily reflects the commercial appeal of our Very High Speed and LaBox offerings. LaBox was launched in mid-2012 and was aggressively advertised in the fall of 2012. The increase in the client base was accompanied by an increase of €0.80 in ARPU for existing clients, from an average of €40.70 per month in 2012 to an average of €41.5 per month in 2013.

Fiber white labels constituted the second growth vector, with revenues increasing by 20.4%, or €15.4 million, from €75.3 million in 2012 to €90.7 million in 2013. This increase reflects an approximate 22% increase in the number of fiber white label end users year-on-year, from approximately 297,000 end users as of December 31, 2012 to approximately 363,000 end users as of December 31, 2013, due to the continued commercial roll-out of Bouygues Télécom's white label offering since its launch at the end of 2010.

Analog revenues continued to decrease as anticipated, decreasing by € 8.3 million, or 22.5%, from €36.9 million for the year ended December 31, 2012 to €28.6 million for the year ended December 31, 2013. This decrease is primarily due to a 21% decrease in the Numericable Group's analog customer base, from approximately 103,000 subscribers as of December 31, 2012 to approximately 81,000 as of December 31, 2013. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered.

Bulk revenues decreased slightly by 2.1%, totaling €68.6 million for the year ended December 31, 2013, compared to €70.1 million for the year ended December 31, 2012, reflecting a slight decrease in the Numericable Group's bulk customer base.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €29.0 million, or 7.5%, from €386.1 million in 2012 to €415.1 million in 2013. This increase primarily reflects the marketing and communications efforts made in order to grow the digital subscriber base between 2012 and 2013. Subscriber acquisition costs, which include subscriber acquisition-related marketing and communications costs and commissions paid to external sales networks, increased by almost €17 million, from €73.4 million in 2012 to €90.0 million in 2013.

In addition, energy and network-maintenance costs increased by €1 million, call center costs increased by €2.5 million, and costs of material purchased for resale increased €5 million.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 12.3%, or €9.5 million, from €77.6 million in 2012 to €87.1 million in 2013. This increase reflects the hiring of new sales team members in 2012 and 2013, as well as higher variable compensation paid to marketing staff, tied in part to the number of new customers. Furthermore, wages increased by approximately 1% in 2013.

In addition, the cost of stock options granted in connection with the IPO added costs of €3.6 million.

Taxes and Duties

Taxes and duties increased 3.0%, or €0.6 million, from €19.9 million in 2012 to €20.5 million in 2013. This increase is due to the growth in the Company value-added contribution (*Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE)) in this period, which in turn results from the Company's significant investments in the B2C business and the related increase in both the value of fixed assets and added value.

Provisions

Net provisions increased by €4.1 million, from €4.5 million for the year ended December 31, 2012 to €8.6 million for the year ended December 31, 2013.

Provisions mainly consist of those for commercial and tax litigation, for retirement indemnities and for amounts charged to end users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The increase was primarily due to the increase in net provisions for bad debt, for €4 million. The other provisions recorded during the year were offset by reversals during the period.

Other Operating Income

Other operating income decreased by €2.6 million, from €68.1 million for the year ended December 31, 2012 to €65.5 million for the year ended December 31, 2013. This decrease was primarily due to lower capital expenditures on the DSP 92 project, as Phase 1 of the project ended during the year.

Other Operating Expenses

Other operating expenses increased by €2.6 million, from €16.0 million for the year ended December 31, 2012 to €18.6 million for the year ended December 31, 2013. This increase was the result of two factors.

A significant increase of €7.3 million in expenses related to the completion of certain DSPs, which resulted in a return of certain assets to local governments. This return of assets resulted in the removal of certain zero-value assets from the Numericable Group's balance sheet and the transfer of the remaining net accounting value of the transferred assets to expenses. These expenses have no impact on the Numericable Group's cash flow.

This effect was partially offset by a significant decrease in refinancing fees as compared with 2012, a year in which costs increased strongly as a result of the two note issuances.

Operating Income Before Depreciation and Amortisation (EBITDA)

EBITDA decreased by €11.6 million, from €396.6 million for the year ended December 31, 2012 to €385.0 million for the year ended December 31, 2013. Compared to 2012 and previous years, where revenue remained relatively stable, the growth in 2013, driven by a more significant capture of new customers, generated higher subscription acquisition costs. In the first year of return to growth, these higher costs more than offset the growth in revenues. However, B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external sales networks) increased from €468.4 million for the year ended December 31, 2012 to €470.0 million for the year ended December 31, 2013.

Moreover, this segment's EBITDA was affected in 2013 by the costs of stock option grants in the amount of €3.6 million, as well as additional charges with no effect on cash flow relating to the completion of DSPs, for €7.3 million.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the B2B segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,		
B2B Segment[1]	**2012[2]**	**2013[2]**	**Change 2013/2012**
	(in € millions)		

Revenues	**324.5**	312.6	(3.7%)
Voice revenues	133.9	115.5	(13.7%)
Data revenues	190.6	197.1	3.4%
Purchases and subcontracting services	(178.4)	(180.2)	1.0%
Staff costs and employee benefits expense	(57.2)	(60.5)	5.8%
Taxes and duties	(7.6)	(8.1)	6.7%
Provisions	(1.3)	(11.6)	774.3%
Other operating income	21.1	20.8	(1.6)%
Other operating expenses	(1.1)	(1.9)	63.6%
Operating income before depreciation and amortisation (EBITDA)	**100.0**	**71.1**	**(28.8)%**
EBITDA margin rate	*30.8%*	22.8%	—

---

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Prospectus. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenue

B2B segment revenues decreased by €11.9 million, or 3.7%, from €324.5 million in 2012 to €312.6 million in 2013. This decrease reflected a decrease in voice revenues, which was partially offset by an increase in data revenues. This decrease in the B2B segment's operating income is due to a decrease in the size of the voice market, primarily as a result of the regulated decrease in interconnection rates, and, to a lesser extent, in volumes.

Voice revenues decreased by €18.4 million, or 13.7%, from €133.9 million in 2012 to €115.5 million in 2013. This decrease resulted from a gradual passing on to customers of the successive decreases in regulated call termination rates.

Data revenues increased by €6.5 million, or 3.4%, from €190.6 million for the year ended December 31, 2012 to €197.1 million for the year ended December 31, 2013. This increase reflected the Numericable Group's strategy of focusing on data services, where most new contracts are signed.

In addition, 2013 was also affected by credit notes issued to certain customers in response to customer complaints regarding service quality problems during the integration of Altitude Télécom within Completel. These credit notes primarily affected the first half of the year, for a total of approximately €10 million, the impact of which reduced revenues.

Purchases and Subcontracting Services

Purchases and subcontracting services increased slightly, from €178.4 million in 2012 to €180.2 million in 2013, for an increase of 1.0%. This small increase results from the growth in the Numericable Group's data business, the revenues of which increased 3.4% for the year, generating more purchases of capacity.

This increase was partly offset by a decrease in telephony costs of approximately €4 million from 2012 to 2013 resulting from a decrease in per-unit costs, the effect of the last decrease in regulated interconnection rates, which occurred on January 1, 2013, and of a contraction in volumes of minutes.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 5.8%, from € 57.2 million in 2012 to €60.5 million in 2013. This increase has two main causes. First, additional sales staff was recruited to address the lower-end market and SMEs. Second, new contracts increased strongly in 2013 as compared with 2012 (monthly revenues from new contracts increased from €5.660 million in 2012 to €6.657 million in 2013, representing an increase of 17.6%, the effect of which should be seen essentially in 2014), generating higher bonuses for the sales teams in 2013 than in 2012.

Taxes and Duties

Taxes and duties increased slightly, by €0.5 million, between 2012 and 2013.

Provisions

Provisions (net of reversals) increased by €10.3 million, from €1.3 million in 2012 to €11.6 million in 2013. Most of this increase comes from a provision recorded following a tax audit performed in 2013 relating to the years 2010 and 2011, following which the tax authorities rejected expenses for services performed between 2009 and 2011. The amount of the assessments for which a provision was recorded is €11.4 million.

Other Operating Income

Other operating income did not change significantly, decreasing €0.3 million, or 1.6%, from €21.1 million in 2012 to €20.8 million in 2013. This other income largely comprises capitalised payroll.

Other Operating Expenses

Other operating expenses increased €0.8 million, from €1.1 million in 2012 to €1.9 million in 2013. This increase is essentially due to fees paid in connection with refinancing transactions in 2013.

Operating Income Before Depreciation and Amortisation (EBITDA)

EBITDA decreased by €28.8 million, or 28.8%, from €100.0 million in 2012 to €71.2 million in 2013.

This decrease in the B2B segment's operating income was amplified in 2013 by the low level of contract-based orders in 2012, leading to an incremental revenue in 2013 that was weaker than in 2012. The credit notes of close to €10 million issued in the first half of the year also weighed heavily on this segment's profitability in 2013, as did the provision relating to the tax audit, for €11.4 million.

The commercial recovery in 2013, as measured by the value of new contracts signed, which increased 17.6% in 2013 as compared with 2012, as well as the end of the regulated decreases in call termination rates, are positive signs for 2014.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the wholesale segment for the years ended December 31, 2012 and 2013.

	Year ended December 31,		
Wholesale Segment[1]	**2012**[2]	**2013**[2]	**Change 2013/2012**
	(in € millions)		
Revenues	**211.5**	**200.8**	**(5.1%)**
Purchases and subcontracting services	(103.8)	(84.3)	(18.7%)

Staff costs and employee benefits expense	(6.7)	(7.0)	4.3%
Taxes and duties	(4.9)	(5.4)	8.7%
Provisions	(0.4)	(0.3)	(25.5)%
Other operating income	0.0	0.1	—
Other operating expenses	—	0.0	—
Operating income before depreciation and amortisation (EBITDA)	**95.7**	**103.9**	**8.6%**
EBITDA margin rate	*45.3%*	51.7%	—

---

(1) Segmental reporting does not take into account the intercompany eliminations we subtract when preparing our income statement

(2) Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 implements IAS19R which was required to be implemented from January 1, 2013. For the purposes of the financial data presented in this table and this "*Analysis of Results for the Years Ended December 31, 2012 and December 31, 2013*", the financials presented for the year ended December 31, 2012, give effect to the restatement of financial statements by Numericable Group with retrospective effect (in accordance with IAS19R) to implement IAS19R. See Note 2.1 to the Numericable Group's consolidated financial statements as of and for the year ended December 31, 2013 included elsewhere in this Prospectus. The reconciliations made for the financial statements as of and for the year ended December 31, 2012 are not material. The tables that have prepared to present the "*Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012*" have not been restated.

Revenue

Wholesale segment revenues decreased by €10.7 million, or 5.1%, from €211.5 million in 2012 to €200.8 million in 2013. This crease was due to a decrease in the voice business and DSL white labels sale partly offset by the increase in data and fiber whole.

Several factors explain this change. The telephony business had benefited in 2012 from the interconnection traffic between the mobile networks of Bouygues Telecom and Free Mobile. Increasingly, however, traffic is passing directly between these two operators, and less through the Numericable Group's network. This, along with the regulated decrease in interconnection rates, explains a decrease in revenues of €27 million. However, these two effects had only a weak impact on margin value.

In addition, the revenues generated by the Bouygues Telecom (formerly known as Darty) white label DSL brands continued to decrease (by €4 million between 2012 and 2013) in correlation with the decrease in the number of customers hosted on the Numericable Group's network, which decreased from 168,005 customers at the end of 2012 to 120,261 in 2013, or a decrease of 28%.

Conversely, revenues from data capacity resales, which are high margin, continued to grow, increasing by approximately €17 million from 2012 to 2013..

Purchases and Subcontracting Services

Purchases and subcontracting services decreased by €19.5 million, or 18.8%, from €103.8 million in 2012 to €84.3 million in 2013.

This decrease resulted from a decrease in volume and value of telephone traffic over the Numericable Group's network. The decrease in volume was the result of a lower volume of minutes exchanged between Bouygues Télécom and Free Mobile using the Numericable Group's network. The decrease in value was the result of the regulated decrease in interconnection rates, which last occurred on January 1, 2013.

The increase in data activity had only a small impact on purchases and subcontracting services, because it primarily includes the resale of capacity on the Numericable Group's network, which does not generate additional external costs. Staff Costs and Employee Benefits Expenses

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expense increased by 4.2%, or €0.3 million, from €6.7 million in 2012 to €7.0 million in 2013, due primarily to the increase in profit sharing based on income growth in 2013.

Taxes and Duties

Taxes and duties increased by €0.5 million, or 9.3%, from € 4.9 million in 2012 to €5.4 million in 2013. This tax increase is directly correlated with the increase in income generated by Wholesale activities.

Provisions

Provisions (net of reversals) went from €0.4 million in 2012 to € 0.3 million in 2013. Neither the change in provisions nor their absolute value is significant.

Operating Income Before Depreciation and Amortisation

EBITDA of Wholesale activities grew by €8.2 million, or 8.6%, between 2012 and 2013, from €95.7 million in 2012 to €103.9 million in 2013.

This increase in EBITDA resulted from a decline in the traditional telephony service resale business, which is lower margin, more than offset by growth in the data service resale business, which is higher margin.

Analysis of Results for the Years Ended December 31, 2011 and December 31, 2012

The table below shows the Numericable Group's combined statement of income for the years ended December 31, 2011 and December 31, 2012, in millions of euros and as a percentage of revenues for the periods in question.

	Year ended December 31,				
	2011		**2012**		
	(in € millions)	**(as a % of revenues)**	**(in € millions)**	**(as a % of revenues)**	**Change**
Revenues	**1,306.9**	**100.0%**	**1,302.4**	**100.0%**	**(0.3)%**
Purchases and subcontracting services	(621.7)	(47.6)%	(602.1)	(46.2)%	(3.2)%
Staff costs and employee benefits expense	(141.0)	(10.8)%	(141.5)	(10.9)%	0.4%
Taxes and duties	(28.3)	(2.2)%	(32.4)	(2.5)%	14.5%
Provisions	(8.0)	(0.6)%	(6.2)	(0.5)%	(21.8)%
Other operating income	80.4	6.2%	89.2	6.9%	10.9%
Other operating expenses	(25.1)	(1.9)%	(17.2)	(1.3)%	(31.5)%
Operating income before depreciation and amortisation (EBITDA)[i]	**563.2**	**43.1%**	**592.3**	**45.5%**	**5.2%**
Depreciation and amortisation	(294.5)	(22.5)%	(291.7)	(22.4)%	(1.0)%
Operating income	**268.7**	**20.6%**	**300.5**	**23.0%**	**11.8%**
Financial income	1.2	0.1%	4.3	0.3%	258.3%

Interest relative to gross financial debt	(177.3)	(13.6)%	(183.1)	(14.1)%	3.3%
Other financial expense	(9.9)	(0.8)%	(32.7)	(2.5)%	230.3%
Finance costs, net	**(186.0)**	**(14.2)%**	**(211.4)**	**(16.2)%**	**13.7%**
Income tax expense	(13.4)	(1.0)%	(2.5)	(0.2)%	(81.3)%
Share in net income (loss) of equity affiliates	(0.3)	0.0%	(0.2)	0.0%	(35.6)%
Net income (loss) from ongoing activities	**69.0**	**5.3%**	**86.4**	**6.6%**	**25.3%**
Net income from discontinued operations	126.1	9.6%	—	0.0%	(100.0)%
Net income (loss)	**195.1**	**14.9%**	**86.4**	**6.6%**	**(53.7)%**
Attributable to owners of the entity	194.9	14.9%	86.4	6.6%	(75.4)%
Attributable to non-controlling interests	0.2	0.0%	0.0	0.0%	NA

---

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

See "—*Key Performance Indicators*" for a discussion of key performance indicators by segment.

Revenues

Numericable Group revenues remained relatively stable, decreasing by € 4.5 million, or 0.3%, from €1,306.9 million for the year ended December 31, 2011 to €1,302.4 million for the year ended December 31, 2012. This relative stability reflects that of B2C segment revenues and the increase in wholesale segment revenues, partially offset by the decrease in B2B segment revenues. The following discussion describes the contribution of each segment to the Numericable Group's revenues. For the avoidance of doubt, inter-segment sales have been eliminated for purposes of such discussion.

The B2C segment's contribution to Numericable Group revenues remained relatively stable, decreasing by €4.1 million, or 0.5%, from € 830.3 million for the year ended December 31, 2011 to €826.2 million for the year ended December 31, 2012. This relative stability reflects an increase in fiber white label revenue and a stable performance in bulk revenue, offset by a decrease in both digital and analog revenues.

The B2B segment's contribution to Numericable Group revenues decreased slightly by €5.0 million, or 1.5%, from €328.2 million for the year ended December 31, 2011 to €323.2 million for the year ended December 31, 2012. This decrease reflects a decrease in voice revenue, which was partly offset by an increase in data revenue. This decrease also reflects higher churn due in part to the migration of segment engineers to Rouen, which underwent a 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 fiber wholesale revenues, partially offset by decreases in data and white label revenues as well as a reduction in regulated interconnection rates.

Excluding one large one-off revenue item recorded in 2011—a € 19 million payment by SFR following the early termination of a long-term IRU which it inherited as part of an acquisition and that it no longer needed—Numericable Group revenues would have increased by €14.5 million, or 1.1%, in 2012 as compared to 2011.

Purchases and Subcontracting Services

Purchases and subcontracting services expenses decreased by €19.6 million, or 3.2%, from a total expense of €621.7 million for the year ended December 31, 2011 to a total expense of €602.1 million for the year ended December 31, 2012. This decrease primarily reflects lower expenses in the B2B segment, as a result of synergies following the Altitude Télécom acquisition as well as a reduction in regulated call termination rates and a reduction in content costs in the B2C segment.

Staff Costs and Employee Benefits Expense

Staff costs and employee benefits expenses remained stable, increasing by €0.5 million, or 0.3%, from €141.0 million for the year ended December 31, 2011, to €141.5 million for the year ended December 31, 2012. This stability reflects slight increases in headcount, wages and employee profit sharing in 2012, partially offset by staff cost synergies realised following the acquisition of Altitude Télécom.

Taxes and Duties

Taxes and duties increased by €4.1 million, or 14.5%, from € 28.3 million for the year ended December 31, 2011 to €32.4 million for the year ended December 31, 2012, reflecting a general increase in the tax burden of French corporations in 2012.

Provisions

Net provisions remained relatively stable, amounting to €8.0 million for the year ended December 31, 2011 and €6.2 million for the year ended December 31, 2012.

Other Operating Income

Other operating income increased by €8.8 million, or 10.9%, from €80.4 million for the year ended December 31, 2011 to € 89.2 million for the year ended December 31, 2012. This increase reflects an €18.2 million increase in own work capitalised, 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 Amortisation (EBITDA)

EBITDA increased by €29.1 million, or 5.2%, from €563.2 million for the year ended December 31, 2011 to €592.3 million for the year ended December 31, 2012. This increase primarily reflects reductions in content-related costs in the B2C segment, as well as synergies derived from the integration of Altitude Télécom (acquired in late 2010) into Completel.

Adjusted EBITDA

Adjusted EBITDA increased by €48.7 million, or 8.5%, from € 572.2 million for the year ended December 31, 2011 to €620.9 million for the year ended December 31, 2012. See "*Summary of Financial Information*" for an explanation of adjusted EBITDA and its components.

Depreciation and Amortisation

Depreciation and amortisation expenses remained relatively stable, amounting to €294.5 million for the year ended December 31, 2011 and € 291.7 million for the year ended December 31, 2012.

Operating Income

Operating income increased by €31.8 million, or 14.8%, from € 268.7 million for the year ended December 31, 2011 to €300.5 million for the year ended December 31, 2012. This increase is due to the same factors as the increase in EBITDA.

Finance Costs, Net

Finance costs is a net charge which increased €25.4 million, or 13.7%, from €186.0 million for the year ended December 31, 2011 to €211.4 million for the year ended December 31, 2012. This variation reflects higher interest relative to gross debt and other financial expenses as a result of the Numericable Group's 2012 debt refinancing. The Numericable Group paid substantial waiver fees in connection with such refinancing, and it resulted in a higher blended interest rate. In addition, no mark-to-market gains were recorded in 2012 in relation to the fixed/variable interest rate swap that was terminated in the middle of 2011, after having generated substantial mark-to-market gains in 2011 (€27.0 million)..

Income Tax Expense

Income tax expense decreased by €10.9 million, or 81.3%, from € 13.4 million for the year ended December 31, 2011 to €2.5 million for the year ended December 31, 2012. This decrease is a result of a base effect in 2011: the Numericable Group recorded a provision of €11.4 million in respect of tax audits. The effective income tax rate decreased from 16.19% in 2011 to 2.84% in 2012.

Analysis of Results by Segment for the Years Ended December 31, 2011 and December 31, 2012

B2C Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the B2C segment for the years ended December 31, 2011 and 2012.

	Year ended December 31,		
B2C Segment	**2011**	**2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**835.3**	**832.6**	**(0.3)%**
Digital revenues	660.4	650.4	(1.5)%
Analog revenues	51.1	36.9	(27.8)%
Bulk revenues	70.0	70.1	0.1%
Fiber white label revenues	53.8	75.3	40.0%
Purchases and subcontracting services	(385.0)	(386.1)	0.3%
Staff costs and employee benefits expense	(73.5)	(77.6)	5.6%
Taxes and duties	(18.9)	(19.9)	5.3%
Provisions	(5.3)	(4.5)	(14.3)%
Other operating income	60.2	68.1	13.1%
Other operating expenses	(14.4)	(16.0)	11.1%
Operating income before depreciation and amortisation (EBITDA)	**398.4**	**396.6**	**(0.5)%**
EBITDA margin rate	*47.7%*	*47.5%*	*(0.2)%*

Revenues

B2C segment revenues remained relatively stable, totaling €832.6 million for the year ended December 31, 2012, compared to €835.3 million for the year ended December 31, 2011.

Digital revenues, consisting of the revenues deriving from the sale of digital multiple play packages and options (VOD, additional channels, etc.) decreased by €10.0 million, or 1.5%, from €660.4 million for the year ended December 31, 2011 to €650.4 million for the year ended December 31, 2012. This decrease was primarily due to a slight reduction in the digital customer base, which totaled 1.228 million at December 31, 2012, as compared to 1.238 million at December 31, 2011. The decrease in the customer base reflected a more difficult first half of the year in 2012 in terms of gross adds and a relatively flat second half of the year. Churn improved in 2012 as compared to 2011. The reduction in the customer base was partly offset by a €0.4 increase in the ARPU of the customer base in 2012 compared to 2011. VOD revenues also increased from €10.0 million in 2011 to €12.0 million in 2012.

Analog revenues decreased by €14.2 million, or 27.8%, from € 51.1 million for the year ended December 31, 2011 to €36.9 million for the year ended December 31, 2012. This decrease was primarily due to a 22.6% decrease in the Numericable Group's analog customer base, from approximately 133,000 subscribers as of December 31, 2011 to approximately 103,000 as of December 31, 2012. Since the Numericable Group stopped marketing analog offers a few years ago, the Numericable Group's analog customer base is now only negatively impacted by churners and no further gross adds are registered. The pace of churn in the analog customer base was lower in 2011 when the satellite analog signal was switched-off.

Bulk revenues remained stable, totaling €70.0 million for the year ended December 11, 2011, compared to €70.1 million for the year ended December 31, 2012, reflecting the relative stability of the Numericable Group's bulk customer base and slight contractual increases in tariffs.

Fiber white label revenues increased by €21.5 million, or 40.0%, from €53.8 million for the year ended December 31, 2011 to € 75.3 million for the year ended December 31, 2012. This increase reflected an approximately 44% increase in the number of fiber white label end users year-on-year.

Purchases and Subcontracting Services

Purchases and subcontracting services remained relatively stable at € 386.1 million for the year ended December 31, 2012, compared to € 385.0 million for the year ended December 31, 2011. This stability results from a reduction in content-related costs and an increase of other expenses such as externalized door-to-door sales force (for an amount of €4 million) and some rental expenses where the Numericable Group's network equipment is located (for an amount of € 2.5 million). "Subscriber acquisition" costs, which include subscriber acquisition-related marketing, communications and commissions paid to external distribution networks amounted to €73.8 million and € 73.4 million, respectively, for the years ended December 31, 2011 and 2012.

Content-related costs decreased from €103.1 million for the year ended December 31, 2011 to €93.1 million for the year ended December 31, 2012. This decrease is mainly the result of renegotiations that took place at the end of 2011 to renew certain broadcasting contracts with the main TV channels and owners of content rights. In 2012, the Numericable Group negotiated more favorable financial terms for the MNVO contracts entered into with Bouygues Télécom, which terms retroactively apply as from January 1, 2012.

Staff Costs and Employee Benefits Expense

Staff costs increased by 5.6% or €4.1 million, from €73.5 million for the year ended December 31, 2011 to €77.6 million for the year ended December 31, 2012. This increase was due to sales force hirings made in the course of 2012 and 2011, the latter of which having a full-year effect in 2012. In addition, wages increased approximately 1% in 2012 and employee profit sharing expenses increased by €1.5 million.

Taxes and Duties

Taxes and duties increased by 5.3% or €1.0 million, from € 18.9 million for the year ended December 31, 2011 to €19.9 million for the year ended December 31, 2012. This increase is mainly due to a general increase in the tax burden on French corporations in 2012 and the increased profitability of this segment.

Provisions

Net provisions remained relatively stable at €4.5 million for the year ended December 31, 2012 compared to €5.3 million for the year ended December 31, 2011.

Provisions mainly consist of those for commercial and tax litigations, for retirement indemnities and for amounts charged to end-users who do not return the Numericable Group's equipment after cancelling their subscriptions with the Numericable Group.

The slight increase in net provisions in 2012 is primarily due to increases in provisions for retirement indemnities, the calculation of which is affected by discount rates, which decreased between 2011 and 2012 and therefore generated an additional expense in 2012 of €1.3 million compared to 2011.

Other Operating Income

Other operating income increased by €7.9 million, or 13.1%, from €60.2 million for the year ended December 31, 2011 to € 68.1 million for the year ended December 31, 2012. Excluding a one-off payment of €10 million by France Telecom to the Numericable Group in 2011 pursuant to a judgment of the Paris Commercial Court, other operating income increased by €17.9 million. The increase resulted mainly from an increase in own work capitalised, 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 Amortisation (EBITDA)

EBITDA decreased by €3.0 million, or 0.8%, from €398.4 million for the year ended December 31, 2011 to €396.6 million for the year ended December 31, 2012. This is tied to the relative stability of revenues, optimisation of content-related costs and a number of items included in the table in "Selected Financial and Operating Data—Other Financial Data—Adjusted EBITDA."

B2C segment EBITDA excluding subscriber acquisition costs (subscriber acquisition-related marketing, communications and commissions paid to external distribution networks) increased from €461.8 million for the year ended December 31, 2011 to €468.4 million for the year ended December 31, 2012, an increase of 1.4%.

B2B Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the B2B segment for the years ended December 31, 2011 and 2012.

B2B Segment	**Year ended December 31, 2011**	**Year ended December 31, 2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**331.1**	**324.5**	**(2.0)%**

Voice revenues	152.2	133.9	(12.0)%
Data revenues	179.0	190.6	6.5%
Purchases and subcontracting services	(196.7)	(178.4)	(9.3)%
Staff costs and employee benefits expense	(61.0)	(57.2)	(6.2)%
Taxes and duties	(5.7)	(7.6)	33.3%
Provisions	(3.3)	(1.3)	(60.6)%
Other operating income	20.1	21.1	5.0%
Other operating expenses	(10.6)	(1.1)	(89.6)%
Operating income before depreciation and amortisation (EBITDA)	**74.0**	**100.0**	**35.2%**
EBITDA margin rate	*22.3%*	*30.7%*	*8.4%*

Revenue

B2B segment revenues decreased by €6.6 million, or 2.0%, from € 331.1 million for the year ended December 31, 2011 to €324.5 million for the year ended December 31, 2012. This decrease reflected a decrease in voice revenue, which was partly offset by an increase in data revenue.

Voice revenues decreased by €18.3 million, or 12.0%, from € 152.2 million for the year ended December 31, 2011 to €133.9 million for the year ended December 31, 2012. This decrease resulted from a gradual passing on to customers of successive decreases in regulated termination rates.

Data revenues increased by €11.6 million, or 6.5%, from € 179.0 million for the year ended December 31, 2011 to €190.6 million for the year ended December 31, 2012. This increase reflected the Numericable Group's strategy to focus on data services following the acquisition in late 2010 of Altitude Télécom, an operator that was focused exclusively on data services.

In general, the first half of 2012 was difficult, due to the migration of B2B segment engineers to Rouen and a technical overloading problem at a Completel site in the second quarter of the year, which weighed further on installations. The third quarter was seasonally low in telephony traffic and hence revenues. Sales performance improved in the fourth quarter of 2012, although installations remained low.

Purchases and Subcontracting Services

Purchases and subcontracting services decreased significantly from € 196.7 million for the year ended December 31, 2011 to €178.4 million for the year ended December 31, 2012, representing an € 18.3 million, or 9.3%, decrease. This decrease resulted from the 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 €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 €1.3 million for the year ended December 31, 2012. The decrease is mainly due to the recording in 2011 of a provision for a redundancy plan relating to the acquisition of Altitude Télécom.

Other Operating Income

Other operating income remained relatively stable from €20.1 million for the year ended December 31, 2011 to €21.1 million for the year ended December 31, 2012.

Other Operating Expenses

Other operating expenses decreased by €9.5 million, or 89.6%, from €10.6 million for the year ended December 31, 2011 to €1.1 million for the year ended December 31, 2012. This decrease was primarily due to a decrease in management fees paid to the Numericable Group's shareholders resulting from a change in their calculation methodology.

Operating Income Before Depreciation and Amortisation (EBITDA)

EBITDA increased by €25.6 million, or 34.6%, from €74.0 million for the year ended December 31, 2011 to €100 million for the year ended December 31, 2012. This improvement in profitability is mainly due to increased data revenues, as well as decreased purchases and subcontracting services expenses, reflecting synergies captured through the integration of Altitude Télécom into Completel.

Wholesale Segment

The following table shows the revenues, operating expenses and operating income before depreciation and amortisation for the wholesale segment for the years ended December 31, 2011 and 2012.

	Year ended December 31,		
Wholesale Segment	**2011**	**2012**	**Change 2012/2011**
	(in € millions)		
Revenues	**201.1**	**211.5**	**5.2%**
Purchases and subcontracting services	(100.6)	(103.8)	3.2%
Staff costs and employee benefits expense	(6.6)	(6.7)	1.5%
Taxes and duties	(3.7)	(4.9)	32.4%
Provisions	0.6	(0.4)	(166.7)%
Other operating income	0.1	0.0	NA
Other operating expenses	—	—	—
Operating income before depreciation and amortisation (EBITDA)	**90.9**	**95.7**	**5.3%**
EBITDA margin rate	*45.2%*	*45.2%*	*0.0%*

Revenue

Wholesale segment revenues increased by €10.4 million, or 5.2%, from €201.1 million for the year ended December 31, 2011 to € 211.5 million for the year ended December 31, 2012. This increase was due to increase in the voice business and fiber wholesale partly offset by the decrease in data and DSL white labels.

Voice revenues increased by €23.2 million from €74.9 million for the year ended December 31, 2011 to €98.1 million for the year ended December 31, 2012. This increase reflected favorable contracts signed with Bouygues Télécom following the unexpected changes in telecommunications operators' needs for voice termination resulting from Free's entry into the mobile market in January 2012. The Numericable Group was able to temporarily provide voice termination services to Bouygues Télécom 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..

Finally, fiber wholesale revenues increased by €8.2 million, essentially driven by a stronger need for fiber in the B2B segment. These intra-group revenues are eliminated in combination.

Purchases and Subcontracting Services

Purchases and subcontracting services increased by €3.2 million or 3.2% to €103.8 million, for the year ended December 31, 2012 compared to €100.6 million for the year ended December 31, 2011. This slight increase is a result of the Numericable Group providing call termination services to Bouygues Télécom as described in "—Wholesale Segment" on segment revenue and reflects termination costs paid by the Numericable Group to Free for such services.

Staff Costs and Employee Benefits Expenses

Staff costs remained stable at €6.6 million for the year ended December 31, 2011 compared to €6.7 million for the year ended December 31, 2012.

Taxes and Duties

Taxes and duties increased from €3.7 million for the year ended December 31, 2011 to €4.9 million for the year ended December 31, 2012, primarily as a result of the increased tax burden on French corporations in 2012.

Provisions

Net provisions amounted to €0.4 million for the year ended December 31, 2012 and consisted of provisions for potential service claims.

Operating Income Before Depreciation and Amortisation

Operating income before depreciation and amortisation increased by € 4.8 million, or 5.3%, from €90.9 million for the year ended December 31, 2011 to €95.7 million for the year ended December 31, 2012, primarily reflecting the increased interconnection business generated by Free's entry into the mobile telephony market.

Reconciliation of EBITDA and Adjusted EBITDA

	Year ended December 31,	
	2012	2013
	(in millions of euros)	
EBITDA	**592.3**	**560.1**
Debt-refinancing related advisory fees[a]	7.4	4.9
Acquisition-related restructuring costs[b]	2.5	1.4
Provisions/costs for tax and social security audits	0.6	11.3
Exceptional charge due to Orange[c]	0.1	7.2
Exceptional charge due to Free[d]	—	6.1
CVAE[e]	11.9	12.7
Accelerated depreciation of equipment[f]	5.2	14.7
Penalties[g]	1.0	—
Costs related to the share option plan	—	3.6
Adjusted EBITDA	**620.9**	**615.9**

(a) Advisory fees paid in connection with the Numericable Group's refinancing transactions (classified in other operating expenses).

(b) Restructuring costs incurred in connection with the Numericable Group's acquisition of Altitude Télécom (classified in purchases and subcontracting services and staff costs and employee benefit expense).

(c) Exceptional charge recognized in 2012 for the €1million reserved for the litigation in connection with the patching rack rented to France Telecom; Exceptional charge recognized in 2013 for the €1.1 million legal fees paid in respect of litigation against France Telecom at the International Chamber of Commerce.

(d) Exceptional charge recognized primarily in 2013 for the € 6 million penalty relating to the dispute with Free (see Section 20.7.2.3, "Dispute with Free relative to the advertising of mobile services".

(e) As from January 1, 2010, the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*), a French business value-added levy, partially replaced the former local business tax (*taxe professionnelle*) (classified in taxes and duties).

(f) Non-cash charges resulting from (i) the accelerated depreciation of set-top boxes and broadband routers that were returned damaged or not returned at all by churning customers and (ii) the transfer of the remaining net accounting value of the assets returned to municipal governments in connection with the exiting of DSP contracts.

(g) Penalties payable to SFR as a result of a delay incurred in the deployment of vertical fiber networks pursuant to a fiber deployment agreement entered into in 2008 (classified in purchases and subcontracting services).

Liquidity and Capital Resources of the Numericable Group

The Numericable Group's principal financing needs include its working capital requirements, capital expenditures, interest payments and debt repayments.

The Numericable Group's principal source of liquidity on an ongoing basis has been its operating cash flows. The Numericable Group's ability to generate cash in the future from operations will depend on its operating performance which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Numericable Group's control. The Numericable Group maintains cash and cash equivalents to fund the ongoing requirements of its business. The Numericable Group holds cash only in euro.

As of the date of this Prospectus, the Numericable Group had €2,638 million of debt outstanding which will be refinanced in connection with the Transactions. Following the completion of the Transactions, the Numericable Group will have €11,653 million of third-party debt (excluding finance leases and other liabilities) comprising €7,873 million (equivalent) of Notes and €3,780 million (equivalent) of borrowings under the New Numericable Term Loan. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

	Period ending December 31,					
	2014	2015	2016	2017	2018 or later	Total
	(€ in millions)					
New Numericable Term Loan	—	38	38	38	3,667	3,780
Notes	—	—	—	—	7,873	7,873
Total	—	38	38	38	11,540	11,653

The Numericable Group estimates that its financing needs for 2014 will consist primarily of its working capital requirements (see "*—Financing of Working Capital Requirements*"), capital expenditures, interest payments and debt repayments. Further to the Transactions as contemplated in this Prospectus, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement.

Financial Resources

Overview

In the past, the Numericable Group has principally relied on the following sources of financing:

- Cash flow from operating activities, which amounted to €577.1 million, €531.0 million and €570.3 million in 2011, 2012 and 2013, respectively;
- Cash on hand. Cash and cash equivalents at December 31, 2011, 2012 and 2013 totaled €40.6 million, €8.0 million and € 101.4 million, respectively. See Note 20 "Cash and cash equivalents" to the Numericable Group's consolidated financial statements included elsewhere in this Prospectus. The significant increase in cash on hand as of December 31, 2013 is tied to the increase in capital in November 2013, of which only a portion was used to repay a portion of the February 2012 Notes and the October 2012 Notes. The remaining cash was used by the Numericable Group for its general financing needs, including its organic growth (in particular the deployment of fiber in the network).

Indebtedness, which currently consists of the Ypso France Senior Facility Agreement (both direct lending by banks and on-lending of the proceeds of bond issuances), NC Numericable's perpetual subordinated notes, finance leases, deposits received from customers and bank overdrafts. See Note 22 to the Numericable Group's consolidated financial statements included elsewhere in this Prospectus.

Further to the Transactions contemplated in this Prospectus, the Numericable Group will rely on the following sources of financing:

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum €23.65 million principal amount (excluding capitalised interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) ("TSDI") to Vilorex, a subsidiary of GDF Suez of which a €23.7 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial

Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication). The TSDI bear interest at 7% per annum. Interest has been capitalised, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019, the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Finance Leases

In November 2013, NC Numericable and Completel concluded a general finance lease with BNP Paribas Rental Solution relating to the purchase and the subsequent lease of various equipment provided by telecom equipment providers such as Huaweï, Alcatel or others (aside from Cisco) for a three-year term.

In May and June 2013, NC Numericable S.A.S. entered into a sale-and-leaseback transaction, for a period of 36 months, with respect to LaBox set-top boxes with Lease Expansion for €12.7 million and €5.9 million, respectively.

The Numericable Group entered into a general lease agreement with Cisco in January 2011, which covers most equipment the Numericable Group sources from Cisco (consisting primarily of data network parts and CPEs, such as servers), with a lease term of 3 years.

In 2001, NC Numericable S.A.S. entered into a finance lease with a 15-year term with respect to an office building located in Champs-sur-Marne. The Numericable Group has an option to purchase the property at the end of the lease term at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

In addition, several companies of the Numericable Group have entered into various finance leases with respect to real property (for terms generally between 20 and 30 years) and office equipment (typically for terms of four years).

All leases are denominated in euros. Certain property lease arrangements specify that at the beginning of the lease the annual payments will be set at a fixed amount, but in future years will be increased by a rate of inflation (equal to a specific percentage).

As of December 31, 2013, the Numericable Group's total liability (present value of minimum lease payments) under finance leases amounted to €41.5 million. The average effective interest rate on finance leases was approximately 4.42% for the year ended December 31, 2013 compared to 3.24% for the year ended December 31, 2012. This increase in the average rate is essentially explained by the cost of the new financing entered into with Lease Expansion. See Note 30.2 to the Numericable Group's financial statements included elsewhere in this Prospectus.

Security Deposits Received from Customers

Security deposits received from customers amounted to € 51.9 million and €44.5 million as at December 31, 2013 and 2012, respectively. These deposits are made when customers receive equipment from the

Numericable Group, and the increase in the amount of deposits (already noted in 2012) from December 31, 2012 to December 31, 2013 reflects the increased deposits paid by customers for LaBox due to increased subscriptions including LaBox. Customer deposits are reimbursed when customers terminate their subscriptions, on condition that the customers have paid any outstanding invoices and have returned the equipment. The guarantee deposits are recorded in the balance sheet as items due within more than one year.

Numericable Group Revolving Credit Facilities Agreement

Further to the Transactions as contemplated in this Prospectus, the Numericable Group will have available, if required and subject to certain conditions, €750 million under the Numericable Group Revolving Credit Facilities Agreement. The Numericable Group Revolving Credit Facilities Agreement will require us to maintain compliance with a consolidated senior secured leverage ratio, calculated on a net basis, and only tested at drawdown and to the extent there are loans outstanding under the Numericable Group Revolving Credit Facilities Agreement, at the end of each financial quarter of no more than 4:1 (or 5:1 if certain conditions are not met, including the completion of the SFR Acquisition). Furthermore, the Numericable Group's ability to maintain compliance with further financial covenants is dependent on the Numericable Group's ability to maintain or increase EBITDA and to achieve adequate returns on its capital expenditures and acquisitions. In addition, the Numericable Group's ability to obtain additional debt financing is limited by the incurrence leverage covenants under the Notes, the Numericable Group Revolving Credit Facilities Agreement, the New Numericable Term Loan and could further be limited by any additional debt instruments the Numericable Group may enter into.

No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund the required repayment.

Other Financial Liabilities

Shareholder Financing

All of the shareholder financings were cancelled or capitalised at the time of the initial stock market listing of Numericable Group and of the contributions made to the latter. As at December 31, 2013, there was no longer any existing shareholder loan.

The following table presents the net financial debt of the Numericable Group at December 31, 2012 and December 31, 2013:

	At December 31, 2012	At December 31, 2013
	(in € millions)	
Financial debt	3,041.1	2,766.1
Cash and cash equivalents	8.0	101.4
Net financial debt	**3,049.1**	**2,867.5**

Presentation and Analysis of the Main Categories of Use of the Numericable Group's Cash

Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, renovating, upgrading capacity, expanding and maintaining the Numericable Group's network (fiber, backbone and DSL), directly or, in the case of certain network upgrades, through public-private partnerships;

- *Customers:* capital expenditures linked to in-home B2C and on-site B2B equipment (high-speed routers and TV decoders) as well as in-home wiring for new B2C clients and the creation of fiber links between B2B sites;
- *Service Platforms:* investment in television and fixed-line telephony platforms; and
- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments.

The Numericable Group's capital expenditures in 2011, 2012 and 2013 amounted to €242.7 million, €285.7 million and €319.8 million, respectively. For additional information regarding the Numericable Group's historical, ongoing and planned future capital expenditures.

Interest Payments and Debt Repayments

Much of the Numericable Group's cash flow goes to servicing and repaying its significant indebtedness. The Numericable Group made interest payments of €154.8 million, €152.1 million and €180.6 million, respectively, in 2011, 2012 and 2013. It also made debt repayments of € 335.1 million and €957.2 million and €987.4 million, respectively, in 2011, 2012 and 2013. The high level of debt repayments in 2012 reflects the Numericable Group's refinancing of its debt in such year, in which it issued €831.0 million of new debt. Similarly, the high level of debt repayment in 2013 reflects the repayments of the Altice B2B France Sub-Group's debts, certain floating rate notes that were issued on October 25, 2012 and 35% of the October 2012 Notes with the proceeds of the capital increase following the initial public offering and implementation of Facility D.

Financing of Working Capital Requirements

Working capital requirements primarily correspond to the value of inventory plus trade receivables and other receivables minus trade payables and other payables. Structurally, the Numericable Group's working capital requirements reflect differences in its business. In the B2C segment, the Numericable Group releases working capital because its B2C customers have shorter payment terms (generally 5 days) than its suppliers (generally 60 days), while in the B2B segment, the Numericable Group consumes working capital because its B2B customers have longer payment terms. The Numericable Group generally finances its working capital requirements through its cash flow from operations.

In 2011, the Numericable Group released €5.4 million of working capital. In 2012, the Numericable Group consumed €31.9 million of working capital. In the 2013, the Numericable Group released €20.6 million of working capital.

Contractual Obligations

The table below sets out the Numericable Group's contractual commitments and obligations as of December 31, 2013, excluding in particular future interest and commitments relating to employee benefits and equivalent commitments, which are detailed in Note 23 to the Numericable Group's consolidated annual financial statements included elsewhere in this Prospectus, excluding future interest (*see* "*—Financial Liabilities*").

	< 1 year	**Maturity 1–5 years**	**> 5 years**	**Total December 31, 2013**
		(in thousands of euros)		
Loans and financial liabilities	64,249	2,283,075	418,818	2,766,142
Operating lease arrangements	10,381	34,798	12,978	58,156
Total	**74, 630**	**2,317,873**	**431,796**	**2,824,298**

The Numericable Group does not have any material irrevocable purchase obligations.

The amount on the line "operating lease obligations" corresponds to the amount of the minimum payments due under operating lease agreements that cannot be cancelled by the lessee. They mainly correspond to property and vehicle lease commitments as well as operating leases of TV programs. Leases involving equipment and network IRU (usage rights on local loop, backbone) or other rental contracts (rights of way) were not individually considered material.

In addition, the Numericable Group has given certain guarantees in connection with the Ypso France Senior Facility Agreement, including compliance with financial covenants, conditions regarding the acquisition, disposal, use and control of assets. In addition, all of the assets and shares of the Numericable Group's subsidiaries have been pledged to the lender banks under the Ypso France and Senior Facility Agreement. These guarantees and security will be released in connection with the Refinancing Transactions.

The Numericable Group has also committed to build 75,000 connectors for a total amount of €4.5 million on behalf of the city of Le Havre, France. In addition, through its subsidiary Sequalum, the Numericable Group has committed, subject to certain conditions, to deploy 2,600 km of fiber cables and reach 827,900 apartments and offices in the Hauts-de-Seine department.

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 "Description of Group's *Business—Material Contracts—MVNO Agreements*". In 2014, we entered into a LT MVNO agreement with SFR.

The Numericable Group has also entered into certain operating leases, including property and vehicle leases, leases involving equipment and network IRUs and operating leases and agreements to purchase TV programs. See note 29 to the Numericable Group's consolidated financial statements included elsewhere in this Prospectus.

Cash Flows for the Years Ended December 31, 2011, 2012 and 2013

The table below summarises the Numericable Group's consolidated cash flow for the year ended December 31, 2013 and the combined cash flows for the years ended December 31, 2011 and 2012.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Net cash provided (used) by operating activities	577,127	530,960	570,279
Net cash provided (used) by investing activities	(237,652)	(285,217)	(342,657)
Net cash provided (used) by financing activities	(489,705)	(278,327)	(134,253)
Net cash from discontinued operations*	156,258	—	—
Total net increase (decrease) in cash and cash equivalents	**6,027**	**(32,584)**	**93,369**

---

* Cash flow from discontinued operations in 2011 reflects revenue from the disposal of certain business in Belgium (gross purchase price of €360 million less Coditel debt).

Net cash provided by operating activities

The table below summarises the Numericable Group's consolidated net cash provided by operating activities for the year ended December 31, 2013 and the combined net cash provided by the operating activities for the years ended December 31, 2011and 2012.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Cash flow from operations before changes in working capital and income tax	570,651	566,213	553,918
Changes in working capital	5,392	(31,911)	20,653
Income tax paid	1,083	(3,342)	(4,292)
Net cash provided by operating activities	**577,127**	**530,960**	**570,279**

Cash flow from operations before changes in working capital and income tax

Cash flow from operations before changes in working capital and income tax decreased by €4.4 million, or 1.2%, from a cash inflow of € 570.7 million in the year ended December 31, 2011 to a cash inflow of €566.2 million in the year ended December 31, 2012. This decrease was driven by a €17.4 million increase in other financial expenses, reflecting fees incurred in connection with the refinancing of part of Ypso's debt in 2012 (including the issuance of the Notes, the establishment of new credit facilities and amendments to, and extension of the maturity of, the Ypso France Senior Facility Agreement), partially offset by a €17.2 million increase in net income from continuing operations resulting from a €29.1 million increase in EBITDA.

Cash flow from operations before changes in working capital and income tax decreased by €12.3 million, or 1.7%, from a cash inflow of € 566.2 million in the year ended December 31, 2012 to a cash inflow of €553.9 million in the year ended December 31, 2013. This decrease was driven by a €28.2 million increase in other financial expenses, resulting from the premiums paid in connection with early repayment of the February 2012 Notes, 35% of the October 2012 Notes and certain floating rate notes that were issued on October 25, 2012, compounded by a decrease in Adjusted EBITDA of € 3.9 million.

Change in working capital requirements

In 2011 and 2012, the Numericable Group made an exceptional working capital investment, related to the termination of a free share plan of Completel Europe NV, which resulted in exceptional cash outflows of €32.8 million in 2011 and €16.4 million in 2012. The free share plan involved grants of free shares for which the pricing and therefore the amount of liabilities were determined in 2009 and recorded in current liabilities. In 2011 and 2012, the Numericable Group made cash payments to the holders to terminate the plan, resulting in the exceptional cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, due to increased customer acquisitions expenses in the B2C segment resulting from a larger client base as well as the €16.4 million outflow related to the termination of the free share plan. In the B2C segment, the acquisition of new clients leads to installation and set-top box-related costs, as well as cash outflows.

The change in working capital requirements represented a cash outflow of €31.9 million in the year ended December 31, 2012, compared to a cash inflow of €20.5 million in the year ended December 31, 2013. By excluding the cash outflow related to the termination of the free share plan (€16.4 million), the Numericable Group would have recorded a cash outflow limited to €15.5 million in 2012. The year ended December 31, 2012 was exceptional for the change in working capital requirements due to increased subscriber acquisition costs resulting from a larger client base. The cash inflow was exceptionally high in 2013 due to term billing adjustments.

Income tax paid

Income tax paid represented a cash outflow of €1.1 million in 2011 €3.3 million in 2012 and €4.3 million in 2013. The increase in 2012 was primarily due to the increased tax burden on French corporations in 2012 as well as a new limitation on usage of tax loss carry-forwards, and the first taxable profits at the level of Altice B2B France. The Ypso Group also had a negative taxable result in 2012 due in particular to fees in relation to the various 2012 refinancings. The increase is principally due to greater taxes paid by the Altice B2B France Group, while the Ypso France Group did not pay taxes following the various refinancing operations.

Net cash used by investing activities

The table below summarises the Numericable Group's consolidated net cash provided (used) by investing activities for the year ended December 31 2013 and the combined net cash provided (used) by investing activities for the year ended December 31, 2012 and 2011, respectively.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Net capital expenditures[1]	(237,694)	(281,771)	(314,752)
Net financial investments	41	(3,446)	(27,905)
Net cash (used) by investing activities	**(237,652)**	**(285,217)**	**(342,657)**

---

(1) Represents the sum of (i) PPaE and intangible assets, (ii) proceeds from disposals of PPaE and intangible assets, and (iii) investment subsidies and grants received.

Net capital expenditures

Net capital expenditures are capital expenditures net of proceeds from the disposal of tangible and intangible assets and investment subsidies and grants received.

Cash used in net capital expenditures increased €44.1 million, or 18.5%, from a cash outflow of €237.7 million in 2011 to a cash outflow of €281.8 million in 2012, due to higher capital expenditures (up €48.4 million) in connection with the launch of LaBox and the acceleration in fiber deployment in 2012 and lower disposal proceeds (down €1.2 million), partially offset by higher subsidies (up €5.6 million) received in connection with the DSP 92 project.

Cash used in net capital expenditures increased by €33.0 million, or 11.7%, from a cash outflow of €281.8 million in 2012 to a cash outflow of €314.8 million in 2013, due to higher capital expenditures (up €30.2 million) in connection with a full year of deployment of LaBox instead of the 5-month deployment in 2012 (launched commercially in the third quarter of 2013) and with the continuous acceleration in fiber deployment in 2013, lower subsidies (down €4.0 million) received in connection with the DSP 92 project, partially offset by higher disposal proceeds (up €1.3 million).

Net financial investments

Net financial investments comprise acquisition of subsidiaries (net of cash received) net of disposals of subsidiaries (net of cash paid), plus acquisitions of other financial assets net of disposals of other financial assets.

Cash used by net financial investments increased by €3.4 million from zero cash inflow in 2011 to a cash outflow of €3.4 million in 2012 due to performance guarantees given in the context of the continuation of DSP 92 network's deployment. The Numericable Group also bought out the minority shareholders of Sequalum in 2012.

Cash used by net financial investments increased from €3.4 million cash outflow in 2012 to a cash outflow of €27.9 million in 2013. The Numericable Group acquired LTI Télécom in October 2013, as well as Auchan and Valvision's subscribers in March and June 2013, respectively, whereas no acquisitions were made in 2012.

Net cash used by financing activities

The table below summarises the Numericable Group's consolidated net cash provided by financing activities for the years ended December 31, 2011, 2012 and 2013.

	For the year ended December 31,		
	2011	**2012**	**2013**
	(in € thousands)		
Share capital increase	0	0	236,49
Issuance of debt	172	830,975	797,223
Repayment of debt	(335,085)	(957,189)	(987,42)
Interest rate swap agreements	*(20,962)*	*0*	*0*
Interest on SFA debt excluding the Notes	*(124,189)*	*(106,513)*	*(93,157)*
Interest on Notes	*0*	*(47,412)*	*(84,589)*
Other interest	*(9,640)*	*1,813*	*(2,800)*
Total interest paid	(154,791)	(152,113)	(180,546)
Net cash (used) by financing activities	**(489,705)**	**(278,327)**	**(134,253)**

Issuance of debt

Issuance of debt totaled €0.2 million, €831.0 million and €797.2 million in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group did not materially draw on any debt instruments.

In 2012, Numericable Finance & Co. S.C.A. issued €831.0 million of debt (net of OID (original issue discount) and fees), comprising issuance of the February 2012 Notes, the October 2012 Notes and certain floating rate notes. The net proceeds of these Notes were used to refinance existing senior debt of Ypso France.

In 2013, the Numericable Group drew €800 million under the Ypso France and Altice B2B France Senior Facility Agreements and entered into new sale-leaseback agreements.

Repayment of debt

The Numericable Group repaid €335.1 million, €957.2 million and €987.4 million of debt in 2011, 2012 and 2013, respectively.

In 2011, the Numericable Group repaid €335.1 million due under the Ypso France and Altice B2B France Senior Facility Agreements, as the Numericable Group made mandatory or voluntary repayments relating to the sale of Coditel. The Numericable Group used the proceeds from the sale of Coditel to finance €156.3 million of the repayments and financed the remainder (€158.3 million) with cash from operations.

In 2012, the Numericable Group repaid €117.1 million under the Ypso France Senior Facility Agreement with cash from operations and € 840 million with the proceeds of the Notes.

In 2013, the Numericable Group repaid €32.8 million under the Ypso France Senior Facility Agreement (in accordance with its obligations), €479.8 million under the Senior Secured Notes and €453.9 million due under a previous senior credit facility, which was cancelled in full.

Interest paid

The Numericable Group paid €154.8 million in interest in 2011.

The Numericable Group paid €152.1 million in interest in 2012, a slight decrease as compared to 2011. This decrease reflected the termination in June 2011 of the cash-consuming variable-to-fixed interest swap and the lower amounts due under the Ypso France and Altice B2B France Senior Facility Agreements following repayments in 2011, partially offset by the increase in EURIBOR between 2011 and 2012, the issuance of the Notes in 2012 and the incurrence of the Additional C1 Facility Loan, which bear higher interest rates than the debt that was repaid with the proceeds thereof, and a margin increase on the Ypso France Senior Facility Agreement following the extension of certain tranches pursuant to the February 2012 refinancing.

The Numericable Group paid €180.5 million in interest in 2013, an increase of €28.4 million as compared to 2012. This increase reflects the general increase in the cost of the Ypso group's debt following the repayment of low margin facilities in 2012 through the issuance of the February 2012 Notes, the October 2012 Notes, certain floating rate notes on October 25, 2012 and an increase in the margin of the Ypso France Senior Facility Agreement following the effectiveness in February 2012 of a September 2011 amendment thereto.

Off-Balance Sheet Commitments

The Numericable Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, liquidity, capital expenditure or capital resources.

Capital Expenditures

Historical Capital Expenditures

The Numericable Group classifies its capital expenditures in the following categories:

- *Network:* investment in improving, expanding, increasing capacity, extending and maintaining the Numericable Group's network (fiber, backbone and DSL), either directly or, in the case of certain network expansion projects, through public-private partnerships;
- *Customers:* capital expenditures linked to in-home B2C equipment installation and on-site B2B equipment installation (broadband routers and set-top boxes), as well as wiring for new B2C customers and the creation of new fiber links between B2C sites;
- *Service Platforms:* investment in television and fixed-line telephony platforms, and
- *Other:* capital expenditures in connection with wholesale projects, as well as miscellaneous investments, such as the upkeep of the Numericable Group's property and administrative, technical and commercial investments, as well as own work capitalised.

Between 2008 and 2012, the Numericable Group incurred capital expenditures of approximately €1.4 billion. For the year ended December 31, 2012, the Numericable Group incurred capital expenditure of €281.8 million, compared to €237.7 million and €239.1 million (net of subsidies received) during the years ended December 31, 2011 and 2010, respectively. For the year ended December 31, 2013, the Numericable Group incurred capital expenditures of €314.7 million.

The table below sets out the amount of capital expenditures by type: (i) capital expenditures for the maintenance of the network, i.e., "maintenance" capital expenditures (in other words, capital expenditures required regardless of the commercial activity in order to serve existing clients with the same quality and service (e.g., information systems, electrical systems, cooling systems)), (ii) capital expenditures for connecting new customers (customer equipment (e.g., set-top boxes), connection costs, etc.), (iii) capital expenditures for the upgrading and renovation of the network (including the transition to EuroDocsis 3.0 and DSP 92), for the 2011-2013 period.

	Maintenance Capital Expenditures	New Customer Capital Expenditure	Network Upgrade Capital Expenditure
2013	125.4	152.4	42.1
2012	107.4	145.7	32.5

2011	90.5	138.2	14.0

Approximately half of the Numericable Group's capital expenditures are comprised of capital expenditures in the new customer category, which vary depending on the acquisition of new B2C and B2B clients. The Numericable Group's capital expenditures are therefore highly dependent on its business activities as well as the pace of network renovations, in particular with respect to fiber, as well as potential public-private partnerships.

The Numericable Group's main existing public-private partnership is DSP 92, run through its subsidiary Sequalum. Formed in 2008, Sequalum's purpose is the creation, financing, marketing, deployment and technical and commercial operation of a very high speed FTTH fiber network in the Hauts-de-Seine district. In the first table above, the Numericable Group's capital expenditures in connection with the DSP 92 project, excluding certain development work which is capitalised and included in the "Other" category, are included in the "Network" category.

The Numericable Group has also made acquisitions.

Ongoing Capital Expenditures

The Numericable Group expects the annual amount of its capital expenditures excluding network upgrades to be approximately €300 million in 2014.

Acquisition of LTI Télécom

The Numericable Group acquired 100% of LTI Télécom's shares on October 31, 2013. The acquisition price was in the range of €20 to €30 million.

LTI Télécom is a telecommunications operator founded in 1998 and active in the B2B market. It provides fixed and mobile telephony solutions and Internet access to small and medium-sized companies of 5 to 250 employees in France. It relies on the networks of other French operators, including Orange, SFR and Completel. LTI Télécom offers its services through a direct distribution network (4 fully-owned agencies in large cities) and a broad indirect distribution network (about a hundred partners in France).

LTI Télécom has approximately 9,556 clients, 28,000 active fixed lines, 2,800 active high speed links, and 5,000 active mobile lines. The table below sets out LTI Télécom's key operating data:

	2011	**2012**	**2013**
ARPU	229.00	241.00	271.00
Number of customers	8,213	8,943	9,553

For the year ended December 31, 2012, LTI Télécom generated revenues close to €30 million and an operating margin (ratio of operating income to revenue) around 10%.

The acquisition of LTI Télécom by the Numericable Group will allow it to pursue the consolidation of the B2B French market, strengthening its position therein with respect to the midmarket, in which the Numericable Group's coverage is currently small, through a partner network complementary to its own. It is expected that capital expenditure LTI Télécom will remain very low in the future, as customers mainly include SMEs, which have very low capital expenditure requirements.

Future Capital Expenditures

The Numericable Group expects to continue to deploy fiber selectively going forward, where a densification of its fiber network is necessary to improve service to customers. The Numericable Group generally upgrades the network to EuroDocsis 3.0 (allowing full triple-play services, including digital TV and VOIP and broadband speed of up to 200 Mbps) at the same time as the network is upgraded to FTTB. The Numericable Group intends to upgrade 700,000 and 800,000 homes to EuroDocsis 3.0 by the end of 2014. The costs of such upgrades vary, but on average amounts to approximately €50 per home passed.

In addition, the Numericable Group will continue to invest in the DSP 92 project, phase II of which began in mid-2013 and should continue until 2016.

The Numericable Group estimates that the average annual amount of capital expenditures excluding network upgrades should be approximately €300 million during the 2014-2016 period with an estimated capital expenditure of €80 million for the year ended December 31, 2013.

Qualitative and Quantitative Analysis of Market Risk

The Numericable Group put in place an internal control department within the Ypso France Group in 2008 and within the Altice B2B France Group in 2009. Since 2012, driven by the Chairman and Chief Executive Officer of the Numericable Group, the Numericable Group has put in place new tools to provide the Numericable Group with greater overall visibility on its key processes. Evaluation of the associated risks and the relevant internal control procedures addressing such risks are a key element of its internal control system.

Exchange Rate Risk

Following the Transactions as contemplated in this Prospectus, the Numericable Group's business will be exposed to fluctuations in currency exchange rates. The Numericable Group's primary transactional currency is the euros, however, following the Transactions, it conducts, transactions in currencies other than such primary transactional currencies, particularly the U.S. dollar. Although the Numericable Group's existing debt is denominated euros, under the New Numericable Term Loan, it will have debt denominated in U.S. dollars and the amounts incurred in U.S. dollars will not necessarily match the amount it will earn in the corresponding currency. The Numericable Group seeks to manage such transactional foreign currency exposures through its hedging policy in accordance with its specific business needs. As of December 31, 2013, the Numericable Group did not have any derivative instruments outstanding. However, in connection with the Transactions, the Numericable Group expects to enter into derivative instruments to secure foreign currency liabilities and to reduce foreign currency exposure.

Interest Rate Risk

Following the Transactions, the Numericable Group is exposed to the risk of fluctuations in interest rates under the New Numericable Term Loan and the Numericable Group Revolving Credit Facilities which are indexed to the Euro Interbank Offered Rate ("EURIBOR") and, in the case of U.S. dollar denominated term loans, London Interbank Offered Rate ("LIBOR"), plus an applicable margin. EURIBOR could significantly rise in the future, leading to an increase in the Numericable Group's interest expense and reducing cash flow available for capital expenditures and hindering its ability to service the debt under certain debt instruments. The Numericable Group's debt instruments do not contain covenants requiring it to hedge all or any portion of its floating rate debt. Although the Numericable Group has in the past and expects to continue to enter into interest rate swap agreements and interest rate cap agreements, there can be no assurance that the Numericable Group will be able to adequately manage its exposure to interest rate fluctuations in the future or continue to do so at a reasonable cost.

To manage this risk effectively, the Numericable Group has in the past and expects to continue to, when it deems appropriate, enter into interest rate swap agreements and interest rate cap agreements. As of December 31, 2013, the Numericable Group was party to interest rate cap agreements with a total notional amount of €600 million. Such agreements enable the Numericable Group to mitigate, on one hand, the risk of fluctuating interest rates on the fair value of the Numericable Group's fixed rate debt and, on the other hand, cash flow exposures on the Numericable Group's floating rate debt.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a full-year impact of +/− €13 million on the Numericable Group's net income (loss) for the year ended December 31, 2012.

Given the breakdown of the Numericable Group's debt between fixed and floating-rate, an immediate 50 basis point change in interest rates would have a half-year impact of +/− €11 million on the Numericable Group's net income (loss) for the year ended December 31, 2013.

Liquidity Risk

The Numericable Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching as much as possible the maturity profiles of financial assets and liabilities.

Credit and/or Counterparty Risk

Credit and/or counterparty risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Numericable Group.

Financial instruments that could potentially subject the Numericable Group to concentrations of counterparty risk consist primarily of trade receivables, cash and cash equivalents, investments and derivative financial instruments. Overall, the carrying amount of financial assets recognized in each of the consolidated and combined financial statements, respectively, which is net of depreciation, represents the Numericable Group's maximum exposure to credit risk.

The Numericable Group believes that it has an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential and public institutions) operating in numerous industries and located across France. An analysis of credit risk on net trade receivables past due is provided in note 19 to the consolidated financial statements for the year ended December 31, 2013, included elsewhere in this 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 2013, the Group received payments of €4.5 million and €2.6 million in relation to this claim. A final payment was received in November 2013, and all amounts accepted by the administrator have been paid to Ypso France (a total of 8.9 million pounds sterling, representing approximately 93% of the initial amount claimed). The Numericable Group does not expect any additional payments from the administrator of the Lehman Brothers bankruptcy.

Insurance

The Numericable Group has insurance coverage under a general liability insurance policy (*responsabilité civile générale*) and a property insurance policy covering, among other things, certain operational and business interruption liabilities (*dommages aux biens et pertes d'exploitation*). The Numericable Group does not insure against certain operational risks for which insurance is unavailable or which can only be insured at what the Numericable Group believes to be on unreasonable terms. There is also no protection against customer collection risk. The Numericable Group also maintains various policies covering motor vehicle insurance policies, including third-party liability insurance. The Numericable Group has a directors' and officers' liability insurance policy (*responsabilité civile des mandataires sociaux*). The directors' and officers' liability insurance policy has no deductible. In the Numericable Group's view, the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection against the risks faced by the Numericable Group in the locations in which it operates, taking into account the costs for the insurance coverage and the potential risks to business operations. However, the Numericable Group cannot guarantee that no losses will be incurred or that no claims will be filed against the Numericable Group which go beyond the type and scope of the existing insurance coverage.

PART XIII
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SFR

The following discussion and analysis is intended to assist in providing an understanding of SFR's financial condition, changes in financial condition and results of operations. The discussion is based on SFR's audited combined financial statements as of and for the twelve months ended December 31, 2011, 2012, and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.

Except as the context otherwise indicates, when discussing historical results of operations under "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR", "SFR", "it" and other similar terms are generally used to refer to the business of SFR.

You should read the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations of SFR" in conjunction with the combined financial statements of SFR and the accompanying notes in this Prospectus. A summary of the critical accounting estimates that have been applied to SFR's financial statements is set forth below in "Critical Accounting Estimates." This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk Factors."

Presentation of Financial Information

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited combined financial statements of SFR for the periods ended December 31, 2011, 2012 and 2013 (the "Combined Financial Statements"). The Combined Financial Statements cover the following parameters: (i) the Company (ii) telephony companies in France (iii) entities held directly or indirectly by SFR and its subsidiaries (iv) and Vivendi SA's ("Vivendi") participation in the telecommunications products and services distribution activity (which will be transferred to the Numericable Group as part of the Transactions).

The Combined Financial Statements are created in accordance with IFRS standards that require the management of SFR to take into account the estimates and assumptions that could affect the book value of certain assets and liabilities and charges of SFR, as well as the information given in the appended notes. The management of SFR revises its estimates and assumptions regularly in order to ensure their relevance in light of past experience and the current economic situation. Depending on changes in these assumptions, the items in future financial statements of SFR could be different based on changes in estimates. The impact of the changes in accounting estimates is evaluated during the period of the change and future periods affected.

The principal estimates made by the management of SFR for the preparation of the Combined Financial Statements concern the following:

- certain elements of revenue, particularly identification of the separable elements of a packaged offer and the duration of decreases in revenue linked to costs of access to the service;
- the amount of the provisions for risks and other provisions linked to the business of SFR;
- the assumptions used for calculating the obligations linked to staff benefits;
- the methods of valuation and impairment of goodwill;
- recognition of the deferred tax assets; and
- duration of the utility of intangible and tangible fixed assets.

In addition, SFR has historically operated as a division within Vivendi. Accordingly, the Combined Financial Statements do not necessarily represent the results of operations, statement of financial position or cash flows of SFR if it had operated as a stand-alone consolidated group during the periods under review.

The estimates and management assumptions used by the management of SFR in the framework of the preparation of the Combined Financial Statements are described in detail in note 1.3 of the Combined Financial Statements.

As SFR's activity evolves towards increased convergence of the activities of the mobile telephone and broadband internet, and fixed revenue services, it will continue to move towards global and unified operations. The chief operating decision-maker checks the results and operating plans, and decides on the distribution of resources at the group level. The group has therefore identified one individual operating sector that corresponds to the criteria of IFRS 8 standard. Similarly, in view of the fact that virtually all of SFR's activity is on French territory, a single geographic segment has been retained. This presentation could be modified in future periods in response to the development of SFR's activities and operating criteria.

Key Factors Affecting SFR's Business

The main factors having an impact on the normal course of SFR's activities and its results include: (i) economic and financial developments in France, (ii) competitive pressures, (iii) large investment expenditure linked in particular to purchase of licenses, (iv) changes in regulatory tariff prices and (v) the implementation of a long-term transformation plan. These factors are further described below.

Economic and Financial Environment in France

SFR generates almost all its revenue in France and is therefore strongly exposed to economic and financial developments in France. The 2011 to 2013 financial periods were marked by almost no economic growth in France, accompanied by a drop in the purchasing power of households and a reduction in corporate expenditure. These elements have affected the results of SFR over this period.

Competition

SFR carries out all its business in the telecommunications sector in France, which is marked by intense and growing competition. In particular, at the start of the 2012 financial period, the French mobile market experienced a significant increase in competition as a result of an entry of a fourth operator, the Iliad Group, which led to a significant increase of low-price offers in the French mobile telecommunications sector. The entry of Iliad Group into the market negatively affected the pricing for our mobile products and the churn rate, as well as our ability to attract new customers during the 2012 and 2013 financial periods.

Network Expenditures

SFR's business requires significant investments for maintenance, modernization and development of its network. In order to develop SFR's businesses and to improve the performance of its network, SFR acquired frequencies granted by the French authorities. The 2011 and 2012 periods were therefore marked by acquisition costs for 4G licenses (the bands 2.6 GHz and 800 MHz); in 2012 these costs represented an amount of €1,065 million. In addition, during the last three financial periods, SFR had to pursue its investments linked to the commitments for the coverage and deployment of the network for its mobile licenses. SFR's capital expenditures in 2011, 2012 and 2013 were €1,809 million, €2,736 million and €1,610 million respectively. For further information, see note 25 of the "Combined Financial Statements" contained elsewhere in this Prospectus.

Regulatory Tariffs

An important component of SFR's revenue (accounting for approximately 10% of revenue for 2013, a share which is diminishing) is subject to changes in regulations applicable to the telecommunications sector. This is mainly related to the decrease in income from call termination tariffs on the mobile network of SFR, which are set by ARCEP, and the revenue linked to roaming tariffs in Europe, which are subject to European regulations. The decreases in tariffs implemented by the regulators over the three years 2013, 2012 and 2011 are as follows:

- decrease in regulated prices for mobile call tariff terminations: of 33% on July 1, 2011, of 25% on January 1, 2012, of 33% on July 1, 2012 and of 20% on January 1, 2013;
- decrease in tariffs for mobile roaming on July 1, 2011, 2012 and 2013;
- decrease in prices for SMS call termination tariffs of 25% on July 1, 2011 and of 33% on July 1, 2012; and
- decrease in price of fixed line call terminations of 40% on October 1, 2011, of 50% on July 1, 2012 and of 47% on January 1, 2013.

The table below shows the impact of the regulatory measures on SFR's combined revenue:

	2013	**2012**	**2011**	**% variation 2013 in comparison with 2012**	**% variation 2012 in comparison with 2011**
	(in millions of euros)				
Combined revenue	10,199	11,288	12,183	−9.7%	−7.3%
Variation excluding regulatory impacts(a)				*−7.2%*	*−3.3%*

(a) Excluding price effect of the decreases in the regulated tariff prices detailed above

SFR's Long-Term Transformation Plan

SFR initiated a global transformation plan in 2012 aimed at adapting to developments in the telecommunications market and anticipating the challenges for its business. SFR pursued this transformation plan in 2012 and 2013, adapting its organisation to the market developments and retaining its investment capacity in the high speed and mobile sectors. This plan has also contributed to a reduction in the operating costs of SFR by more than € 1 billion between the end of 2011 and the end of 2013.

Key Operating Measures

SFR uses several key operating measures, including total mobile customers, total internet customers, mobile acquisition costs and mobile retention costs. None of these terms are measures of performance under the IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from our internal operating and financing systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

Operating data

	2013	**2012**	**2011**	**% of change in 2013 from 2012**	**% of change in 2012 from 2011**
Group					
Total mobile customers (in thousands)(a)	21,354	20,690	21,463	+3.2%	−3.6%
Total Internet customers (in thousands)(b)	5,257	5,075	5,019	+3.6%	+1.1%
Mobile acquisition costs (in €m)	430	497	602	−13.4%	−17.5%
Mobile retention costs (in €m)	541	634	645	−14.7%	−1.8%
B2C(c)					
Total mobile customers (in thousands)(a)	14,555	15,057	16,578	−3.3%	−9.2%
Total mobile subscribers (in thousands)(d)	11,381	11,194	11,961	+1.7%	−6.4%

Smartphone penetration rate[e]	64.1%	51.2%	42.1%	+12.9 pts	+9.1 pts
12-month rolling Mobile ARPU (€ per month)[f]	24.1	28.3	31.4	−15.0%	−9.6%
Number of broadband Internet customers (in thousands)[b]	5,209	5,039	4,994	+3.4%	+0.9%
Of which FTTH customers (in thousands)	197	126	97	+55.6%	+29.7%
Of which quadruple-play customers ("MultiPack") (as % of customer base)	45%	35%	24%	+9.8 pts	+11.9 pts
12-month rolling Broadband Internet ARPU (€ per month)[f]	32.5	33.3	34.1	−2.6%	−2.1%

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

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo 1P and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Reunion and Mayotte.

(d) Total Mobile subscribers is equal to post-paid subscribers.

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

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

Key Income Statement Items

Revenue

SFR's revenue is principally comprised of the provision for services and equipment sales. The principles for recognition of revenue are described in note 1.3.4 of the appendix to the Combined Financial Statements.

B2C Revenue

B2C Revenue is principally comprised of pre-tax income from sale of retail services and equipment to consumers (fixed and mobile) in metropolitan areas of France and call termination income for traffic to consumer customers of SFR.

B2B Revenue

B2B Revenue comprises pre-tax income from the sales of services to SMEs/VSBs, large businesses and public administrations in metropolitan areas of France, including:

- 3G/4G voice and data mobile services for smartphones, tablets and PCs;

- fixed data services via xDSL technologies or fiber, and business network offers (Virtual Private Networks) which enable connection to the sites of single-site or multi-site businesses;
- fixed telephony services for businesses;
- the Business Entrepreneurs Pack for VSBs, the Business Enterprises Pack for SMEs and the Business Corporate Pack (for large businesses) within the range of unified communications solutions;
- value-added hosting services intended for large account customers, or cloud services intended for SMEs; and
- the revenue associated with communicating objects (Machine to Machine).

Wholesale and Other Revenue

The Wholesale and Other revenue is principally comprised of the following elements:

- revenue generated by the operators division of SFR which covers:
- revenue generated with virtual mobile operators, who are customers of SFR;
- revenue generated by roaming foreign visitors on the SFR mobile network ("roaming in"); and
- revenue from fixed activities including the collection and termination of voice, data and special number traffic on behalf of national and international operators, the resale of national and international connections, or the sale of end-to-end voice services;
- revenue generated by SRR which conducts its activity as fixed and mobile operator in Reunion and Mayotte for consumers and businesses;
- revenue generated by SFR Collectivités and its subsidiaries from regional authorities. The role of SFR Collectivités is to support the strategy of deploying SFR networks and services complementing the needs of the regional authorities; and
- intersegment eliminations.

Costs

The costs of sales are comprised of the purchase of goods, interconnection costs, network operating and maintenance costs, and of the share in staff expenses and associated taxes and duties. Purchases of goods include purchases of mobile handset devices. Commercial and distribution costs include the costs of acquiring customers and developing their loyalty, excluding the mobile handset devices subsidy costs deducted from the revenue, namely distributor remunerations, customer service, advertising and marketing costs. Overhead costs primarily consists of information systems costs, cost structures, and taxes not associated with the costs of sales.

EBITDA

EBITDA, a non-accounting indicator, is considered to be a measure of performance. EBITDA shows the profit generated by SFR's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortisation expense and provisions). EBITDA as defined by SFR corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortisation expense and provisions for impairment of intangible assets and property, plant and equipment.

Operating Income

The combined operating result corresponds to the combined EBITDA for SFR, less depreciation and amortisation on intangible and tangible assets, other operating expenses, and other operating income, which includes the amortisation of subscriber bases recognized during the combining of businesses and restructuring costs.

Financial Expense

The combined financial expense includes financing cost that is composed of interest expenses on loans, which depend on the level of the debt and the average applicable rates. For the periods 2011, 2012 and 2013, this relates primarily to the financial expenses in respect of the shareholder loan for Vivendi. The combined financial result also includes interest income from cash that is primarily comprised of income from investments in cash and cash equivalents and other financial income. Expenses are comprised of default interest, changes in the value of derivative instruments and the effects of accretion connected to debts and provisions (particularly on debt connected to the GSM license, the provision for post-employment benefits and the provision for the refurbishment of sites).

Discussion and Analysis of Our Results of Operations

	2013	**2012**	**2011**
	(in millions of euros)		
Revenues	**10,199**	**11,288**	**12,183**
Cost of sales(a)	(4,851)	(5,113)	(5,681)
Commercial and distribution costs(a)	(1,928)	(1,965)	(1,864)
Selling, general and administrative expense(a)	(654)	(909)	(838)
EBITDA	**2,766**	**3,299**	**3,800**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(1,508)
Other operating income	2	11	14
Other operating expense	(169)	(270)	(84)
Operating result	**1,005**	**1,530**	**2,222**
Net financing cost	(229)	(217)	(208)
Other financial income	2	2	8
Other financial expense	(24)	(34)	(70)
Financial income	**(251)**	**(249)**	**(270)**
Income from equity affiliates	(12)	(13)	(17)
Pretax income from continuing operations	**742**	**1,267**	**1,935**
Income tax	(315)	(516)	(535)
Net earnings	**426**	**752**	**1,400**
of which			
Attributable to shareholders	**420**	**746**	**1,399**
Net earnings from continuing operations	420	746	1,399
Net earnings from operations sold or being sold	—	—	—
Attributable to non-controlling interests	**6**	**6**	**1**
Net earnings from continuing operations	6	6	1
Net earnings from operations sold or being sold	—	—	—

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Analysis and comparison of results for the financial periods ended December 31, 2012 and December 31, 2013

The table below shows the combined income statement of SFR for the financial periods ended December 31, 2012 and December 31, 2013, in millions of euros.

	2013	**2012**	**Variation**	**Variation in %**
	(in millions of €)			

Revenues	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[a]	(4,851)	(5,113)	263	−5.1%
Commercial and distribution costs[a]	(1,928)	(1,965)	38	−1.9%
Selling, general and administrative expense[a]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3 299**	**(533)**	**−16.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating income	2	11	(9)	−80.6%
Other operating expense	(169)	(270)	102	−37.6%
Operating result	**1,005**	**1,530**	**(525)**	**−34.3%**
Net financing cost	(229)	(217)	(12)	5.5%
Other financial income	2	2	(0)	−16.6%
Other financial expense	(24)	(34)	10	−30.2%
Financial income	**(251)**	**(249)**	**(2)**	**0.8%**
Income from equity affiliates	(12)	(13)	1	−8.5%
Pretax income from continuing operations	**742**	**1,267**	**(526)**	**−41.5%**
Income tax	(315)	(516)	200	−38.8%
Net earnings	**426**	**752**	**(325)**	**−43.3%**
of which				
Attributable to shareholders	**420**	**746**	**(326)**	**−43.7%**
Attributable to non-controlling interests	**6**	**6**	**—**	**6.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €1,089 million (a decrease of 9.7%) from €11,288 million for the period ended December 31, 2012 to €10,199 million for the period ended December 31, 2013. This decrease primarily reflects the impact of decreases in mobile prices linked to severe competition and decreases in tariffs imposed by ARCEP. Excluding the impact of lower tariffs, decided by ARCEP the revenue would have diminished by 7.2%.

As of December 31, 2013, the total number of mobile customers of SFR amounted to 21.4 million, an increase of 756,000 from December 31, 2012. The total number of residential customers subscribing to the broadband Internet rose by 182,000 customers to 5.3 million at December 31, 2013.

Information by market

The changes in combined revenue by market are as follows:

	2013	**2012**	**% variation 2013 in comparison to 2012**
	(in millions of euros)		
B2C	6,873	7,974	−13.8%
B2B	1,789	1,871	−4.4%
Wholesale and Other	1,536	1,442	+6.5%
Combined revenue	**10,199**	**11,288**	**−9.7%**

The performance indicators have changed in the following way:

	2013	2012	% variation 2013 in comparison to 2012
Group			
Total mobile customers (in thousands)[a]	21,354	20,690	+3.2%
Total internet customers (in thousands)	5,257	5,075	+3.6%
Mobile acquisition costs (in M€)	430	497	−13.4%
Mobile retention costs (in M€)	541	634	−14.7%
B2C[c]			
Total mobile customers (in thousands)[a]	14,555	15,057	−3.3%
Total mobile subscribers (in thousands)[b]	11,381	11,194	+1.7%
Smartphone penetration[d]	64.1%	51.2%	+12.9
12-month rolling Mobile ARPU[e] (€ per month)	24.1	28.3	−15.0%
Number of broadband internet customers (in thousands)	5,209	5,039	+3.4%
Of which FTTH customers (in thousands)	197	126	+55.6%
Of which quadruple-play customers ("MultiPack") (in % customer base)	45%	35%	+9.8
12-month rolling broadband Internet ARPU[e] (€ per month)	32.5	33.3	−2.6%

(a) Total Mobile Customers is equal to the number of customers with active SIM cards in compliance with ARCEP definition. The total at December 31, 2013 includes a technical purge made in 2013 of 92,000 inactive lines linked to a migration of the invoicing system (without any impact on revenue). The total at December 31, 2012 is the published total (before technical purge).

(b) Total Mobile Subscribers is equal to post-paid subscribers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in Reunion and Mayotte).

(d) Number of customers equipped with smartphones in relation to the total mobile customer base (excluding remote access)

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

B2C

B2C segment revenues decreased by 13.8% to €6,873 million for the year ended December 31, 2013 from €7,974 million for the year ended December 31, 2012.

	2013	2012	% variation 2013 in comparison to 2012
	(in millions of €)		
B2C			
Revenue	**6,873**	**7,974**	**−13.8%**
Mobile	4,741	5,809	−18.4%
Landline	2,132	2,165	−1.5%

At the beginning of 2013, SFR implemented a marketing strategy to attract retail mobile customers to new tariff offers. This resulted in a net decrease in churn rate as well as a decrease in revenue linked to the drop of the ARPU, which decreased by 15% between 2013 and 2012.

The lower revenue is attributable to (i) the repositioning of mobile subscribers to new and more competitive tariffs in 2013 (at December 31, 2013, 85% of B2C mobile subscribers are subscribed to offers launched after January 2012) and (ii) the effect in 2013 of the churn of customers during 2012 after the arrival of the fourth mobile telephone operator in January 2012.

In the B2C mobile market, the net growth of subscribers amounted to 279,000 subscribers in 2013. At December 31, 2013, the total number of post-paid mobile subscribers was 11.4 million customers, a growth rate of 2.5%, which is net of a technical purge of 92,000 inactive lines linked to a migration of the invoicing system (with no impact on revenue) compared to December 31, 2012. In the B2C post-paid subscribers segment, SFR recorded in the fourth quarter of 2013 its best net sales performance since the fourth quarter of 2011 and its best month of December for three years. Approximately 80% of gross recruitments in the fourth quarter were “Carré” premium offers, particularly the September 2013 launch of an innovative range of customer contracts. For example, 4G contract customers were able to choose an “Extra” amongst five premium services and content, enabling customers to benefit fully from mobile high speed: iCoyote (driving aid), Napster (music), CanalPlay (films), Gameloft (gaming) and SFR Presse (press). SFR also supported the development of no-frills offers: the “Red” offer, a no-frill offer, accounted for more than 1.7 million customers at the end of 2013. Including pre-paid customers, the total number of B2C mobile customers of SFR as of December 31, 2013 amounts to 14.6 million, compared to 15.1 million as of December 31, 2012.

The growth of mobile internet usage continued in 2013: 64% of B2C customers had smartphones as of December 31, 2013 (compared to 51% as of December 31, 2012) and SFR, which covers more than 40% of the French population with this technology, accounted for more than 1 million 4G customers at December 31, 2013.

In the B2C market for landline telephones, the total number of SFR’s residential customers in metropolitan areas of France subscribing to high-speed internet amounted to 5.2 million at December 31, 2013, an increase of 170,000 customers compared to December 31, 2012, with an increased take-up of services on SFR’s fiber network representing 42% of net sales over the period. The total number of fiber customers amounted to 197,000 customers as of December 31, 2013. SFR has also strengthened the attractiveness of its sales offer with the launch of the TV SFR decoder with Google Play, giving access to the TV services of SFR as well as to the Google services on television to customers who were not at that time eligible for TV by ADSL. In the field of home automation, the number of customers subscribing to the Home offer by SFR reached over 20,000 customers at December 31, 2013.

Finally, SFR has been pursuing its home equipment strategy, the “SFR Multi-packs” offer. This offer gives a connection discount to customers registering for a high-speed internet offer and a mobile subscription at the same time customers subscribing to this offer accounted for 2.4 million customers at December 31, 2013, representing 45% of SFR’s total broadband Internet customers compared to 1.8 million customers at December 31, 2012, i.e. 35% of the broadband Internet customers total.

B2B

B2B segment revenue decreased by 4.4% to €1,789 million for the year ended December 31, 2013 from €1,871 million for the year ended December 31, 2012. The sales dynamics of the B2B market remained strong, with strong gross adds over the period (particularly for connected objects); however, the economic environment has had an unfavorable effect on the attrition rate. Similarly, prices were affected by a difficult macroeconomic environment, where business customers sought to decrease their telecommunications expenses. In particular, smaller firms sought to renegotiate prices following the arrival of the fourth entrant in the mobile market.

In 2013, SFR focused on offers and services targeting medium and small enterprises, while continuing to widen its offers to large business customers. In particular, SFR added 4G to its contract offers as well as security services and device management. Further, SFR created the “*Pack Business Entrepreneurs*” (for small businesses), the “*Pack Business Corporate*” (for large firms) and “*Pack Business Enterprises*” (for medium enterprises), which offers a complete range of unified communications solutions. SFR has developed hosted value-added services for the largest accounts, as well as the use of cloud computing technologies and SAAS (Software as a service, which enables surfers to access the firm's applications via an interface) to provide simple services for medium enterprises. SFR's cloud services offers rely on an innovative storage technology, enabling a quick response to increasing capacity requirements.

As the leader for connected objects (such as Machine to Machine), SFR has increased its initiatives enabling its customers to improve their efficiency with notably the launch of m-alert, a solution dedicated to the securitization of persons and tracking of goods.

Wholesale and Other

The Wholesale and Other revenue segment was €1,536 million, showing growth of 6.5%, when compared to 2012 reflecting the good sales performance of the Wholesale business as well as a drop in inter-segment elimination, partly offset by the unfavorable evolution of SRR revenue of metropolitan areas of France.In particular, the revenue of the Wholesale business has increased slightly, both for fixed and mobile business, in spite of the drop in regulated roaming tariffs on prices of the mobile wholesale segment, and the collateral effect from the drop in prices in the Retail mobile market following the arrival of the fourth mobile operator. In addition, SFR hosts on its mobile network the main MVNOs, including *La Poste Mobile* (in which it has a holding of 49%), which had attracted 943,000 customers by the end of December 2013, as well as Virgin Mobile and NRJ Mobile, with which it has signed Full MVNO agreements.

EBITDA

	2013	**2012**	**Variation**	**Variation in %**
	(in millions of €)			
Revenue	**10,199**	**11,288**	**(1,089)**	**−9.7%**
Cost of sales[(a)]	(4,851)	(5,113)	263	−5.1%
Sales and distribution costs[(a)]	(1,928)	(1,965)	38	−1.9%
General expenses[(a)]	(654)	(909)	255	−28.1%
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR has decreased by €533 million, or 16.2%, from €3,299 million for the period ended December 31, 2012 to €2,766 million for the period ended December 31, 2013. This decrease reflects the decrease in revenue of €1,089 million offset partly by the decrease in costs. In total, excluding non-recurring items (€15 million of net non-recurring charges in 2012) costs decreased by €541 million in comparison with 2012.

This significant decrease in costs for the 2013 period was caused by the decrease in inter-connection costs, mainly due to the reduction of certain regulated tariffs (decrease of €128 million between 2013 and 2012), expenses for the acquisition and loyalty of mobile customers linked to the implementation of a more selective policy and other costs linked to the improvement of operational efficiency enabled by the optimisation of the process and development of performance tools, particularly due to ongoing implementation of the transformation plan. This long-term plan, started in 2012, aims to adapt the organisation of SFR to market developments and to preserve its investment capacity in the very high-speed fixed and mobile sectors. Since the end of 2011, the costs, both fixed and variable, have decreased by more than €1 billion. In addition, after the voluntary departure plan initiated in 2012 and completed in August 2013, 873 staff members chose to leave SFR.

Combined operating profit

	2013	**2012**	**Change**	**% Change**
	(in millions of euros)			
EBITDA	**2,766**	**3,299**	**(533)**	**−16.2%**

Net depreciation expenses and provisions on intangible and tangible assets	(1,595)	(1,511)	(84)	5.6%
Other operating profits	2	11	(9)	−80.6%
Other operating costs	(169)	(270)	102	−37.6%
Operating profit	**1,005**	**1,530**	**(525)**	**−34.3%**

The combined operating profit of SFR decreased by €525 million in 2013 compared to 2012 (i.e. a reduction of 34.3%), decreasing from € 1,530 million for the financial year ended December 31, 2012 to € 1,005 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in EBITDA of €533 million and an increase in net depreciation expenses and provisions on intangible and tangible assets for €84 million, which reflects the increase in investments in recent years and the start of the amortisation of the 4G licenses (2600 Mhz and 800 Mhz). The other operating charges decreased by €102 million compared to 2012 as a result of the decrease in restructuring costs linked in particular to the voluntary departure plan referred to above, which decreased from €187 million in 2012 to €93 million in 2013.

Combined financial expenses

The combined financial expense of SFR increased by €2 million in 2013 compared to 2012 (i.e. an increase of 0.8%), increasing from a cost of €249 million for the financial year ended December 31, 2012 to a cost of €251 million for the financial year ended December 31, 2013.

This increase reflects the increase in the net financing cost of € 12 million which is offset in part by smaller allowances for provisions for financial assets in 2013 compared to 2012. The increase in the net financing cost is explained by the increase in the average interest rate, which increased from 2.58% in 2012 to 2.80% in 2013. This compensates for the average net reduction in financial net debt which decreased from €8,397 million in 2012 to €8,160 million in 2013.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €200 million in 2013, decreasing from €516 million for the financial year ended December 31, 2012 to €315 million for the financial year ended December 31, 2013.

This reduction reflects the decrease in the profit of activities before tax, offset by the effect of the increase in the statutory rate of tax which rose from 36.1% to 38% for large companies such as SFR. The effective rate of tax is therefore fixed at 42.5% for the financial year ended December 31, 2013 as against 40.7% for the financial year ended December 31, 2012.

Combined net profit

The combined net profit of SFR decreased by €325 million in 2013 (i.e. a reduction of 43.3% compared to 2012), decreasing from €752 million for the financial year ended December 31, 2012 to €426 million for the financial year ended December 31, 2013. This reduction reflects the decrease in the net operating profit after tax.

Analysis and comparison of results for the financial years ended December 31, 2011 and December 31, 2012

The following table sets out the combined profit account of SFR for the financial years ended December 31, 2011 and December 31, 2012, in millions of euros.

	2012	**2011**	**Change**	**% Change**
	(in millions of euros)			
Revenues	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[a]	(5,113)	(5,681)	568	−10.0%

Commercial and distribution costs(a)	(1,965)	(1,864)	(102)	5.5%
Selling, general and administrative expense(a)	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating income	11	14	(3)	−19.0%
Other operating expense	(270)	(84)	(186)	220.2%
Operating result	**1,530**	**2,222**	**(692)**	**−31.1%**
Net financing cost	(217)	(208)	(9)	4.2%
Other financial income	2	8	(6)	−72.2%
Other financial expense	(34)	(70)	35	−50.8%
Financial income	**(249)**	**(270)**	**21**	**−7.7%**
Income from equity affiliates	(13)	(17)	3	−19.8%
Pretax income from continuing operations	**1,267**	**1,935**	**(668)**	**−34.5%**
Income tax	(516)	(535)	19	−3.6%
Net earnings	**752**	**1,400**	**(649)**	**−46.3%**
Of which				
Attributable to shareholders	**746**	**1,399**	**(653)**	**−46.7%**
Attributable to non-controlling interests	**6**	**1**	**4**	**na**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

Combined revenue

The combined revenue of SFR decreased by €895 million, or 7.3% from €12,183 million for the financial year ended December 31, 2011 to €11,288 million for the financial year ended December 31, 2012.

This decrease reflects the impact of price decreases linked to severe competition and decreases in tariffs imposed by the regulators. Excluding the impact of the tariff reductions introduced by the regulators, revenue would have decreased by 3.3%.

Given the competitive environment marked by the arrival of a fourth mobile telephone operator in France at the beginning of 2012, which increased to a significant degree the intensity of competition in the French market, SFR adapted and simplified its offers:

- launch in September 2012 of new simplified "Formules Carrées", with six pricing plans structured around data and innovations dedicated to a high speed mobile service and a new accompanying segmented approach, "Services Carrées"; and
- adaptation of the content and prices of the "Séries RED" offers, requiring no commitment, distributed mainly over the internet and aimed at the low price segment.

At the end of 2012, the total number of mobile customers of SFR amounted to 20.690 million, a decrease of 773,000 compared to December 31, 2011. The number of customers subscribing to broadband internet increased by approximately 56,000 customers to 5.075 million at the end of December 2012.

Information by market

The combined revenue by market is as follows:

	2012	**2011**	**% change 2012 compared to 2011**

	(in millions of euros)		
B2C	7,974	8,982	−11.2%
B2B	1,871	1,868	+0.2%
Wholesale and Other	1,442	1,333	+8.2%
Combined revenue	**11,288**	**12,183**	**−7.3%**

The performance indicators have changed in the following way:

	2012	2011	% variation 2012 in comparison to 2011
Group			
Total mobile customers (in thousands)(a)	20,690	21,463	−3.6%
Total internet customers (in thousands)(b)	5,075	5,019	+1.1%
Mobile acquisition costs (in M€)	497	602	−17.5%
Mobile retention costs (in M€)	634	645	−1.8%
B2C(c)			
Total mobile customers (in thousands)(a)	15,057	16,578	−9.2%
Total mobile subscribers (in thousands)(d)	11,194	11,961	−6.4%
Smartphone penetration(e)	51.2%	42.1%	+9.1 pts
12-month rolling Mobile ARPU (€ per month)(f)	28.3	31.4	−9.6%
Number of Broadband internet customers (in thousands)	5,039	4,994	+0.9%
Of which fiber customers (in thousands)	126	97	+29.7%
Of which quadruple-play customers (“MultiPack”) (in % customer base)	35%	24%	+11.9 pts
12-month rolling Broadband Internet ARPU(f) (€ per month)	33.3	34.1	−2.1%

(a) Total Mobile Customers is equal to the net number of lines or SIM cards in compliance with ARCEP’s definition.

(b) The broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akéo IP and 2P customers.

(c) Metropolitan market, excluding SRR (which provides fixed and mobile services in La Réunion and Mayotte.

(d) Total Mobile Subscribers is equal to post-paid subscribers.

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

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

B2C

The revenue for B2C activity was €7,974 million in 2012, decreased by 11.2% compared to 2011:

	2012	2011	% change 2012 compared to 2011
	(in millions of €)		
B2C			
Revenue	**7,974**	**8,982**	**−11.2%**
Mobile	5,809	6,750	−13.9%
Fixed	2,165	2,232	−3.0%

This reduction is mainly caused by the loss of mobile customers and the price erosion following the arrival of the fourth mobile operator in January 2012.

The monthly B2C mobile customer ARPU thus decreased by 9.6% in 2012 decreasing from €31.4 euros in 2011 to €28.3 euros in 2012. The total number of B2C mobile customers (post-paid subscribers and pre-paid) amounted to 15.057 million, a reduction of 9.2%. This reduction was caused in major part by a decrease in the number of pre-paid customers, pre-paid offers being less attractive owing to the development of "no frills" offers: the Red offer, launched at the end of 2011 had about 700,000 customers at the end of 2012. At the end of December 2012, the number of mobile (post-paid) subscribers amounted to 11.194 million customers, a decrease of 6.4% compared to the end of December 2011, predominantly due to the entry of the fourth mobile operator Free in 2012.

The year 2012 was also marked by continued growth in mobile data usage, brought about by the new generation of smartphones. At the end of the 2012 financial year, 51% of B2C mobile customers had smartphones (compared to 42% at the end of December 2011).

In the B2C fixed market, the number of SFR's residential customers subscribing to broadband internet amounted to 5.039 million at the end of December 2012, an increase of approximately 45,000 customers compared to December 31, 2011. The "SFR Multi-Pack" offer had 1.8 million customers at the end of December 2012, i.e. 35% of high speed customers had at the same time a subscription to a high speed internet offer and a mobile subscription.

B2B

The revenue of activity for the B2B segment was €1,871 million in 2012, a slight increase over the year (+0.2%), due to growth in fixed products and services which was offset by the decrease in mobile products and services.

In 2012, SFR's goal in the fixed segment was to become a leader in cloud computing for businesses. In September 2012, SFR founded, alongside the Caisse des Dépôts et Consignations and Bull, Numergy to deploy and operate a "trusted digital factory" and provide virtualized computer equipment solutions. SFR entered into a trade agreement with HP regarding new services to facilitate the adoption of cloud computing by businesses. Moreover, thanks to being granted an approval for the hosting of health data, "health host", SFR is positioning itself as an e-health expert. Lastly, SFR signed the "Contact 14 contract" with EDF (customized multi-site, multi-channel and multi-skills virtual contact center).

On mobile segment, SFR is the leader in connectivity for connected objects (Machine to Machine). In addition, SFR has continued deployment of 150,000 lines under the Opache contract (mobile communications voice and data solution, supply of terminals for French ministries and institutions). Lastly SFR launched a new range of streamlined and modular mobile telephony and a collaborative on-demand messaging solution to its customers.

Wholesale and Other

The revenue for operators and others was €1,442 million, an increase of 8.2%, reflecting sound commercial performance on the MVNO market. In the 2012 financial year, SFR developed its wholesale activities with:

- Virgin Mobile, as a result of the strengthening of the partnership begun in 2011 in ADSL and Mobile.

- La Poste Telecom, virtual mobile operator in the retail market for mobile telephony and which offers a whole range of mobile telephony services, marketed under the trademark La Poste Mobile thanks to the La Poste sales network. At the end of December 2012 the number of its customers was 643,000.

Combined EBITDA

	2012	2011	Change	% Change
	(in millions of €)			
Revenue	**11,288**	**12,183**	**(895)**	**−7.3%**
Cost of sales[(a)]	(5,113)	(5,681)	568	−10.0%
Commercial and distribution costs[(a)]	(1,965)	(1,864)	(102)	5.5%
General expenses[(a)]	(909)	(838)	(72)	8.6%
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**

(a) excluding net depreciation expenses and provisions on intangible and tangible assets

The combined EBITDA of SFR decreased by €501 million in 2012 (i.e. a reduction of 13.2% compared to 2011), decreasing from € 3,800 million for the financial year ended December 31, 2011 to € 3,299 million for the financial year ended December 31, 2012. Excluding non-recurring profits and costs (€15 million non-recurring net costs in 2012 and €93 million non-recurring profits in 2011) the EBITDA would have decreased by 10.6%.

This reduction in Combined EBITDA reflects the reduction in revenue of €895 million due to the factors described above, partially offset by the €502 million reduction in costs excluding non-recurring items, particularly the reduction in interconnection costs owing mainly to the reduction in certain regulated tariffs (reduction of €257 million between 2012 and 2011), acquisition costs and customer loyalty management of mobile customers associated with the introduction of a more selective policy and other costs linked to the improvement in operational effectiveness made possible by the launch of the transformation plan in 2012. In particular, in 2012 SFR began a transformation plan in order to adapt its organisation to market developments.

Combined operating profit

	2012	2011	Change	% Change
	(in millions of €)			
EBITDA	**3,299**	**3,800**	**(501)**	**−13.2%**
Net depreciation expenses and provisions on intangible and tangible assets	(1,511)	(1,508)	(3)	0.2%
Other operating profits	11	14	(3)	−19.0%
Other operating costs	(270)	(84)	(186)	220.2%
Operating profit	**1,530**	**2,222**	**(692)**	**−31.1%**

The combined operating profit of SFR decreased by €692 million in 2012 (i.e. a reduction of 31.1% compared to 2011), decreasing from € 2,222 million for the financial year ended December 31, 2011 to € 1,530 million for the financial year ended December 31, 2012.

This reduction reflects:

- the decrease in the combined EBITDA of €501 million; and

- the impact of restructuring costs associated with the voluntary departure plan started in 2012 for which an allowance of €169 million was accrued in "other operating costs" in the course of the financial year ended December 31, 2012.

Combined financial expense

The combined financial expense decreased by €21 million in 2012 (i.e. a decrease of 7.7% compared to 2011), changing from a cost of € 270 million for the financial year ended December 31, 2011 to a cost of €249 million for the financial year ended December 31, 2012.

The net financing cost increased by €9 million, as a result of the increase of average financial net debt, which increased from €6,400 million in 2011 to €8,397 million in 2012, offsetting the reduction in the average interest rate (2.58% in 2012 compared to 3.25% in 2011 in line with the decrease in interest rates). The decrease in the other financial expense is explained essentially by the non-recurrent charge in 2011 linked to the net cost of unwinding swaps for €42 million.

Income Tax on combined profits

The tax on the combined profits of SFR decreased by €19 million in 2012, decreasing from €535 million for the financial year ended December 31, 2011, to €516 million for the financial year ended December 31, 2012. The effect of the tax burden on the decrease in profit from activities before tax of €668 million was to a large extent offset by the following items:

- a tax saving of €130 million in 2011. On December 12, 2011 a sum of €452 million in tax deficits was transferred to SFR in the context of a merger with Vivendi Telecom International. These tax deficits were fully used by SFR in the 2011 financial year;

- an additional tax cost of €32 million in 2012 linked to the introduction of an 85% ceiling on the amount of financial costs that can be deducted.

Combined net profit

The combined net profit of SFR decreased by €649 million (i.e. a reduction of 46.3%), decreasing from €1,400 million for the financial year ended December 31, 2011 to €752 million for the financial year ended December 31, 2012. This reduction essentially reflects the reduction in the operating profit of €692 million.

Liquidity and Capital Resources

The principal financing requirements of SFR comprise its working capital requirements, its operating and financial investments, its interest payments, loan repayments, and the payments of dividends to its shareholders. SFR has met these financing requirements principally through the cash flow generated by its operating activities and by current account advances and loans granted by Vivendi, its principal shareholder.

The capacity of SFR to generate cash in the future through its operating activities will depend on its future operating performances, themselves dependent to a certain extent on economic, financial, competitive, market, regulatory and other factors, most of which are outside of the control of SFR.

SFR estimates that its financing requirements in 2014 will principally comprise its working capital requirements, its operating and financial investments, its interest payments and its loan repayments.

Cash and Debt Profile

During the financial years ended December 31, 2013, 2012 and 2011, the sources of finance of SFR were principally the following:

- *net cash flow from operating activities* these respectively represented €1,960 million, €2,892 million and €3,197 million for the financial years ended December 31, 2013, 2012 and 2011, respectively;

- *available cash:* the amounts of cash and cash equivalents were respectively €394 million, €267 million and €228 million as at December 31, 2013, 2012 and 2011, respectively (see note 15 "Cash and cash equivalents" of the Combined Financial Statements); and
- *borrowing and financial debts:* these notably comprise the shareholder debt contracted by SFR with Vivendi via current account advances and loans, being €8,672 million, €7,609 million and € 5,461 million as at December 31, 2013, 2012 and 2011, respectively.

As a result of the Transactions, the shareholder debt contracted by SFR with Vivendi will be repaid and will be replaced with a new shareholder loan between Numericable Group and SFR in an amount expected to be up to € 5,095 million.

The table below presents the amount of the net financial debt of SFR, corresponding to the net borrowing and financial debts of the cash and cash equivalents, as at December 31, 2013, 2012 and 2011:

	2013	**2012**	**2011**
	(in millions of €)		
Borrowing and financial debts	9,094	8,067	7,385
Cash and cash equivalents	394	267	228
Net financial debt	**8,699**	**7,800**	**7,157**

The financial net debt of SFR amounted to €8,699 million as at December 31, 2013, as compared with €7,800 million as at December 31, 2012. This increase of €900 million can principally be explained by the cash flow linked to the net operating investments in the sum of €1,610 million, the interest paid in the sum of €229 million and the dividends paid to the shareholder in the sum of €985 million, which more than offset the net cash flow from operating activities of €1,960 million and which was financed by way of an increase in shareholder debt.

The net financial debt increased by €643 million between December 31, 2011 and December 31, 2012, from €7,157 million as at December 31, 2011 to €7,800 million as at December 31, 2012. This increase can principally be explained by the net operating investments in the sum of €2,736 million (including €1,065 million for 4G licenses), net interest paid in the sum of €217 million, and dividends paid to the shareholder in the sum of €538 million, which more than offset the net flow from operating activities of €2,892 million and which was financed by way of an increase in shareholder debt.

The table below presents the maturities of the financial debt of SFR as at December 31, 2013:

		Schedule of disbursements		
	Book value as at December 31, 2013	**Under one year**	**Two to five years**	**Over five years**
		(in millions of €)		
Shareholder debt	8,672	7,472	1,200	—
Bond loan	300	300	—	—
Borrowing relative to finance leasing	11	3	6	2
Other financial debts(*)	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

(*) including bank facilities

The principal debts for which the repayment maturities are provided at under one year are the shareholder debt and the bond, which represented respectively €7,472 million and €300 million as at December 31, 2013.

Consolidated Cash Flow Statements

The table below summarises the cash flows of SFR for the financial years ended December 31, 2013, 2012 and 2011 presented in the Statement of Cash Flow:

	2013	2012	2011
	(in millions of €)		
Net cash flow from operating activities	1,960	2,892	3,197
Net cash flow from investment activities	(1,638)	(2,765)	(1,903)
Net cash flow from financing activities	(195)	(89)	(1,155)
Changes in cash and cash equivalents	**128**	**38**	**139**

SFR considers the Cash Flow From Operations ("CFFO"), a non-accounting measurement, to be a pertinent indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, adjusted for corporate income tax payments.

The table below presents the CFFO together with the net operating cash flow for the financial years ended December 31, 2013, 2012 and 2011:

		2013	2012	2011
		(in millions of €)		
EBITDA	(a)	2,766	3,299	3,800
Adjusted change to WCR (not linked to net investments)	(b)	(305)	154	59
Restructuring costs disbursed	(c)	(179)	(27)	(23)
Other items	(d)	(22)	4	5
Cash Flow From Operations (before Investments) (I) (a)+(b)+(c)+(d)		**2,260**	**3,429**	**3,840**
Tangible and intangible investments (excl. licenses)		(1,665)	(1,658)	(1,695)
Sale of tangible and intangible assets		17	13	13
Net investments from sales (excl. licenses)		***(1,649)***	***(1,644)***	***(1,682)***
Change in WCR linked to net investments		38	15	23
Investments (excl. licenses) net of WCR change	(e)	**(1,610)**	**(1,629)**	**(1,659)**
Cash Flow From Operations (before licenses II) (I) + (e)		**649**	**1,800**	**2,182**
Acquisition of licenses and associated spectrums	(f)	—	(1,107)	(150)
Cash Flow From Operations (III) (II) + (f)		**649**	**694**	**2,032**

The table hereunder gives the link between the cash flow generated by the operating activities of SFR presented in the statement of cash flow and the table above presenting the Cash Flow From Operations (before investments):

	2013	2012	2011
	(in millions of €)		
Cash Flow From Operations (before investments)	**2,260**	**3,429**	**3,840**
Taxes paid	(299)	(537)	(643)
Net flow from operating activities	**1,960**	**2,892**	**3,197**

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

The cash flow from operations (before investments) amounted to € 2,260 million for the financial year ended December 31, 2013, as compared with €3,429 million for the financial year ended December 31, 2012. This reduction of €1,169 million can principally be explained by the decrease in net flow generated by the activity (EBITDA), the negative change in working capital requirements of €305 million, and the rise in restructuring costs disbursed.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

The cash flow from operations (before investments) amounted to €3,429 million for the financial year ended December 31, 2012, as compared with €3,840 million for the financial year ended December 31, 2011. This decrease of €411 million can notably be explained by the decrease in net cash flow generated by operations (EBITDA), partly offset by the positive change in working capital requirements of €154 million.

Working Capital

The working capital requirements of SFR correspond principally to the value of the stocks (composed mainly of mobile handsets, boxes, decoders and accessories), the increase in trade accounts receivable and other receivables and decrease in trade accounts payable and other payables. The working capital requirements of SFR result from the specificities of each of its markets.

With respect to the B2C market, SFR generates working capital in connection with the shorter client payment periods (generally 30 days) than those of the suppliers (generally 60 days), while with respect to the B2B and Wholesale market, SFR consumes working capital because the B2B and Wholesale and Other clients benefit from longer payment periods.

SFR generally finances its working capital requirements by means of cash flow generated by its sales. The change in working capital requirements of SFR can be broken down as follows over the financial years ended December 31, 2013, 2012 and 2011:

	2013	**2012**	**2011**
	(in millions of €)		
Change in working capital requirements in the Statement of Combined Cash Flow	**(305)**	**143**	**54**
Inventories	6	111	(41)
Trade accounts receivable	69	203	126
Other receivables	(84)	198	(49)
Trade accounts payable	(84)	(191)	(80)
Other payables	(212)	(178)	97
Adjustments		11	6
Adjusted change in working capital requirements	**(305)**	**154**	**59**

The change in working capital requirements of SFR engendered a cash requirement of €305 million during the financial year ended December 31, 2013.

This change is principally due to:

- a reduction in the item "Trade accounts receivable", in connection with the decrease in revenue of the B2C activity;
- an increase in the "Other receivables", and particularly the tax receivables (other than corporate income tax and VAT) and a decrease in "Other payables", and notably tax debts in relation to the financial year ended December 31, 2012. This is linked to the merger of SFR with Vivendi Télécom International which took place in 2011 and which led to deferring from the financial year 2012 to the financial year 2013 the settlement and payment of interim taxes such as the Contribution on Value Added of Companies ("CVAE") and the Tax on Electronic Communications; and
- a decrease in the "Trade accounts payable", in line with the decline in the B2C activity.

For the financial year ended December 31, 2012, the change in working capital requirements generated a cash contribution of €154 million, which can be explained by the following elements:

- the reduction in "Inventories", resulting from better management;

- the reduction in the “Trade accounts receivable”, linked to the decrease in the revenue of the B2C activity;
- the reduction in “Other receivables”, and notably those of tax receivables, linked to a lower amount of interim payments on the CVAE and the Tax on Electronic Communications paid in 2012 following the merger with Vivendi Télécom International mentioned above; and
- the decrease in “Trade accounts payable”, in line with the decline in activity.

Capital Expenditures

The net total operating investments made by SFR represented respectively €1,610 million, €2,736 million and €1,809 million as at December 31, 2013, 2012 and 2011.

The table below shows the distribution of the operating investments of SFR between acquisition of the tangible and intangible assets for the financial years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(in millions of euros)		
Acquisition of intangible assets—licences	—	(1,107)	(150)
Acquisition of intangible assets—other	(586)	(578)	(568)
Acquisition of tangible assets	(1,079)	(1,080)	(1,127)
Acquisitions of tangible and intangible assets	**(1,665)**	**(2,765)**	**(1,845)**
Sales of tangible and intangible assets	(17)	(13)	(13)
Operating investments net of sales	**(1,649)**	**(2,751)**	**(1,832)**
Change in working capital requirements linked to operating investments	(38)	(15)	(23)
Operating investments	(1,610)	(2,736)	(1,809)

The investments principally related to the priorities of the SFR Group detailed below.

Acquisition of licences

The evolution over the last three years is marked by considerable investments in the context of the LTE (4G) licences, with regard to acquisition of these licences with respectively €150 million in October 2011 (2.6 GHz band) and €1,065 million in January 2012 (800 MHz band).

Investments excluding licenses

Excluding licenses, the principal categories of investments are:

- fixed and mobile networks;
- information systems;
- equipment installed at clients’;
- other investments: real estate, investments in the commercial distribution network; and
- the distribution of our investments excluding licenses in 2013 consists of: 60% network, 24% client equipment, 14% information systems, and other.

Investments in the network:

Continuation of rollout of 3G

As at December 31, 2013, the SFR GSM/GPRS network (2G) covered over 99.7% of the French population, and the UMTS/HSPA network (3G/3G+) over 99%.

SFR continued to increase the capacity of its network to support the new uses of mobile internet, with 3G+ and 4G data traffic having increased by over 40% in 2013.

Beyond the increase in speeds, SFR continued to invest in the densification of its 3G+ network and, in the densely populated areas, is rolling out 3G+ over the 900 MHz frequency band, notably in Lyon, Marseille and Toulouse. This technology contributes to improving the quality of voice and mobile internet services.

To assure better coverage in terms of very high speed mobile, SFR has also devoted part of its investments to extending the Dual Carrier technology (latest evolution of 3G), thus covering over 70% of the population and making it possible to double download speeds.

Acceleration of 4G rollout

At the end of 2013, the acceleration in 4G rollouts enabled SFR to offer 4G coverage to over 40% of the French population, with a presence in 1,200 towns. SFR was also the first in France to invest in LTE-Advanced technology, evolution of the 4G standard making it possible to provide higher speeds.

The wide rollout of 4G in the 800 MHz frequency band (known as “gold frequencies”) furthermore enables more efficient coverage with better service quality, notably inside buildings. At the same time, the rollout of 4G in the 2,600 MHz frequency band in densely populated areas enables mobile internet customers to have access to download speeds of up to 115 Mbits/s.

Fixed: unbundling and rollout of fiber optic (FTTH)

At the end of 2013, SFR held the largest alternative fixed network in France. With almost 6,200 NRA (Subscriber Connection Nodes) unbundled, SFR had over 5 million homes subscribed to ADSL. During the financial year ended December 31, 2013, more than 800 NRAs were unbundled, being the biggest annual volume since the start of unbundling in France in 2001.

SFR has also made investments in the sector of very high speed fixed. During the financial year ended December 31, 2013, SFR invested in the development of fiber to the home (FTTH), making more than 1.5 million homes in metropolitan France eligible for fiber optic (as compared with 1.1 million at end 2012).

Following the strategic agreement signed with the Incumbent to roll out fiber in the less densely populated areas, at the end of 2013, SFR initiated the marketing of FTTH in over 30 towns.

Investments in information systems

Within the framework of its ONE transformation plan, SFR is putting in a considerable effort to renew its information systems (14% of investments excluding licences in 2013, which is over 200 million euros). These investments have the purpose of rationalising the existing systems by simplifying the architecture and reducing the number of applications subsystems. This investment strategy meets a twofold objective: simplify the operation and thus generate savings in maintenance costs, and improve customer service quality of SFR over all points of contact (physical distribution network, call centres, internet).

Investments in customer equipment

These investments cover the equipment provided to customers and which is owned by SFR, being essentially:

- the costs of modems and internet decoders provided to ADSL and fiber optic customers on the B2C segment;
- the incidental costs associated with the connection of internet clients, including notably the logistics costs of shipping the equipment and the access fees to the service billed by the Incumbent;
- the connection costs of fibre optic customers;
- SIM cards;
- the *Femto Cell* equipment offered to improve coverage inside the home; and
- the telecoms equipment provided to companies (modems, routers, PABX, etc.).

The majority of these investments correspond to the equipment and costs associated with marketing of the ADSL and fiber optic ranges on the B2C market.

Net flow from financial investment activities

The financial investments made by the SFR represented €28 million, €29 million and €94 million as at December 31, 2013, 2012 and 2011, respectively.

	2013	2012	2011
	(in millions of euros)		
Net flow from combined entities net of cash acquired	7	(17)	(28)
Net flow from other financial assets	(34)	(11)	(66)
Net flow from financial investment activities	***(28)***	***(29)***	***(94)***

In 2013, these financial investments mainly concerned equity and current account advances of the companies Foncière Rimbaud (1 to 4) that SFR holds at the level of 50% with Vinci within the framework of the construction of the headquarters of the Group in Saint-Denis.

In 2012, the SFR gained a stake of 46.7% in Numergy. As of the date of this Prospectus, SFR's stake is €26 million of the total amount of €105 million, or 25%.

The financial investments in 2011 principally concerned the stake of 49% taken in Poste Telecom.

For further information, see note 11 to the Combined Financial Statements of SFR.

Contractual Obligations

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €889 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

	Minimum future payments	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments related to Public Services Concessions	72	27	22	23	262	336
Commitments on MDPA[(a)]	216	19	99	99	8	—
Other investments[(b)]	600	582	19	—	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the Moderately Densely Populated Areas (MDPA).

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

In addition, SFR has the following list of commitments linked to telecommunication licenses:

Commitments given	**Amount**	**Maturity**
(a) UMTS license on French territory	1% of revenues generated	2021-2030
(a) GSM license on French territory	1% of revenues generated	2021
(a) LTE license on French territory	1% of revenues generated	2031-2032
(b) 3G network coverage	Not costed	2013
(c) 4G network coverage	Not costed	2023-2027

Commitments received	**Amount**	**Maturity**
(a) Network operating and telecommunications service provision authorisations on French territory	Not costed	2021/2032

(a) The Group is the holder of operating authorisations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.

As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by October 11, 2015;
- 60% of the metropolitan population by October 11, 2019; and
- 75% of the metropolitan population by October 11, 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
- coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
- coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;
- departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027;
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area;
- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator; and
- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the "white areas" program (above 98% of the population) within a maximum period of 15 years.

SFR's contractual commitments on long-term contracts concern mainly telecommunications network maintenance contracts are as follows:

	Minimum future payments 2014	Less than one year	2-5 years	More than 5 years	2012	2011
			(in € million)			
Commitments given	178	62	79	37	172	63
Commitments received	(127)	(14)	(50)	(63)	—	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

SFR's other contractual commitments are as follows:

	2013	Maturity According to construction	2012	2011
		(in € million)		
(a) GSM-R bank guarantees, joint and several bank guarantee	105		92	66
Other bank deposits and guarantees	65	2026	64	90
(b) Share purchase commitments	16	2026	16	18
Pledges	84	2017	51	46
Commitments made	**269**		**223**	**219**
Other bank deposits and guarantees	(1)		(1)	(1)
Commitments received	**(1)**		**(1)**	**(1)**

(a) This is the Public/Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

	Minimum future rents	Schedule				
		Under one year	Two to five years	Over five years	2012	2011
	(in millions of euros)					
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

Related Party Transactions

Annex I
R.19

For the period under review, the related parties of the Group are:

- all companies included in the scope of combination, whether fully integrated or accounted for by the equity method;
- Vivendi S.A. and its consolidated entities (the "Vivendi Group");
- the Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.;
- all members of the executive committee of SFR S.A.; and
- all companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

	Associated enterprises			Joint Ventures		
	2013	2012	2011	2013	2012	2011
	(in € millions)					
Assets	**66**	**54**	**52**	**53**	**24**	**22**

Non-current assets	—	—	—	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	**—**	**—**
Current liabilities	18	16	15	5	—	—
Non-current liabilities	63	63	—	—	—	—
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	—	—	—	(4)	—	—
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	—	—	—	413	228	228
Financial	56	79	70	86	58	50
Pledges	—	—		70	34	25

Off Balance Sheet Arrangements

As of December 31, 2013 SFR was party to a number of off balance sheet arrangements as set out in this Prospectus or in the notes to the Combined Financial Statements of SFR included in this Prospectus.

PART XIV
BUSINESS, OVERVIEW OF ODO AND TRICOM AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ODO

The discussion and analysis of the results of operations and financial condition of Orange Dominicana S.A. ("ODO"), as discussed in the section under—"Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO", is based on its audited standalone financial statements as of and for the twelve months ended December 31, 2012 and 2013, in each case, prepared in accordance with IFRS as issued by the IASB.

Except as the context otherwise indicates, when discussing historical results of operations under "Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO", "Company," "we," "our" and other similar terms are generally used to refer to the business of ODO

You should read the discussion under—"Management's Discussion and Analysis of the Financial Condition and Results of Operations of ODO" in conjunction with the standalone financial statements of the Company and the accompanying notes in this Prospectus. A summary of the critical accounting estimates that have been applied to the Company's financial statements is set forth below in—"Critical Accounting Estimates." You should also review the information in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations of ODO Presentation of Financial Information". This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Risk Factors."

Overview of ODO's Business

ODO is the second largest telecommunications provider in the Dominican Republic based on revenues for the year ended December 31, 2013. ODO provides mobile telephony and wireless broadband Internet services to residential customers and fixed and mobile voice and data services to business customers through its mobile telecommunications network infrastructure and fixed-line network.

Launched in 2000 as the first GSM network in the Dominican Republic, ODO is the second largest mobile operator in the residential segment, with approximately 40% market share as of December 31, 2013 and the third largest broadband Internet wireless provider in the country, with approximately 10% market share, according to management estimates. ODO also has a significant presence in the B2B market, having captured approximately 25% market share as of December 31, 2013 in the mobile B2B segment measured by volume, according to management estimates. As a result of the strong "Orange" brand under which ODO has historically marketed its mobile voice and data services, its focus on customer experience and its efficient distribution channels, ODO captured the largest share of net mobile subscriber additions in the Dominican Republic market during the year ended December 31, 2013.

ODO provides the following products and services:

- *Mobile.* ODO offers residential and business mobile subscribers a variety of pay-as-you-go plans and monthly rate plans through its 2G and 3G networks. In the residential segment, ODO has approximately 3.1 million mobile subscribers of which approximately 2.7 million subscribe through pre-paid plans as of December 31, 2013. Approximately 431,000 residential mobile customers subscribe through post-paid plans, as of December 31, 2013 with a choice between different offers and more tailored solutions. In the B2B segment, ODO offers services to over 190,000 customer lines, with over 70% of business customers taking up plans aimed at SOHOs as of December 31, 2013. ODO also offers plans to over 2,600 SMEs and large companies. In the past, ODO's most successful offerings have been in the pre-paid consumer business; however, ODO is growing its post-paid and business offerings and continues to roll out new products and services. ODO set up a dedicated business customer team in January 2011 and since 2012 has expanded its offerings to include data packages for pre-paid, new post- paid tariffs including unlimited data and launched value-added services; ODO has also expanded its business services with features such as mobile-to- mobile (M2M) connection services, enhanced data security and telepresence.

- *Broadband Internet.* ODO offers a range of wireless broadband Internet services through nomadic broadband Internet (through dongles and WiFi devices) and Flybox, its customer premises equipment (CPE) as well as capacity based plans and voice and data bundles on 3G and 4G LTE. Approximately 86,000 residential customers take up broadband Internet services through postpaid capacity-based plans. In the business segment, ODO also offers fixed broadband Internet services, although this is relatively limited. ODO offers both pre-paid and post-paid packages to business customers, as well as digital services, including in-house platform agnostic applications development, fixed voice and Internet and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services, post-paid. Approximately 54,000 business customer lines subscribe to broadband Internet services offered by ODO as of December 31, 2013, of which approximately 40% are SMEs and large companies, which can also benefit from ODO's fiber and WiMax technologies and other value added services.

- *Carriers Wholesale.* To service the Dominican Republic's significant tourist traffic, ODO provides users of foreign mobile connections with international roaming services. ODO has entered into roaming agreements with various international telecom service providers for voice, Internet, data, pre-paid, roaming hub and 3G services. Currently, ODO has agreements in place with leading international telecom companies from over 140 countries. ODO also attracts international incoming traffic through its long distance business, providing international call termination to other local operators.

- *Fixed Voice.* ODO currently provides selected SMEs and large business customers with fixed voice via SIP trunking (VoIP, and plans to provide SOHO customers with similar services in the future.

Network

Mobile Access Network

Based on a publicly available analysis of an independent consultancy, ODO owns the highest quality 3G mobile network in the Dominican Republic. Our previous capital expenditures have resulted in what we believe to be superior coverage and network reliability. ODO offers mobile services through its 2G GSM/GPRS, 3G UMTS/HSPA and 4G LTE mobile access network comprising as of December 31, 2013 approximately 1,200 antenna sites with approximately 1,200 2G GSM/GPRS base stations (BTS), approximately 820 3G UMTS/HSPA base stations (node-B) and 180 4G LTE mobile base stations. ODO has nationwide coverage through its high quality 2G network (96% population coverage as of December 2013), which is fully EDGE capable. ODO installed 77 new 2G sites during 2013, with additional sites identified for future installations. In addition, ODO achieved 76.9% population coverage as of December 31, 2013 through its 3G network, offering download speeds of up to 42 Mbps. The roll-out of the 3G network is on-going and ODO aims to cover 96% of the population by 2016. In July 2012, ODO became the first operator in the Dominican Republic to commercially launch its 4G/LTE network, although certain spectrum capacity issues with competitors and Indotel have slowed down the Company's deployment plans.. ODO currently has 180 mobile sites that are 4G/LTE enabled, offering coverage to approximately 5% of the population as of December 31, 2013. ODO plans to increase its population coverage, subject to favorable resolution of the spectrum capacity issues. ODO benefits from a scalable multimode 3G network, which is easily upgradable to 4G. The LTE roll-out has been predominantly driven by demand in the B2B segment, with focus of coverage being centered on the Santo Domingo and Santiago regions, where a majority of clients are based.

Transmission Network

Our mobile transmission network comprises a radio access network ("RAN")/metro backhaul network, a multi protocol label switching ("MPLS") backbone backhaul network and a core network with value added systems.

Fixed Network

We are rolling out a backbone transmission optic fiber to connect high density areas and progressively decommission the SDH microwave links while sustaining future traffic growth. ODO also owns an optical backbone that management believes will allow the Company to meet future increases in data traffic. Its transmission backbone includes underground fiber along the main communication axis in the Dominican Republic (Santo Domingo, Santiago and Puerto Plata). ODO has been opportunistically deploying fiber to support the 4G/LTE roll-out and to be in a position to offer fixed services to targeted B2B clients. As an example, ODO began to offer B2B services in the Eastern area of the Dominican Republic in Bavaro/Punta Cana following the roll-out of fiber along the East route to Punta Cana, which was finalised at the end of 2013. In addition, ODO has identified other high density traffic locations to be connected with fiber in the future. Fiber is being rolled-out both below and above ground, in an on-going effort to optimise cost and deployment time. At the same time, in remote areas where the deployment of fiber is expensive, ODO is making use of microwave backhaul.

ODO is also developing IT and network infrastructure redundancy, in order to ensure a high level of reliability to its customers. In addition, ODO has focused on IP multimedia (IMS) projects to support fixed-line services (GSM technology-based fixed offers e.g. GSM deskphone) and new multimedia services, including fixed-line voice services for B2B customers, Rich Communication Services, voice-over-LTE and other collaborative multimedia. The B2B segment has been a key focus area for ODO since it first launched dedicated services to business customers in January 2011 and the Company is currently in the process of moving from a mobile centric offering to a full-service provider with various enhancements being made to its network.

Distribution Channels and Brand

ODO benefits from what we believe to be efficient distribution channels through its homogeneous store network across the Dominican Republic, comprising more than 500 shops and 44,000 top-up points of sale. We believe ODO’s strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. ODO also benefits from strong brand recognition and a focus on customer service. ODO captured approximately 38% share of mobile gross-adds for the twelve months ended December 31, 2013 based on management estimates, while only operating 18+% of the approximately 3,000 points of sale in the Dominican Republic. In connection with the ODO Acquisition, we have entered into a Brand License Agreement providing for the right for ODO to continue to use the “Orange” brand for a period of three to five years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO.

Credit Management and Billing

We bill our post-paid mobile subscribers directly. SIM cards, mobile phones and other devices can either be purchased directly from us or from one of our indirect distributors who, in turn, purchase them from us. We send monthly bills to our post-paid mobile customers, payable within 7-25 days, and we monitor customer collections and payments. Overdue receivables in excess of 120 days are transferred to a third-party factoring agency. We maintain a bad debt provision for our post-paid mobile subscribers for estimated credit losses, based on a percentage of risk of payment default with reference to aging of overdue invoiced amounts. In particular, the provisions foresee different levels of risks for consumer and business customers, sales partners and distributors, operators, and roaming partners. Our write-offs of such bad debt provisions constituted 2.03% of total post-paid revenues in the twelve months ended December 31, 2012 and decreased to 1.51% the twelve months ended December 31, 2013. We also offer direct debit and e-payment.

Pre-paid mobile customers purchase SIM cards, mobile phones and other devices directly from us or from retailers and dealers who, in turn, purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products. These customers then have the ability to top-up their accounts through a number of payment channels, either directly with us (through the Internet or in one of our stores), via Unstructured Supplementary Service Data (USSD), or through any of our indirect distribution partners.

IT Systems and Infrastructure

Our information technology systems are highly integrated into every aspect of our business providing capabilities for a variety of purposes in relation to customer front-ends, middleware and back-ends and cover, among other things, the following fundamental areas:

- Billing, customer relationship management;
- Point-of Sales support, commissioning, sales force automation;
- Supply chain management;
- Online services;
- Data warehousing;
- Controlling, Finance;
- Human resources; and
- The systems are mainly hosted in two data centers.

Licenses

We believe that we hold all necessary licenses to operate our business. On July 15, 1996, ODO was awarded a twenty-year universal telecom concession, which allows it to provide telecom services without any technological restrictions (e.g. fixed / wireless technologies, television, Internet). An automatic twenty-year renewal process is set forth in the concession agreement. The process begins in August 2014. If the submission for renewal is accepted, the concession will be renewed in August 2015. All of our frequency licenses are valid until August 1, 2015 but will have to be renewed at the same time as our concession agreement.

The economic environment and the telecommunication market

Certain Contracts Relating to the Operation of Our Business

We are a party to a number of agreements that are important to our business, including those set out below. In addition, in connection with the ODO Acquisition, we will enter into a Transitional Agreement and a Brand License Agreement.

Service Agreements

We have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include supply of software licenses, call center support, data management and human resources consulting, among others. Certain of these agreements will terminate upon the consummation of the ODO Acquisition due to change-of-control clauses included therein. We expect to review the applicable supplier relationships and either renegotiate these contracts or switch to new suppliers. The service agreements with TechComm and Transunion S.A. do not contain a change in control but both agreements require us to notify TechComm and Transunion S.A., respectively, in the event of a change of control in our corporate structure, which we plan to do upon the consummation of the ODO Acquisition.

Supply Agreements

On our behalf, Orange S.A. has entered into supply agreements with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices. After the completion date of the ODO Acquisition, we will no longer benefit from such agreements. However, these handset supply agreements contemplate a three to six month grace period after a change of control during which ODO's buyer could enter into a new agreement with these suppliers.

Intercompany Agreements

We have entered into three intercompany agreements with Orange S.A.: (i) the corporate framework agreement, (ii) the management fee agreement and (iii) the ASP interco agreement. These agreements will all automatically terminate after the completion date of the ODO Acquisition.

Environmental Matters

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise, and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorisations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in the Dominican Republic could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies to achieve radiation emission ranges lower than the maximum levels permitted by applicable Dominican Republic regulations. If the Dominican Republic government or regulator were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure.

We have enacted various guidelines—in particular with regard to the quality of antenna sites and minimization of safety risks in connection with non-ionising radiations—as well as a health and safety policy. We have further obtained ISO 9001:2008 system certifications in connection with the circular of the Federal Office for the Environment regarding the quality assurance for compliance with the limits of antenna radiation dated January 16, 2006.

Intellectual Property

Orange Brand License Agreement

In November, 2013 in connection with the entry into the ODO Acquisition, we entered into a brand license agreement with Orange Brand Services Limited that has now become effective as of the completion of the ODO Acquisition. Under the terms of the agreement, we will have a license to use the Orange brand for several years after closing of the ODO Acquisition in the Dominican Republic for the current activities of ODO. We currently intend to continue to use the Orange brand and to carry out a rebranding process within approximately eighteen months of the Completion Date. Royalties under the brand license agreements will be paid to Orange S.A. on a quarterly basis but the accounting treatment of such royalties has not been confirmed. See "*Description of Group's Business—Material Contracts—Dominican Republic Acquisitions*."

The brand license agreement may be terminated by either party in certain circumstances, including if we or Orange Brand Services Limited commit a material breach of the agreement, if we do not satisfy certain minimum investment requirements in the Orange brand, if we undergo certain change of control events or if a competitor purchases shares in us.

Insurance

We maintain insurance coverage in amounts that we believe are sufficient to insure appropriately our risks, including insurance for third-party liability, property damage/business interruption, global crime, buildings, construction and erection, special technical equipment and various other insurances.

A number of these insurance policies are linked to global Orange Group insurance policies. Accordingly, coverage under these insurances will or may terminate as a result of the ODO Acquisition. Our intention is to maintain insurance coverage consistent with industry standards, although the coverage may be somewhat reduced compared to the coverage we currently have under the Orange Group and we expect that the premiums for these insurances may be higher.

Employees and Pension Obligations

Annex I
R. 17.1

As of December 31, 2013, we had 1,233 full-time employees and 208 FTE employees.

We deliver substantial benefits to all of our employees through a combination of attractive compensation, health insurance and mobile phone plans. Our employees follow the guidelines established under Dominican Republic law with regards to work hours. Standardized employee contracts contain provisions that limit the hours an employee can work. Employees are required to fill out monthly time reports in which we verify that the employee is compliant with the company policies and with applicable labor laws.

We believe that our employee relations are good. We have been recognized as a “great place to work” according to surveys conducted inside and outside the company. We have not experienced any labor-related work stoppages during the past three years.

Property and Leases

We own, lease and occupy a wide range of properties in connection with the operation of our antennas and commercial retail locations. Many of our properties must undergo an administrative process in order to be recognized by the Title Registry office as valid deeds.

We have also entered into a long-term lease agreement for Torre Orange, the location of our headquarters in Santo Domingo.

Antenna installation is subject to approval by several governmental institutions, which perform the appropriate inspections and confirm that the project does not interrupt radio-electrical frequencies or risk the safety of the environment, community or local airports. Prior to 2010, the Dominican Institute of Civil Aviation (“IDAC”) issued one permit per project and municipalities issued one permit per several antennas within their jurisdiction. Other institutions followed similar guidelines and therefore antenna site permits are not uniformly provided.

Overview of Tricom’s Business

Tricom is the second largest landline service provider in the Dominican Republic after the incumbent operator, Claro. It provides pay television, broadband Internet and fixed-line telephony services through its HFC cable, xDSL and GPON networks as well as mobile telephony services through its mobile network. Tricom is the second largest pay television operator (number one in cable television) and the second largest broadband Internet and fixed-line telephony provider with a national market share of approximately 25% (fixed broadband Internet market) and 23%, with respect to the above products, according to Indotel and Analysys Mason. Tricom’s pay television offering, which is available through three plans, includes over 250 channels with 82 channels available in HD, which is the most extensive HD offering currently available in the Dominican Republic. Tricom provides Internet access primarily through its xDSL network, although its cable broadband Internet product is currently experiencing strong growth, and it has launched mobile broadband Internet services leveraging on its recent 4G/LTE launch. Tricom offers both prepaid and postpaid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilise its xDSL network to provide fixed-line telephony services, it also offers

VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services. Tricom benefits from the opportunity to up-sell its mobile service offering to its fixed-line subscriber base, particularly following the launch of 4G services in May 2013, which we believe provides it with a competitive advantage. Tricom's mobile offering includes 3G as well as 4G/LTE plans (depending on the handset) and mobile customers who subscribe to one of Tricom's triple-play offers benefit from a free 4G-enabled smartphone under the current service plan.

As of December 31, 2013, Tricom's cable network passed approximately 456,240 one-way and two-way homes and businesses and Tricom had approximately 108,046 pay television subscribers, 127,047 broadband Internet subscribers (including xDSL and cable), 274,438 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL) and 344,403 (including Internet mobile) mobile subscribers.

In the B2B segment, which accounted for just under 18% of its revenue in 2013, Tricom mainly offers fixed-line services but is also present in the broadband Internet, data, pay television and wireless segments. Tricom serves a large portfolio of over 10,000 corporate clients including banks, international telecom operators and government offices. Tricom has a well- diversified customer portfolio with its top ten customers accounting for less than 15% of its B2B revenue in 2013.

With respect to fixed services, Tricom benefits from an integrated platform which includes networks based on HFC, copper and fiber technologies while it prioritizes the modernization and expansion of its entirely digital cable network. As of December 31, 2013, Tricom has upgraded 77% of its cable network to bi-directional capability, with a substantial majority of homes passed on 750 MHz or 1,000 MHz. Up to a maximum of 750 homes are served by each optical node in Tricom's network. Tricom's entire cable network is digital and capable of supporting HD and DVR services. Tricom is continuing the expansion of its cable network into key cities that are still underpenetrated and where proprietary fiber optic is already present, meaning significant growth potential. To this end, it relies on an in-house team which designs approximately 150 kilometers of network each month, as well as third party construction teams which implement in-house design and build approximately 80 kilometers of network each month. Tricom has in-house capability to activate, and perform quality control procedures on its network. In addition, Tricom has focused on maintaining its xDSL network to serve customers in areas not reached by its cable network.

Tricom provides its mobile telephony services through its wireless network and has 25 MHz of spectrum in the 850 MHz frequency, allowing it to offer its customers 3G mobile services, and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G/LTE mobile services. Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency where it offers some WiMAX coverage (East coast). Tricom launched 4G mobile services in May 2013. Tricom's network in the 850 MHz and 1,900 MHz frequencies cover approximately 65% and 25% of the Dominican Republic population, respectively. Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 70 Mbps and 3 Mbps, respectively.

At the core of Tricom's fixed-line services strategy is a focus on triple-play packages which provides an attractive value proposition to its residential customers. In addition, Tricom leverages its 4G mobile services to provide integrated quadruple-play services. Multiple-play subscribers currently receive a discount on fixed-line services and on mobile services when such services are purchased as part of a bundle. As a result of this strategy, the percentage of Tricom's triple-play customers has increased from 7% in 2010 to 17% as of December 2013.

Tricom has developed a multi-channel distribution approach to provide its range of services to residential and business clients. It owns a network of 18 stores throughout the Dominican Republic which plays a critical part in its distribution strategy relating to its re-launched wireless business services. Approximately 131 dealer stores, with which Tricom has partnered up, account for the vast majority of its wireless services sales. The two key distribution channels for fixed services are (i) telemarketing where a dedicated team reaches out to clients to offer Tricom's services and products and (ii) door-to-door sales where the sales force of approximately 100 physically visit clients at their homes and offices. Although still a minor channel, online sales are expected to grow rapidly as traffic on Tricom's website has been experiencing strong growth.

For the twelve months ended December 31, 2013, Tricom generated revenues of approximately $211 million and Adjusted EBITDA of approximately $67 million and had capital expenditures of close to

$35 million, in each case based on unaudited and unreviewed management accounts. Tricom defines Adjusted EBITDA as earnings before interest, tax, depreciation and amortisation and before management fees, other non-recurring expenses, impact of tower sale and leasebacks and installation costs relating to network roll-outs. Tricom prepares its financial statements under U.S. GAAP.

Management’s Discussion and Analysis of Financial Condition and Results of Operations of ODO

Presentation of Financial Information

The standalone financial statements of the Company for the twelve months ended December 31, 2012 and 2013 have been prepared in accordance with IFRS as issued by the IASB. The preparation of the financial statements did not therefore require any material allocation of assets and liabilities and income and expense items between Orange S.A., as indirect owner of the Company prior to the ODO Acquisition, and the Company.

Key Factors Affecting Results of Operations

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on our results are set forth below. For further discussion of the factors affecting our results of operations, see “*Risk Factors*.”

One of the key constituents of our revenue is network revenue, which contributed 87.7% and 86.7% of our total revenue for the twelve months ended December 31, 2012 and 2013, respectively. A major contributor to our network revenue is mobile subscriber revenue, which is principally driven by the number of mobile subscribers on our network (our mobile subscriber base), and the ARPU, or average revenue per user (see “—*Mobile ARPU*”), that they generate. Our subscriber base evolution is driven by market dynamics (including demographics, penetration rate, technical innovation and changing customer behavior), gross connections market share (our ability to capture new subscribers). A key recent factor that has impacted our mobile subscriber revenue is the increasing use of data services linked to the popularity of smartphones and mobile computing devices, and our ability to successfully address this increasing demand. Furthermore, our mobile revenues are affected by macroeconomic trends, such as competition-driven price evolution and general macro-economic conditions. Network revenue also includes revenues from incoming voice traffic of other domestic and international operators, as well as roaming charges, and non-voice.

Our mobile costs of sale include (i) mobile termination rates payable to other operators for calls made by our subscribers that are terminated on networks belonging to other operators, (ii) subscriber acquisition and retention costs, which are costs associated with acquiring a new mobile subscriber and retaining existing subscribers (prolonging the contract of an existing mobile subscriber, mobile “renewal” for pre-paid residential subscribers, (iii) network and IT expenses and (iv) other commercial expenses relating to advertising, promotion and other selling fees.

Our primary subscriber acquisition and retention costs include agent commissions related to sales generated by dealers including franchises and wholesalers (together forming our indirect distribution channel) and the cost of handsets sold to our post-paid residential subscribers. Handsets are typically sold to our post-paid subscribers at a discount reflecting the incentive that we provide subscribers to subscribe or renew their subscription. The level of distributor commission paid varies depending on distribution channels (direct or indirect). Our distributor commissions are generally lower for pre-paid residential customers, due to lower ARPU and lower loyalty of pre-paid subscribers, compared to the distributors’ commissions for post-paid business customers reflecting the higher lifetime value of these subscribers. Commissions, which are an operating expense, are paid for both, new and retained post-paid subscribers solicited through indirect distribution channels. In the direct distribution channel, incentives and bonuses are paid out to the sales force in relation to their subscriber acquisition and retention performance and such costs are expensed in labor costs. Our direct channels focus on high value customers and providing them with a high quality customer experience and services.

Mobile Subscriber Base

The table below sets forth selected mobile subscriber data for the periods indicated, including an analysis by subscriber segment. Mobile subscribers consist of subscribers for voice services (including incoming and outgoing calls) and non-voice services (including SMS, MMS and data services for handsets).

	Mobile subscriber base	
	For the twelve months ended December 31,	
	2012	**2013**
	(subscribers in thousands)	
Post-paid subscribers(1)(2)(4)(5)	589	624
Pre-paid residential subscribers(1)(3)(4)	2,504	2,647
Subscribers at end of period(1)	**3,093**	**3,271**

---

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

(2) All post-paid subscribers are considered as active

(3) Active pre-paid subscribers exclusively. Pre-paid subscribers are considered as inactive when connected on the home network more than three months without any outgoing traffic events or with fewer than four incoming traffic events

(4) Includes exclusively mobile subscribers. Mobile broadband Internet subscribers excluded and analyzed separately in this section

(5) Includes both post-paid residential subscribers and post- paid business subscribers

We provide mobile services to pre-paid residential customers, post- paid residential customers and post-paid business customers, constituting 80.9%, 13.2% and 5.9%, respectively, as of December 31, 2013 of our mobile subscriber base. For the twelve months ended December 31, 2013, pre-paid residential subscribers formed the largest segment of our customer base, contributing 53.1%, as compared to 28.1% for post-paid residential subscribers and 9.1%, for post-paid business subscribers. Since contributions to revenue of subscribers in different segments are disproportionate (due to their different level of ARPU, see "—*Mobile ARPU*"), changes in the composition of our subscriber base in any financial period may have an impact on our revenue for such period.

Our mobile subscriber base increased by 5.8% for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012. The key drivers of this sustained growth are: (i) favorable market dynamics, (ii) increased market share, due to the positive perception of the "Orange" brand and the quality of our service, (iii) on-going network improvements, with the continuous roll-out of 2G, 3G and 4G sites, (iv) competitive pre-paid and post-paid offers with the continuous expansion of our enterprise line, (v) anti-churn incentives geared at our pre-paid residential subscribers to reduce the number of inactive customers, including automated reminders prompting the subscriber to top-up, simplified SIM swaps for customers who have lost their SIM cards and an automated credit top-up by us where a "zero balance" has been reached, and (vi) the strategic plan by our management to develop the business lines for our post- paid business subscribers with a sales team dedicated to this customer base as well as targeted offers.

As a result of the aforementioned factors, for the twelve months ended December 31, 2013, our post-paid business subscribers increased by 4.1% and our pre-paid residential subscribers 5.7%. We estimate that our total mobile market share in the Dominican Republic by number of subscribers was 40% as of December 31, 2013.

Due in part to the improvement of our post-paid residential offer, our post-residential subscribers increased by 6.9% for the twelve months ended on December 31, 2013 compared to the same period last year. The revamped offer, which began in September 2013, introduced a more varied portfolio of price plans, allowing customers to add on additional services at their option while giving them the freedom of paying a low monthly fee on a post-paid basis. Because the difference between the monthly top-up and post-paid subscription fee is very small, we believe that users of pre-paid mobile phones will continue to migrate to a post-paid subscription. Furthermore, we offer substantial handset subsidies to our post-paid subscribers, which enable us to promote the usage of smartphones and with that voice and data usage. We aim to increase our market share in the post-paid residential segment in the future, especially in light of the increase in smartphone and data usage, and higher returns and retention rates in the long term.

Mobile ARPU

ARPU (average revenue per user), represents the overall revenue for a specific segment divided by the number of subscribers for a given period. Since there may be disconnections and connections over a defined period, the overall revenue is divided by the average subscriber base for that particular period.

ARPU is primarily driven by prices of our services, traffic volume, data services utilisation and revenue from interconnection rates for incoming calls. Our monthly ARPU for the twelve months ended December 31, 2013 increased slightly to DOP 533.1, from ARPU of DOP 532.9 for the twelve months ended December 31, 2012 despite termination rates decreasing by 2% semi- annually. The table below sets out our ARPU for our pre-paid and post- paid mobile subscribers:

	Mobile ARPU	
	For the twelve months ended December 31	
	2012	**2013**
	(in DOP per month/percentages)	
Post-paid ARPU	1,126	1,146
Increase/(decrease) from prior equivalent period	(−7.6)%	1.7%
Pre-paid residential ARPU	393	394
Increase/(decrease) from prior equivalent period	0.5%	0.2%
Total ARPU(1)	**533**	**533**
Increase/(decrease) from prior equivalent period	(−0.4)%	0.1%

---

(1) We define total ARPU as the measure of the sum of our mobile revenues in the relevant period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

For the twelve months ended December 31, 2013, our post-paid ARPU increased by 1.7% to DOP 1,146 from DOP 1,126 for the twelve months ended December 31, 2012. This increase was predominantly driven by an increase of our post-paid residential subscriber ARPU by 5.0% (or DOP 62 per month) to DOP 1,312 for the twelve months ended December 31, 2013. This increase can be attributed to an increase in higher value plans.

As of December 31, 2013, we have been able to maintain our pre-paid residential subscriber ARPU at DOP 394, as compared to DOP 393 as of December 31, 2012.

Termination Rates

Mobile termination rates (MTR) contribute to our mobile revenues and costs. Fixed termination rates (FTR) contribute to our revenue and costs for our fixed line services. We receive revenues from other operators for calls terminated on our network and we are required to pay fees to other operators for calls terminated on their networks for both, domestic and international calls.

Domestic MTR, local FTR and SMS termination rates result from negotiations between us and the three other main Dominican mobile operators. Indotel has the authority to challenge and/or validate these bilateral agreements. Domestic operators agreed to decrease national MTR and local FTR by 2% semiannually (in dollars), between 2010 to 2013. SMS termination rates remained unchanged between 2010 to 2013 at $0.018 per SMS.

	Year ended December 31,			
	2010	2011	2012	2013
	USD $			
MTR	0.069	0.066	0.064	0.062
FTR local	0.018	0.018	0.017	0.016
SMS	0.018	0.018	0.018	0.018

Internet

For the twelve months ended December 31, 2013, Internet revenues increased by 27% to DOP 644 million compared to DOP 507 million for the twelve months ended December 31, 2012. We consider Internet services used by our post- paid business subscribers as a commercial lever to cross-sell post-paid business mobile subscription.

Our total number of Internet subscribers increased by 16% from 121,000 for the twelve months ended December 31, 2012, to 140,000 for the twelve months ended December 31, 2013. This was mainly driven by an increase in the number of our post-paid residential subscribers by 51% in 2013 due to (i) higher laptop penetration and (ii) the expansion of Internet services into new geographic regions. Although we had an increase in our total subscriber number, we saw a decrease in our post-paid business subscribers due to an internal adjustment made to the computation of this subscriber base in 2013.

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

	Internet subscriber base	
	For the twelve months ended December 31,	
	2012	2013
	(in thousands subscribers)	
Post-paid residential subscribers[1]	62	86
Post-paid business subscribers[1]	59	54
Subscribers at end of period[1]	**121**	**140**

---

(1) All post-paid subscribers are considered as active

Mobile Network Upgrade

With the growing penetration of smartphones and the increasing demand in data services, upgrading and maintaining our network is key to the improvement of the services we offer to our customers. The perception of the network quality is an important factor in retaining our subscribers and is therefore a key element in preventing and reducing churn and attracting new customers.

The upgrade and maintenance of our network has a direct impact on the level of our expenses and the capital expenditures we incur each year. The 4G LTE roll-out which began in the first quarter of 2012 has been focused on certain regions with higher number of medium and large businesses. We believe that our infrastructure will be able to cope with the expected increased data-led capacity requirements and that architecture is scalable to support future traffic growth.

Effects of Change of Control Transaction and Separation

On November 26, 2013, Altice Bahamas S.à r.l. (a wholly owned subsidiary of Altice International S.à r.l.) entered into agreements to acquire ODO in the Dominican Republic. The transaction has been completed on April 9, 2014. See "*Description of Our Business—Material Contracts—Dominican Republic Acquisitions—ODO Acquisition*".

The impact of the ODO Acquisition on our income statement and capital expenditures will depend on the synergies and measures undertaken. Links to Orange S.A. are at both operational and support levels, and are governed by group or bilateral agreements. Operational agreements are based on specific group terms while recharge agreements are usually based on a "cost plus" mechanism. Intragroup costs primarily include DOP 628 million of corporate fees such as brand fees and management fees (DOP 377 million for brand fees and DOP 252 million for management fees in 2013). Pursuant to the ODO Acquisition Agreement, ODO and Orange S.A. entered into a transitional services agreement on November 26, 2013. Specific terms relating to the services to be rendered thereunder are currently being negotiated and are to be finalised prior to the completion of the ODO Acquisition, with the aim to tailor the services to the contemplated synergies between ODO, Tricom and the Altice International Group.

Key Income Statement Line Items

Revenue

Revenue from our activities includes:

- Mobile revenue, which consists of revenue from voice (including ingoing and outgoing calls) and non-voice (including SMS, MMS and data services for handsets);
- Internet revenue, which consists of mobile broadband Internet facilities delivered to post-paid residential subscribers or business post-paid subscribers;
- Wholesale revenue, which consists of: (i) transit revenue consisting of fees charged to foreign competitors connecting to and using our telecommunication path and network to transit voice or data to another operators, and (ii) visitor roaming revenue representing revenue received from our roaming partners for their customers' use of services on our network. Roaming rates charged by various operators are determined according to the inter-operator tariffs (IOT) agreements between operators;
- Other revenue primarily includes (i) the sale of non-subsidized handsets (ii) fixed-data revenue corresponding to calls realised 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; and
- Equipment revenue consists of the sale of subsidized handsets and, to a lesser extent, mobile accessories.

Operating costs

Our operating costs include:

- Cost of equipment sold primarily consists of the costs arising from equipment sold to terminals, the sale of SIM cards and accessories, and import duties and freight costs;
- Selling, distribution and traffic costs mainly consist of access backbone and termination fees corresponding to costs incurred for terminating a call on another operator's network. Cost is calculated based on the MTR or FTR tariffs which are agreed between operators;

- Advertising and sponsoring costs;
- Offices and technical sites costs;
- Labor expenses, which include salaries and wages, social contributions, individual incentive/bonus plans and the cost of post-employment benefits;
- Corporate fees consist of (i) management fees, and (ii) brand fees based on the terms of the agreement with Orange S.A. regarding the rights to use the "Orange" brand;
- Maintenance costs;
- Other costs and income which include (i) purchase of services (ii) consulting fees (iii) network energy costs and (iv) bad debt expenses;
- Depreciation and amortisation of fixed assets.

Non-operating income/expense

Non-operating income/expense mainly include financial items such as (i) foreign exchange gains and losses (mainly corresponding to unrealised translation gains on cash and cash equivalents) (ii) interest on net cash, and on the Orange group current account (decreasing in line with cash and cash equivalents) and (iii) other financial charges concerning the discounting effect of the Asset Retirement Obligation ("ARO") provision, whereby a discount is applied to the costs incurred in relation to the future dismantling of technical sites (the rate is calculated through applying intra-group measures and a discount set by the Dominican Central Bank).

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

	For the twelve months ended December 31,	
	2012	**2013**
	(in DOP million)	
Revenues	22,754	24,405
Cost of equipment sold	(3,000)	(3,259)
Selling, distribution and traffic costs	(5,861)	(6,263)
Advertising and sponsoring costs	(937)	(875)
Offices and technical sites costs	(564)	(623)
Labor expenses	(1,175)	(1,234)
Corporate fees	(583)	(628)
Maintenance costs	(332)	(329)
Other costs and income	(2,573)	(2,344)
Depreciation and amortisation	(3,509)	(3,518)
Total costs and operating expenses	(18,533)	(19,073)
Operating income	4,221	5,332
Bank commissions	(71)	(76)
Interest income	37	18
Foreign currency exchange gains (losses)	70	26
Other	(20)	(13)
Non-operating income (expenses)	15	(45)
Profit before income tax	4,236	5,287
Income tax	(790)	(1,390)
Net income	3,446	3,897

Other comprehensive income	—	—
Total comprehensive income for the year	3,446	3,897

Twelve Months Ended December 31, 2013 as compared to Twelve Months Ended December 31, 2012

Our total revenue increased by DOP 1,651 million (+ 7.3%) from DOP 22,754 million for the twelve months ended December 31, 2012 to DOP 24,405 million for the twelve months ended December 31, 2013, driven by an increase in our pre-paid subscriber base together with the favorable effect of increased data usage.

	For the twelve months ended December 31,				Variation	
	2012	**% of total revenue**	**2013**	**% of total revenue**	**Amount**	**%**
			(in DOP million)			
Mobile	19,436	85.4%	20,503	84.0%	1,067	5.5%
Wholesale	1,662	7.3%	1,816	7.4%	154	9.3%
Internet	507	2.2%	644	2.6%	137	27.0%
Equipment	866	3.8%	1,151	4.7%	285	32.9%
Other	283	1.2%	291	1.2%	8	2.8%
Total revenue	22,754	100%	24,405	100.0%	1,651	7.3%

	For the twelve months ended December 31,				Variation	
	2012	**% of total revenue**	**2013**	**% of total revenue**	**Amount**	**%**
			(in DOP million)			
Post-paid residential subscribers	6,084	31.3%	6,372	31.1%	288	4.7%
Pre-paid residential subscribers	11,580	59.6%	12,350	60.2%	770	6.6%
Post-paid business subscribers	1,772	9.1%	1781	8.7%	9	0.5%
Mobile revenue	19,436	100.0%	20,503	100.0%	1,067	5.5%

Mobile revenue

Mobile revenue was DOP 20,503 million for the twelve months ended December 31, 2013, an increase of DOP 1,067 million, or 5.5%, from DOP 19,436 million for the twelve months ended December 31, 2012.

Post-paid residential subscribers revenue increased by 4.7% in the twelve months ended December 31, 2013 to DOP 6,372 million primarily driven by flexible monthly plans, including low monthly rate subscriptions with the ability to add-on additional services such as data through promotional offers.

Pre-paid residential subscribers revenue increased by 6.6% in the twelve months ended December 31, 2013 to DOP 12,350 million primarily driven the "anti-churn" incentives.

Post-paid business subscribers revenue increased by 0.5% in in the twelve months ended December 31, 2013 to DOP 1,781 million primarily driven by a stronger penetration strategy and sales staff dedicated to soliciting more subscribers. We also benefited from an overhaul in and an increase of the portfolio of services and integrated solutions we were able to offer to a broad variety of businesses (SMEs as well as larger business).

Wholesale revenue

Wholesale revenue was DOP 1,816 million for in the twelve months ended December 31, 2013, an increase of DOP 154 million, or 9.3%, from DOP 1,662 million for the twelve months ended December 31 2012. This increase can be attributed to an increase in transit revenues by 37.1% to DOP 1,192 million for the twelve months ended December 31, 2013, as a result of increased traffic of international telephone calls on our network, resulting in higher terminations. This trend was offset by a decrease in visitor roaming revenue—of 21.4% to DOP 623 million for the twelve months ended December 31, 2013, as result of the increase in tariff competition thereby pushing down global inter-operator roaming rates, as well as international macro-economic conditions.

Internet revenue

Internet revenue increased by 27.0% to DOP 644 million in the twelve months ended December 31, 2013 mainly due to the increase in the average subscriber base driven by the expansion of Internet services into new geographic regions, our 3G roll-out and the resulting increase in the higher quality offering over a larger service area, resulting from the speed of our network.

Equipment revenue

Equipment revenue was DOP 1,151 million for the twelve months ended December 31, 2013, an increase of DOP 285 million, or 32.9%, from DOP 866 million for the twelve months ended December 31, 2012, due to an increase in our post-paid subscribers retention rate, which resulted in higher amounts of handset subsidies .

Other revenue

Other revenue was DOP 291 million for the twelve months ended December 31, 2013, an increase of DOP 8 million, or 2.8%, from DOP 283 million for the twelve months ended December 31, 2012 as a result of an increase in our post-paid business segment, leading to an increase in M2M revenue of 123% and other operating revenue of 62%.

Operating costs

Cost of equipment sold

Cost of equipment sold were DOP 3,259 million for the twelve months ended December 31, 2013, an increase of DOP 259 million, or 8.6% from DOP 3,000 million for the twelve months ended December 31, 2012. The increase in cost of equipment sold was mainly due to an increase in smartphone penetration as part of our retention strategy relating to our post-paid residential subscribers.

Selling, distribution and traffic costs

Selling, distribution and traffic costs were DOP 6,263 million for the twelve months ended December 31, 2013, an increase of DOP 402 million, or 6.9%, from DOP 5,861 million for the twelve months ended December 31, 2012. The increase was mainly due to an increase in commissions paid to indirect distributors for high retention rates of post-paid subscribers.

Advertising and sponsoring costs

Advertising and sponsoring costs decreased DOP 62 million, or 6.6%, from DOP 937 million for the year ended December 31, 2012 to DOP 875 million for the year ended December 31, 2013 primarily due to measures implemented by management to optimise advertising costs and communication methods.

Offices and technical sites costs

Offices and technical sites costs were DOP 623 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 10.45%, from DOP 564 million for the twelve months ended December 31, 2012. The increase in technical expenses was primarily driven by network extension (site roll-out), partially offset by some savings initiatives (notably regarding base station / antenna power savings through investment in solar panels).

Labor expenses

Labor expenses were DOP 1,234 million for the twelve months ended December 31, 2013, an increase of DOP 59 million, or 5.0%, from DOP 1,175 million for the twelve months ended December 31, 2012. The increase in labor expenses was primarily attributable to an increase in average total labor cost per employee driven annual salary increases and impacted by the recruitment of more experienced employees.

Corporate fees

Corporate fees were DOP 628 million for the twelve months ended December 31, 2013 increasing from DOP 583 million, or 7.7% for the twelve months ended December 30, 2012 due to revenue growth.

Maintenance costs

Maintenance costs were DOP 329 million for the twelve months ended December 31, 2013 a decrease of DOP 3.0 million, or 0.9%, from DOP 332 million for the twelve months ended December 31, 2012. The decrease is mainly attributable to volume discounts relating to network extension.

Other costs and income

Other costs and income decreased to DOP 2,344 million for the twelve months ended December 31, 2013, a decrease of DOP 229 million, or 8.9%, from DOP 2,573 million for the twelve months ended December 31, 2012. This decrease was mainly due to (i) a reduction in the provision for legal claims from DOP 165 million in the twelve months ended December 31, 2012 to DOP 115 million for the twelve months ended December 31, 2013, due to a judgment dismissing the payment of certain costs and (ii) a decrease in withholding taxes of DOP 51 million as a result of improved negotiations with our suppliers and the Group.

Depreciation and amortisation

Depreciation and amortisation were DOP 3,518 million for the twelve months ended December 31, 2013, a slight increase of DOP 9 million, or 0.3%, from DOP 3,509 million for the twelve months ended December 31, 2012. The increase in depreciation and amortisation was primarily attributable to the increase of network assets with improvements in network coverage, as well as the roll-out of additional 2G/3G/4G-LTE sites. Furthermore, ODO performed an inventory of its fixed assets relating to its technical sites (which account for 83% of total fixed assets) between April 2013 and December 2013 which lead to an increase of DOP 23 million in depreciation.

Operating income

As a result of the foregoing factors, our operating income was DOP 5,332 million for the twelve months ended December 31, 2013 compared to DOP 4,221 million for the twelve months ended December 31, 2012, representing an increase in operating margins by 26.3% for the twelve months ended December 31, 2013 as compared to 2.5% for the twelve months ended December 31, 2012.

Non-operating income/expense

Non-operating expenses increased to DOP 45 million for the twelve months ended December 2013, compared to non-operating income of DOP 15 million for the twelve months ended December 31, 2012. The decrease in non- operating income/expense for the twelve months ended December 31, 2013 was due to (i) DOP 76 million of bank commissions as a result of a higher volume in connections for our post paid segment (compared to DOP 71 million for the twelve months ended December 31, 2012), (ii) DOP 18 million from the twelve months ended December 31, 2013 of interest income compared to DOP 37 million for the year ended December 31, 2012 as a result of the reduction of interest rates by the Dominican Central Bank in 2013 and (iii) an increase in foreign currency exchanges which led to a decrease in gains to DOP 26 million for the twelve months ended December 31, 2013, compared to DOP 70 million for the twelve months ended December 31, 2012.

Income Tax

The following table sets forth our income tax expense for the twelve months ended December 31, 2013 as compared to the twelve months ended December 31, 2012:

	For the twelve months ended December 31,		Variation	
	2012	**2013**	**Amount**	**%**
	(in DOP million/percentages)			
Current tax expense in respect of the current year	(1,123)	(1,574)	(451)	40.2%
Deferred tax income/(expense)	333	184	(149)	(44.7)%
Total income tax	**(790)**	**(1,390)**	**(600)**	**75.9%**

Income tax increased by DOP 600 million from DOP 790 million for the twelve months ended December 31, 2012 to DOP 1,390 million for the twelve months ended December 31, 2013 primarily driven by a change in dividend credits. Dividend credits decreased from DOP 330 million for the twelve months ended December 31, 2012 to nil in the twelve months ended December 31, 2013. Such dividend credits relate mainly to the refund of dividend withholding tax which terminated with the change in certain tax regulations in the Dominican Republic in November 2012. Furthermore, the increase can be attributed to an increase in profit before tax for the twelve months ended December 31, 2013.

Liquidity and Capital Resources

Capital Resources

Our principal source of liquidity is cash flow generated from our operations.

Cash Flows

The table below sets out information related to our cash flows:

	For the twelve months ended December 31,	
	2012[(1)]	**2013**
Operating activities		
Net income	3,446	3,897
Adjustments to reconcile net profit to cash provided by operating activities		
Depreciation and amortisation	3,509	3,518
Gains (losses) on disposal	1	14
Change in provisions (Litigations)	68	(87)
Change in working capital		
Income tax	(333)	(184)
Decrease (increase) in inventories, net	105	(151)
Decrease (increase) in trade receivables,	(59)	105
Decrease (increase) in other receivables,	(3)	(2,343)
Decrease (increase) in trade payables	(483)	(239)
Other changes in working capital		
Decrease (increase) in pre-paid expenses	25	(58)
Decrease (increase) in other non-current assets	(2)	0
Decrease (increase) in other non-current liabilities	8	23
Decrease (increase) in other current	47	23
Deferred income	42	(118)
Income tax paid	625	533

Net cash provided by operating activities	6,997	4,933
Investing activities		
Purchase of PPE and intangible assets	(3,637)	(3,199)
Net cash used in investing activities	(3,637)	(3,199)
Financing activities		
Dividends paid	(3,345)	(1,855)
Net cash used in financing activities	**(3,345)**	**(1,855)**
Net increase (decrease) in cash and cash	15	(121)
Cash and cash equivalents—opening	1,145	1,160
Cash and cash equivalents—closing	**1,160**	**1,039**

---

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of netting between trade receivables and trade payables for an amount of DOP 633 million.

Twelve Months ended December 31, 2013 as compared to twelve months ended December 31, 2012

Net cash provided by operating activities

Net cash provided by operating activities for the twelve months ended December 31, 2013 was DOP 4,933 million. Our net cash provided by operating activities for the twelve months ended December 31, 2013 included net income of DOP 3,897 million and depreciation and amortisation of DOP 3,518 million. Change in net working capital was negative DOP 2,628 million for this period, principally reflecting an increase in other accounts receivables of DOP 2,343 million. The account receivables significant increase is predominantly due to the cash pooling at the Orange Group's level (DOP 2,567 million in December, 2013 compared to DOP 136 million in December 2012). As per the internal accounting rules of the Orange Group, cash pooling is registered at ODO's account receivables with the group, subsequently impacting the total account receivables balance. ODO made dividend payments of USD 45 million (DOP 1,855 million with an exchange rate of DOP 41,23 = US$1.00 (as of May 24, 2013) during 2013, compared to USD 84 million (DOP 3,345 million with an exchange rate of DOP 39,82 = US$ 1.00 (at an average rate at the relevant payment dates (April, September, November 2012). We define net working capital as the sum of inventories, trade receivables, trade payables and other receivables.

Net cash used in investing activities

Net cash used in investing activities for the twelve months ended December 31, 2013 and 2012 was DOP 3,199 million and DOP 3,637 million, respectively. Net cash used in investing activities during this period principally related to our network and IT capital expenditure plans.

Net cash used in financing activities

Net cash used in financing activities for the twelve months ended December 31, 2013 and 2012 was DOP 1,855 million and DOP 3,345 million, respectively. This decrease was due to a decision by the Board of ODO to limit the dividends payment at USD 45 million (DOP 1,855 million with an exchange rate of DOP 41.23 = US$1.00 (at May, 2013) (reflecting the date of ODO's board meeting) in the second half of 2013).

Off balance sheet commitments

The following table summarises our contractual commitments that we believe are likely to have a material effect on our current or future financial position as of December 31, 2013. The information presented in this table reflects, in part, management's estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

	As of December 31, 2012	**As of December 31, 2013**

	(in DOP million/percentages)			
Rental commitments[1]	1,975	49%	2,374	55%
Orders related to handset purchase	632	16%	405	9%
Other Open commitments	459	11%	430	10%
Open commitments	3,065	76%	3,209	74%
Capex commitments	966	24%	1,127	26%
Total off-balance sheet commitments	**4,031**	**100.0%**	**4,336**	**100.0%**

---

(1) Rental commitments primarily relate to rental commitments in respect of sites, premises (headquarters), shops, franchises, parking spaces and houses

Capital Expenditures and Investments

The table below shows our capital expenditures defined as additions of network, customers, IT, shops and other items for the twelve months ended December 31, 2012 and 2013:

	For the twelve months ended December 31,			
	2012		2013	
	(in DOP million / % of weight)			
Network	2,521	69.3%	2,183	68.2%
Customers	404	11.1%	229	7.2%
IT	443	12.2%	586	18.3%
Shops	98	2.7%	61	1.9%
Other (incl. GSM licenses)	171	4.7%	140	4.4%
Total capital expenditure	**3,637**	**100.0%**	**3,199**	**100.0%**
CAPEX as % of Revenue	**16.0%**		**13.1%**	

For the twelve months ended December 31, 2013, our total capital expenditure amounted to DOP 3,199 million, of which DOP 2,183 million related to our network. Most 2G capital expenditure was related to the construction of new sites (civil works, towers, antennas and base transceiver stations) to complete 2G coverage and improve network quality, while 3G and 4G capital expenditure were done to increase transmission capacity, network coverage, support data traffic growth and create competitive advantage though innovation and 4G services (notably following the rise of the data revenue stream resulting from increasing penetration of smartphones). We have also invested in new platforms, international capacity, core upgrades, and generators.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments. Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

Foreign Exchange Rate Risk Management

As much as possible, we use foreign currency inflows for our foreign currency outflows. If necessary, we buy foreign currency shortly before the transaction. If any material exposure arises, we may enter into foreign exchange rate hedging instruments.

We are a net buyer of foreign currencies (in particular USD and euro via management and brand fees paid to the Orange Group). Our local interconnection costs are considered in both revenue and operating expenses in USD which typically limits our exposure due to a netting effect. A significant proportion of capital expenditure is denominated in foreign currency, mainly euro.

Credit Risk Management

Financial instruments that could potentially subject us to concentrations of credit risk consist primarily of cash, trade receivables and securities, investments and deposits.

We believe that we have a limited exposure to concentrations of credit risk with respect to trade accounts receivable due to our large and diverse customer base (residential, and a broad range of business customers). In addition, the maximum value of the credit risk on these financial assets is equal to their recognized net book value. Our gross trade receivables amounted to DOP 2,294 million as of December 31, 2013 and DOP 2,425 million as of December 31, 2012. We have certain provisions in place relating to bad debt, which are split between a provision for dealers and others amounting to DOP 461 million as of December 31, 2013 and DOP 488 million as of December 31, 2012. We also have provisions for our postpaid subscribers, whereby we use certain statistics relating to the outstanding amount due and ageing analysis to establish the risk, with 210 days being the threshold for categorizing outstanding trade receivables as bad debt.

Prior to the ODO Acquisition, cash was historically centralized at the Orange Group level through cash pooling.

We seek to minimize credit risk through a preventative credit check process that aims to ensure that all subscribers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk, however, the use of direct debit is generally unpopular in the Dominican Republic market.

We additionally exercise timely pre- and post-subscriber acquisition measures for the purpose of credit collection such as the following:

- attribution of a rating to new customers at subscription through the credit check (to anticipate default payment, different measures may be implemented such as requiring deposits or advance payments of or limiting to prepaid offers;
- sending payment reminders to subscribers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and subscriber profiles (such as penalties, or reconnection letters with an option for a new contract); and
- measuring and monitoring debt collection status through our internal reporting tools.

The following table provides the ageing analysis of billed trade receivables as of December 31, 2013 and December 31, 2012 for both dealers and postpaid residential subscribers:

	Dealers and others			
	As of December 31, 2012(1)		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	779	54%	614	50%
Between 31 and 60 days	533	37%	198	16%
Between 61 and 90 days	49	3%	80	7%

More than 91 days	87	6%	325	27%
Total gross trade receivables past due	**1,448**	**100%**	**1,216**	100
Provisions for bad debt	(299)	—	(284)	—
Net receivables	**1,149**	—	**932**	—

---

(1) ODO 2012 figures have been adjusted and restated to show a like for like comparison between the cash flow statements for the twelve months ended December 31, 2013 and 2012. The restatement consisted of a netting between trade receivables and t trade payables for an amount of DOP 633 million.

	Post-paid residential subscribers			
	As of December 31, 2012		**As of December 31, 2013**	
	(in DOP million/percentages)			
Not due or less than 30 days	605	62%	825	77%
Between 31 and 60 days	116	12%	41	4%
Between 61 and 90 days	40	4%	27	2%
More than 91 days	216	22%	184	17%
Total gross trade receivables past due	**977**	**100%**	**1,078**	**100%**
Provisions for bad Debt	(189)	—	(177)	—
Net receivables	**788**	—	**901**	—

We also receive guarantees, including sureties issued by primary banks, as collateral for the obligations resulting from supplies to, and receivables from, dealers.

Due to the diverse portfolio of products and services we provide, we believe concentration of credit risk is limited.

On the dealer side, we have a certain degree of concentration offset by bank guarantees, credit limits delivered by credit insurers and the timing of payment of commissions after the activation of a new subscriber. Our assessment of bad debt provision is performed based on an individual basis. A 100% provision is recorded in the case of litigation with a supplier. As of December 31, 2013, such provision amounted to DOP 284 million.

On the postpaid residential subscriber side, concentration of credit risk relating to accounts receivable from subscribers is limited due to our high volume of customers. Provision for postpaid residential subscribers' receivables is performed based on a statistical method, where a rate is applied according to the number of days overdue.

Credit risk relating to cash and cash equivalents, financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and, accordingly, is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible, we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets is the carrying amount of those assets as indicated on our balance sheet.

Liquidity Risk

We do not have any financial liabilities, derivatives, hedging instruments or finance leases. Liquidity risk arises mostly in connection with all of our payment obligations that result from our business activities.

In general, we manage our liquidity risk by monitoring our cash flow and using a rolling liquidity reserve forecast. Nevertheless, the prime objective of our policy is to minimize risks and not to create or maximize interest earned on cash held in bank accounts. Accordingly, we transfer cash to the current account held by Orange Group, without incurring any additional costs. We have a limited policy for investments with banks, and deposits must be made in the functional currency; with foreign currency deposits made to set up a natural hedge. We manage our cash forecasting to determine a currency split of total cash in each currency in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

Critical Accounting Estimates

In preparing the financial statements, we make estimates, insofar as many elements included in the financial statements cannot be measured with precision. These estimates are revised if the underlying circumstances evolve or in light of new information. Consequently, such estimates made as of December 31, 2013 and 2012, may subsequently be changed.

We also use our judgment to define appropriate accounting policies to apply to certain transactions when the current IFRS standards and interpretations do not specifically deal with related accounting issues.

The underlying assumptions used for significant estimates are outlined below:

Estimate	Nature of estimate
Revenue	(i) Identification of separable components of a bundled offer based on the individual components' relative fair value. (ii) Period of straight-line recognition of revenue relating to invoiced service access fees depending on the nature of product and historical contractual relationship. (iii) Reporting of revenue on a net versus gross basis (depending on an analysis of ODO's involvement as either principal or agent).
Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments
Income tax	(i) Assumptions used for the computation of the income tax charge to be recorded in the financial statements, together with the technical merit of tax positions (ii) Assumptions used for recognition of deferred tax assets arising

PART XV
INDUSTRY AND MARKET OVERVIEW

Annex I
R.5.2.1
R 5.2.2
R.5.2.3
R 6.2
R6.5
R12.1
R12.2

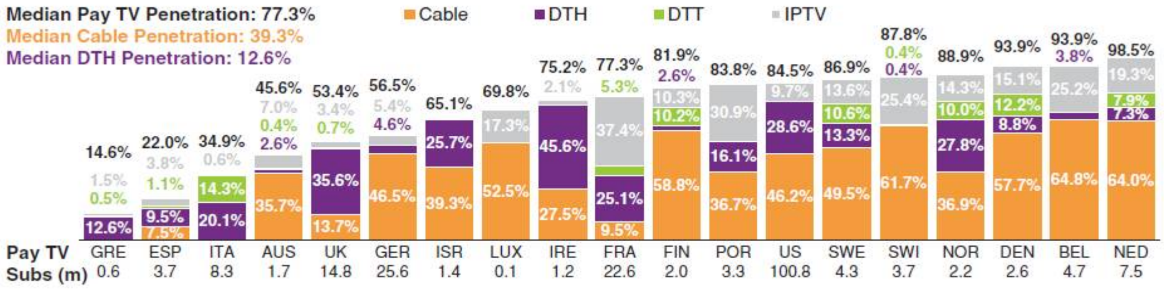
Introduction

We mainly provide cable based services comprising high quality pay television, high speed broadband Internet and fixed-line telephony to residential customers, and, in certain countries, corporate customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the offering we can provide through our highly invested cable networks. This has enabled us to develop strong positions in multiple-play segments as selling various services as part of bundles has become a growing trend in the markets in which we operate (Israel, Western Europe and the French Overseas Territories).

Pay television

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions (notably France where IPTV represents approximately 37.4% of the subscriber base, or Italy where cable has never been rolled out for certain specific reasons). Competing technologies are satellite, IPTV, over-the-top television and DTT. We believe that cable has certain advantages over these technologies, notably in terms of availability of interactive features, image quality and number of channels.

2013E Pay TV Platforms—Western Europe and the US



Source: IHS Screen Digest

Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers require a satellite dish, a satellite receiver and a set-top box. Pay television services provided via satellite typically require the viewers to use a conditional access smart card. Satellite providers of free-to-air satellite services typically do not have strong relationships with the viewers using their service as they do not receive subscription or other fees from them. Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available to a wider geographic area, especially rural areas. However, given the lack of an integrated return path, satellite struggles to deliver easy-to-handle interactive television services, including VoD services, to subscribers who do not have a broadband Internet connection. We believe that satellite has the following additional disadvantages compared to cable: (i) the higher up-front cost of procuring and installing a satellite dish, as compared to the "plug-and-play" convenience of cable television; (ii) the lack of an on-going maintenance service, which cable network operators can offer to their subscribers and (iii) the exposure of satellite reception to external interference, such as adverse weather conditions.

DTT-based pay television packages benefit from the wide coverage of the terrestrial platform but suffer from the structurally limited number of channels available on DTT and the lack of interactive features. This explains why the success of pay DTT has so far been limited, even in geographies where free DTT is the primary television platform.

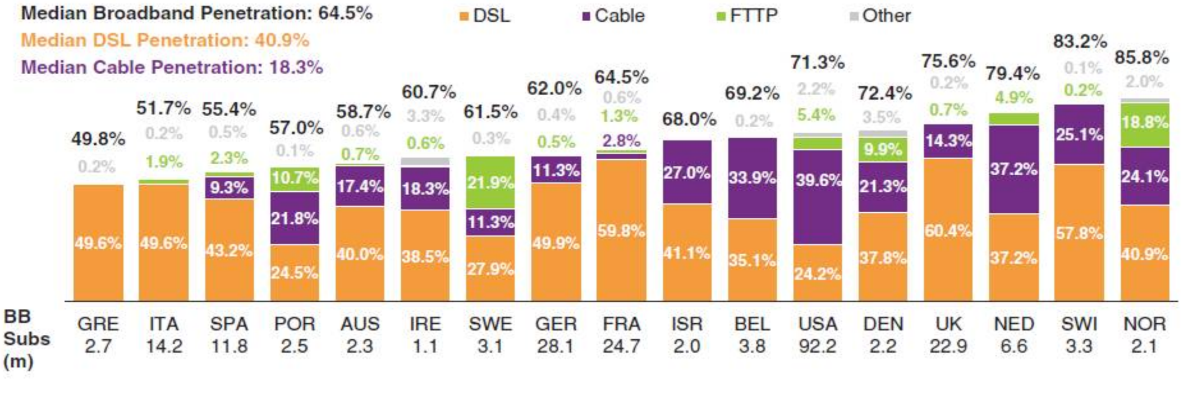
IPTV and over-the-top television typically rely on DSL networks which present a number of disadvantages compared to cable: adding television services over a DSL network strains the network and decreases the amount of capacity available for other service offerings, particularly bandwidth-intensive broadband Internet. Under currently available technology, we believe that DSL-based triple-play providers will have difficulty providing the same level of services that can be provided over fiber networks (in particular, for HDTV, viewing of TV and VoD on multiple screens, TV and VoD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home.

Services provided via cable networks are 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 Internet access technologies are DSL and cable, with DSL being the leading platform in a number of countries for historical reasons stemming from the fact that Internet access was initially provided on telephony copper networks. We believe that increasing demand for very high speed broadband Internet to cope with advanced applications (multi-screen, multimedia) requiring higher bandwidth and greater download speeds offer a sizable growth opportunity for cable-based technologies in the near term. We expect substantial growth in demand for very high speed Internet and believe that we are well positioned to benefit from this trend, given that cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint. According to IDC, demand for high-speed broadband Internet will increase 3.7 times between 2012 and 2015, a leap which we expect our networks can handle with limited additional upgrades while many DSL-based operators would need to make substantial investments in fiber to be able to match customer needs.

2013 Fixed Broadband Platforms—Western Europe and the US



Source: IHS Screen Digest

Existing DSL infrastructure offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of up to approximately 300Mbps on U.S. Docsis 3.0 and 360 Mbps on Euro Docsis 3.0. The speeds effectively provided by DSL are, for most users, lower than the headline maximum speed possible as these are driven by the distance between the end users' premises and DSL hubs. Furthermore, the maximum download speed of DSL networks has to be shared between broadband Internet and competing simultaneous users of the line such as IPTV. According to the “Quality of Broadband Services in the EU” report by the European Commission, cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed.

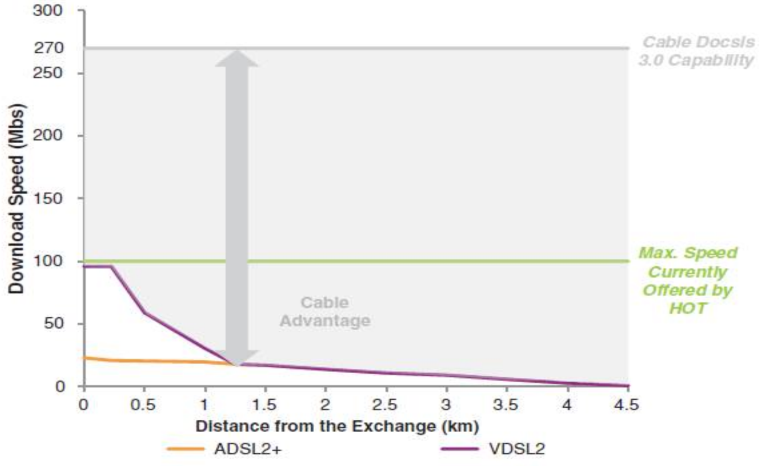
FTTH technology upgraded from DSL, which requires a direct fiber connection to the home of the user, currently offers consumers maximum speeds of 1 Gbps, with an estimated achievement of 84.4% of advertised download speeds according to the “Quality of Broadband Services in the EU” report by the European Commission. A substantial challenge facing the expansion of FTTH or FTTB is that such technology is capital and time intensive, requiring significant digging and rewiring.

Cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. We currently offer download speeds of at least 100 Mbps to all Docsis 3.0 enabled homes passed in our footprint.

The Docsis 3.1 standard, which is being developed by CableLabs, is a new Docsis specification enabling higher spectral efficiency support of up to 10 Gbps downstream and 1 Gbps upstream speeds. Docsis 3.1 is expected to work on existing hybrid fiber-coaxial (HFC) plant and be backwardly compatible with previous Docsis standards. This double backward compatibility will allow a smooth migration strategy and no plant changes required to deploy Docsis 3.1 equipment. Furthermore, limited investment will be needed to further maximize the capacity in the future. Trials are planned for 2014 and commercially available products are expected in 2015.

VDSL2 is the latest and most advanced technology for DSL broadband Internet wireline communications. It was originally designed to support the wide deployment of triple-play services such as voice, video, data, HDTV and interactive gaming and was intended to enable operators and carriers to gradually, flexibly, and cost-efficiently upgrade existing xDSL infrastructure. VDSL2 allows the transmission of asymmetric and symmetric aggregate data rates of up to 200 Mbps downstream and upstream on twisted pairs using a bandwidth up to 30 MHz and further, allows for significantly lower signal deterioration caused by the distance between the cabinet and the customer’s premises when compared to older DSL technologies.VDSL2-enabled networks could theoretically allow for up to 100 Mbps at 0.4 km, 40-50 Mbps at 0.7km and approximately 30 Mbps at 1 km.

Cable allows parallel usage of Broadcast TV and High Speed Broadband Internet



Fixed-Line Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multiple-play packages. Fixed-line services have therefore become dependent on the quality of the broadband Internet offering. Flat-rate pricing for fixed-line telephony has become the market standard.

Mobile Telephony and Mobile Broadband Internet

Consumption of mobile telephony and data services has continued to rise globally, driven by a growing penetration and a wider availability of smart phones. Mobile Internet traffic is forecasted to grow at an average rate of 66% between 2012 and 2017 according to the Cisco VNI 2013 study, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile Internet usage is mainly in vicinity of home or office, we believe that operators' success in the mobile telephony services business will largely rely on their ability to access a high capacity backbone with compelling mobile tower backhaul offload solutions and a strong integration of their mobile telephony offers with residential broadband-based offload capabilities to cope with increasing data consumption.

Despite this general trend, each mobile telephony market has a different structure and dynamic, depending on a variety of factors including, among other factors, the number of mobile network operators versus mobile virtual network operators, penetration of post-paid vs. pre-paid subscription, regulation, available spectrum, commercial strategies of operators such as handset subsidies. The success of mobile operators in the various markets is largely dependent on the overall environment and its competitive advantages to its competitors.

In light of the various trends and the importance of the market structure for successful mobile operations, in order to reliably take advantage of the fixed-mobile convergence, we have decided to implement a versatile mobile strategy by owning and operating a mobile network in Israel and by acquiring a mobile network in the French Overseas Territories that, in each case, we expect to benefit from synergies with our scalable cable networks in these countries, and by complementing our fixed-line products with mobile offerings through an MVNO arrangement in Belgium.

France

The French telecommunications market is the third largest in Europe, with total revenues of approximately €48 billion in 2013 (Source: IDC, ScreenDigest). While we operate in all segments of the French telecommunications market, our core focuses are on the most attractive sectors: very-high-speed fixed broadband, pay-TV, mobile and next generation B2B services. France is one of the largest fixed broadband Internet access markets in Europe, with approximately 24.9 million fixed broadband subscriptions as of December 31, 2013 (Source: ARCEP). Higher bandwidth is becoming more important to B2C and while only 10% of broadband lines in France were very high speed as of December 31, 2013 (Source: IDC), which remains low, however, compared to other European markets, the penetration rate for very-high-speed broadband (including fiber and cable connections) is expected to increase at an average annual rate of 31% between 2013 and 2017 and to reach 28% of broadband lines in France expected by 2017 (Source: IDC). In mobile, the total number of customers excluding French overseas territories has been continuously increasing, from 70 million as of December 31, 2012 to 74 million as of December 31, 2013 (Source: ARCEP), supported by the dynamism of the market in France: increasing mobile, smartphone or tablet equipment penetration rate as well as growth in quadruple-play offerings. However the mobile market has been slightly declining in value, with subscription prices under pressure, following the disruptive entrance of a fourth mobile operator at the beginning of 2012. Mobile subscription prices in France have now reached levels that are among the lowest in Europe for comparable offers (please see source data below). In the B2B telecommunications segment, data consumption has increased and data needs have become more complex, with the next generation services increasingly sought in the market requiring higher broadband speeds and bandwidth. B2B data consumption is expected to continue to grow (Source: IDC).

B2C Market

We operate in metropolitan France, which as of December 31, 2013 had a population of approximately 66 million inhabitants and approximately 29 million households (Source: IDC). As of December 31, 2013, Numericable's network passed approximately 9.9 million homes, or 35% of French homes, while SFR had a near nationwide DSL network covering approximately 23 million French households.

The French B2C broadband market is a mature market, with 24.9 million broadband connections as of December 31, 2013 (Source: ARCEP), representing approximately 87% of French households. In terms of access to very high speed broadband, defined by the ARCEP as broadband allowing for speeds above 30 Mbps, however, the French market is underpenetrated, with only approximately 8% of households having access to very high speed broadband in as of December 31, 2013 (Source: ARCEP). This level of penetration is low compared to France's neighbors; as of 2013, the rate was 58% in Belgium, 59% in the Netherlands and 24% in Western Europe, respectively (Source: IDC). We believe that such under-penetration presents an attractive growth opportunity as residential customers look increasingly for higher speed and bandwidth capacity in their Internet consumption. This opportunity is all the more attractive given that the use of cable and fiber lines in France is estimated to grow 34% per annum between 2013 and 2017 (Source: IDC).

The French fixed broadband market is one of the most competitive in Europe, with high unbundling and strong historic competitors. Orange's fixed-line network includes a local loop covering all of the French population, and unbundling provides competitors such as Bouygues Télécom and Iliad (Free) with access to it at a price regulated by a French regulatory agency. According to an April 2013 ARCEP press release, 86.3% of the French population was able to access competitive retail services due to unbundling, which makes France one of the European leaders in unbundling. All operators with significant market power must offer unbundled access to their local loop and associated facilities under non-discriminatory conditions, which increases competitive pressure in the market. See "*Regulatory Overview—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications*."

The French B2C mobile market is a mature market, although it has experienced significant changes over the past years with the entry of a fourth mobile operator in January 2012. Mobile telephony penetration in France has been increasing steadily, from a penetration rate for the total population of approximately 105% in 2011, to 112% in 2012 and 117% in 2013 (Source: ARCEP). The increase in data consumption on mobile devices has also accelerated, with consumer mobile data revenues in France rising from approximately €8.3 billion in 2011, to €9.0 billion in 2012 and to €9.4 billion in 2013 (Source: IDC). In 2013, SFR's 3G network covered more than 99% of the French population, while its 4G network covered 40% of the population.

Industry Convergence

The French B2C media and telecommunications markets have converged as customers seek to receive their media and communications services from a single provider at an attractive price. In response, providers offer television, broadband Internet, fixed-line and mobile telephony services bundled into integrated offerings. France is one of the most advanced quadruple-play markets in Europe, given the fully integrated and convergent nature of its four major operators. "Quadruple-play" offerings have been available in the French market since 2009 (Bouygues Télécom). SFR and Orange introduced quadruple-play offerings in 2010 and Numericable followed in 2011 and Free in 2012.

The size of the French B2C broadband Internet market in 2013 was approximately 4.2 billion euros (Source: IDC). We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment needs, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced. We believe that we have benefitted and should continue to benefit from opportunities to induce our existing cable television customers to purchase complementary services such as broadband Internet, telephony and digital television.

In the French market, triple-play services are provided through two major technological distribution platforms: Numericable's fiber/cable network and the DSL-based networks of Orange, Iliad and SFR. Bi-directional fiber/cable networks are particularly well suited for the provision of triple-play services with high bandwidth requirements. Because it was originally designed for the transmission of large amounts of data, Numericable's hybrid fiber coaxial network based on FTTB technology enables it to deliver high speeds irrespective of the distance to the customer. Conversely, the actual speed of DSL-based networks varies based on the distance to the local exchange, with speed decreasing as the customer's distance from the exchange increases (maximum announced speeds are for customers located less than one kilometer from the nearest local exchange). To increase and harmonise network speed, Orange has begun investing in the build-out of an FTTH network. Iliad and SFR have also begun deploying FTTH networks. As of December 31, 2013, approximately 540,000 subscribers were connected to FTTH networks (Source: ARCEP). We believe that our FTTB technology represents an advantage over the FTTH technology prioritized by many of our competitors. FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' buildings, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via an alternative, non-optical means, typically a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. To date, FTTH technology deployment has been slow and costly in comparison to that of FTTB. On average, we incur a capital expenditure of 50 euros per plug to deploy FTTB.

As of December 31, 2013, Numericable had a market share of approximately 4% of the broadband market based on the total number of subscribers in France (Source: ARCEP) while SFR's market share was approximately 21% leading to a combined market share of SFR and Numericable of approximately 25%. As of the same date, Orange, Free (Iliad), and Bouygues Télécom reported broadband customers of 9.7 million, 5.6 million and 2.0 million, respectively (Source: company 2013 respectively).

Broadband Internet

(a) Introduction

Broadband Internet access, often shortened to "broadband," is high data rate Internet access. The International Telecommunication Union Standardization Sector recommendation I.113 has defined "broadband" as a transmission capacity that is faster than primary rate ISDN at 1.5 or 2 Mbps. France is one of the largest broadband Internet access markets in Europe, with approximately 24.9 million broadband subscriptions as of December 31, 2013 (Source: ARCEP). In terms of access to very high speed broadband, however, the French market is underpenetrated accounting for only 8% of total broadband connections as of December 31, 2013. We believe that such under-penetration is an attractive growth opportunity for it as a provider of very high speed reliable broadband Internet: as smartphones and tablets have proliferated and are used increasingly for multimedia functions, B2C customers require both higher bandwidth (to accommodate the increase in average number of screens per household) and greater download speeds (to accommodate multimedia usage).

The main broadband access technologies are DSL and fiber/cable. Analog dial-up modems, Internet access via powerline and wireless local loop technology are also available, although to a lesser extent, in France. While the current broadband penetration rate in France per number of households is in line with other European markets, the growth of broadband penetration rates tends to be faster. The broadband penetration rate, based on number of households, has increased significantly over the last five years, to approximately 87% as of December 31, 2013, compared to approximately 50% as of December 31, 2007 (Source: IDC). As of December 31, 2013, Orange, SFR, Iliad and Bouygues Télécom reported total broadband connections of 10.1 million, 5.2 million, 5.6 million and 2.0 million respectively (Source: Numericable FY 2013 reporting).

(b) Primary Distribution Platforms—DSL, Fiber and Cable

DSL is the leading broadband Internet access platform in France, with 22.4 million subscriptions as of December 31, 2013 and representing approximately 90% of the total French high speed and very high speed Internet market (Source: ARCEP). This results from several factors: the regulatory environment that has encouraged DSL competition through unbundling and regulated wholesale prices; the relatively recent consolidation of the cable industry in France and low level of cable connection (only 35% of French households); the fact that the cable network upgrade is relatively recent; and the relatively low levels of fiber deployment.

DSL currently offers consumers maximum speeds of 28 Mbps while cable currently offers consumers maximum speeds of 200 Mbps. However, the speeds of such technologies in practice may be lower. Whereas cable is estimated to achieve 91.4% of advertised headline download speed, DSL-based services have, in certain instances, achieved only 63.3% of advertised download speed (Source: European Commission). In practice, DSL speeds depend on the distances between the local exchange and the home.

FTTH technology, which requires a direct fiber connection in the home of the user, currently offers consumers maximum speeds of 200 Mbps, with an estimated achievement of 84.4% of advertised download speeds (Source: European Commission). The main difference between FTTH networks and our fiber/cable (FTTB) networks is that for FTTB networks the vertical connection (in the building) to the subscriber uses the existing coaxial cable. FTTH speeds are in theory infinite, limited only by the equipment used to deliver broadband, and not by any inherent limitations in fiber cables. FTTB speeds are, however, limited by the number of users using the connection in a building, with higher numbers of users requiring fiber deployment in the building in order to continue to achieve the same high speeds as those offered by FTTH.

FTTH deployment in France has begun slowly. The installation of such technology is capital- and time-intensive, requiring significant engineering and rewiring, both horizontally to increase the number of cities covered and vertically within buildings. The French government considers FTTH to be a significant part of its long-term investment plan and in February 2013 announced a €20 billion deployment plan and goals of 50% of the population having very high speed internet access by 2017 and 100% by 2023. The government has promised €3 billion in subsidies to local authorities in connection with FTTH deployment (Source: Investissements d'avenir—développement de l'économie numérique (Future Investments—Digital Economy Development)). Several municipalities have offered subsidies to network operators that build FTTH connections. This trend is expected to continue, due to the fact that some municipalities, districts (départements) and regions, such as Hauts-de-Seine, Amiens, and Louvin, for example, have entered into public—private partnerships to stimulate such investment. As of December 31, 2013, FTTH broadband Internet subscribers stood at approximately 540,000, accounting for approximately 26% of the French very-high-speed broadband Internet market, and approximately 2.6 million homes were FTTH-connectable (Source: ARCEP). Both SFR and Iliad have signed agreements with Orange regarding deployment of fiber in France's less dense areas. In line with the conditions set forth by the ARCEP, other operators will also be able to obtain access to the infrastructure deployed by an operator, including through co-financing projects, for their own very-high-speed broadband offers. However, FTTH deployment involves a heavy investment by operators (estimated by the ARCEP at approximately € 400 to €2,000 per FTTH-connected household), as vertical deployment must be made in each target building and home. Complexities often ensue as operators must obtain the consent of (and hence work closely with) the housing associations, coop boards and/or building managers. Such complexities coupled with the financial pressure currently experienced by the Numericable Group's competitors as a result of the price war in the mobile market could delay fiber deployment in France.

VDSL2 is a conceivable intermediate, albeit partial, solution. DSL-based networks may be upgraded to VDSL2, which was authorised for use by the government in April 2013 and provides average bandwidth speeds of up to approximately 50 Mbps (Source: ARCEP). Orange has announced that it will run a beta test of VDSL for certain B2C subscribers on its network beginning in September 2013. Free (Iliad) has also announced that it would make its current offerings upgradeable to VDSL should the technology become available in a subscriber's location (which depends on whether Orange rolls it out on its local loop). Like all DSL-based technology, however, and to even greater extent than DSL, VDSL2 speed depends on the distance to the local exchange. It is estimated that for distances above one kilometer, VDSL2 bandwidth speeds will be similar to that of traditional DSL networks (Source: ARCEP). Based on this distance, ZDnet has estimated that only 16% of French households would be in a position to benefit from increased transmission speeds under VDSL2 currently and only 6% would see download speeds greater than 30Mbps. Given the expected geographic and technical coverage of VDSL2, we believe that in the zones covered by our own fiber/cable network less than 8% of DSL lines will benefit from speeds higher than what is currently provided by ADSL2+.

Fiber or cable technology is becoming an increasingly important broadband Internet access platform in France as a result of our strategy to upgrade our networks, provide new digital services to customers, leverage existing customer relationships and drive branding initiatives. As of December 31, 2013, very high speed subscribers represented approximately 10% of total broadband Internet connections, and we were the dominant player within this market (Source: ARCEP). We currently offer cable customers Internet speeds of up to 200 Mbps, and our updated network and set-top boxes have the ability to offer speeds of up to 400 Mbps with limited additional capital expenditures by us.

The following table shows the breakdown between high-speed and very-high-speed broadband services in France from 2011 to 2013 (Source: ARCEP):

	As of December 31,		
	2011	**2012**	**2013**

	(in thousands)		
Total number of high speed and very high speed subscribers on fixed lines	**22,737**	**23,975**	**24,905**
Number of high speed subscribers	**21,389**	**22,369**	**22,855**
Of which xDSL	20,984	21,981	22,450
Of which other high speed access	405	388	405
Number of very high speed subscribers	**1,348**	**1,605**	**2,050**
Of which very high speeds ≥30 and <100 Mbps	685	670	745
Of which very high speeds ≥100 mbps	466(2)	621(2)	765(2)
Of which FTTH	197(3)	314(3)	540(3)
Variation in the total number of high and very high speed subscribers			
Net increase in one year *(thousands)*	1,390	1,238	930
Net increase in one year (%)	6.5%	5.4%	4.0%

In the above table, our subscribers appear in the lines “of which very high speeds ≥ 30 and < 100 Mbps” and “of which very high speeds ≥ 100 mbps.” As of December 31, 2013, Numericable had 1,040 thousand very high speed broadband RGUs while SFR had 197 thousand FTTH subscribers representing a combined market share of the very high speed broadband market of approximately 60%. Adding Bouygues Telecom’s 363 thousand subscribers who are white label subscribers of Numericable’s fiber market, our market share reached to approximately 78%. At that date, Orange reported 319 thousand very high speed broadband subscribers.

The following table presents a comparison of our monthly prices for certain triple- and quadruple-play offers and those of our competitors.

	Triple-Play	Quadruple-Play
Bouygues Télécom BBox Sensation Fiber	€37.90	€60.89 (1 month free + 3 months reimbursed)
Free Freebox revolution fiber (Iliad)	€37.97	€53.90
SFR Fiber	€40.99	€60.98 (€47.98 for 1 year)
Orange LiveBox Play Fiber	€42.90	€67.90
Numericable Power 4 Fiber	€44.90 (€37.90 for 1 year)	€53.90

The offers of our competitors noted above do not include CanalSat channels, which must be subscribed separately through Groupe Canal+.

In addition, alternative access technologies may be introduced in the future that could further increase competition or could lead operators to increase capital expenditure for additional upgrades. Competition, including price competition, from these alternative technologies may increase in the future.

Pay-TV

(a) Introduction

The French television market is one of the largest in Europe, with approximately 27 million television households and a combined pay television penetration rate of approximately 77% as of December 31, 2013 (expected to increase to 82% in 2017) (Source: ScreenDigest). Like in other European markets, B2C television behavior in France is increasingly focused on digital, innovative, HD, Ultra-HD, 3D-TV and interactive television services such as VOD, requiring high bandwidth and bi-directional distribution platforms.

(b) Distribution Platforms

Television signal distribution platforms in France include satellite, IP (DSL/FTTH), our cable network and terrestrial systems (i.e., DTT). Viewers who have the appropriate television equipment are able to receive the signal and view the content of approximately 25 television channels for free (i.e., without requiring a subscription) via DTT. To receive more channels, viewers must subscribe to pay-TV services. The French pay-television market is divided between basic pay-TV, which primarily consists of basic content packages (i.e., DTT channels as well as low value-added channels), and premium pay-TV, which consists of package offerings of premium sports, movies and other themed channels. Spending for pay-TV services in France is growing with total subscription fees reaching approximately €6 billion in 2011 (Source: Digiworld Yearbook 2012). While the established pay-TV operators face competition from free television (including DTT) and other pay-TV alternatives (over-the-top television and catch-up television), the competitive advantage of pay-TV (high content quality and premium services) and the loyalty of the installed customer base lead to strong pay-TV resilience (low price sensitivity and low churn rates). As of December 31, 2013, there were approximately 20.6 million subscribers to pay-TV services in France, broken down as follows: 49% IPTV, 32% satellite, 12% cable and 7% DTT (Source: ScreenDigest).

We are the second largest operator in terms of pay-TV packages after Canal+ Group; a 100% subsidiary of Vivendi. (Source: Group estimates), with approximately 1.140 million subscriptions as of December 31, 2013 representing a market share in the premium pay-TV market of approximately 15% as of December 31, 2013 (Source: WCIS). While we distribute our packages exclusively across its cable platform, Canal+ Group distributes its packages across all broadcasting platforms: DSL, DTT, satellite, as well as our cable network (in that case limited to Canal+'s own channels, known as Les Chaînes Canal+). Canal+ Group offers two complementary packages: a premium service consisting of Les Chaînes Canal+; and a multichannel themed service package known as CanalSat. These two complementary packages are available via combined or separate subscriptions. Canal+ Group has developed numerous value-added services around its packages, such as CanalPlay (on-demand television (which is not available by satellite and is therefore available on the Numericable Group's cable network)), HD and multiscreen distribution. As of December 31, 2013, there were 9.5 million subscriptions to Canal+ packages in France and French-speaking countries in Africa (Source: Vivendi 2013 results). We have negotiated agreements with content providers that enable it to bundle CanalSat packages within its own offerings; its competitors currently can only offer CanalSat packages as an additional and separately billed service as CanalSat holds the distribution rights to this content for satellite and DSL.

We primarily compete with CanalSat, whose offers have similar content (Canal+ content being exclusive to Groupe Canal+). There are several CanalSat offers, including: CanalSat Panorama (approximately 80 channels, €24.90 per month), CanalSat Cinema Series (approximately 20 channels, €19.90 per month) and an offering of both CanalSat Panorama and CanalSat Cinema Series together (€39.90 per month). There is also the Grand CanalSat offer which includes CanalSat Panorama, CanalSat Cinema Series and other options (other channels) for €58.90 per month (€64.90 per month with adult channels). The channels Foot+, beIn Sport and the VOD Pass are not included but may be added.

(i) Cable

We are the sole major cable operator in France. There are also small regional cable operators that collectively represent less than 1% of the French cable networks in terms of total homes passed. Cable network operators generate revenues principally from subscription fees paid by customers for the services provided. We believe that the direct access we have to customers allows us to serve them better, as we can identify and fulfill their demands for specific products and services more easily and on a local basis. Services provided via cable networks are characterised by easy-to-use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Cable television subscribers are able to access customer services provided by the cable provider on demand. Cable also offers subscribers a high quality service, including excellent picture quality, multiple HD channels, 3D compatibility and VOD offerings.

Given the trend towards offering bundled media and telecommunications services, the market share of cable television distribution is expected to benefit from cable's ability to deliver triple-play services with high bandwidth, high speed and bi-directional capacity.

(ii) Satellite

Satellite plays a substantial role in the French television market, especially among premium products. Satellite subscribers can receive "free-to-air" or pay satellite television. Satellite operators distribute digital signals nationally via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish, a satellite receiver and a set-top box. They also require a smart card for subscription-based and premium television services distributed via satellite. Satellite providers of free-to-air services do not have any relationships with viewers and therefore do not receive any subscription or other fees from them.

Satellite distribution has a number of competitive advantages over cable television services, including a wider range of programs available in a wider geographic area, especially rural areas. Conversely, satellite is less widely available in urban areas due to restrictions on the installation of satellite dishes. In addition, current equipment technology is not equipped for interactive televisions services, such as VOD, via satellite. In addition, while satellite operators can team up with providers of broadband Internet and fixed-line telephony services, they are unable to directly supply all the products in a triple-play bundle, putting them at a significant disadvantage as compared to cable or DSL operators who are able to provide all three services through their networks. We believe that satellite has the following additional disadvantages compared to cable: (i) higher up-front cost of procuring and installing a satellite dish, as compared to the "plug-and-play" convenience of cable; (ii) the lack of a regular maintenance service, which cable network operators offer to their subscribers; and (iii) the vulnerability of satellite reception to external interference, such as adverse weather conditions.

(iii) DSL

Following the Transactions, the Numericable Group will be addressing the Pay-TV Market through both Numericable's cable and fiber based offers and SFR's DSL-based offers.

Our triple- and quadruple-play offerings on Numericable's cable and fiber network compete mainly with the DSL-based offerings of Orange, Free (Iliad) and Bouygues Télécom which currently provide television services to customers connected to the Numericable Group's network utilising DSL broadband Internet connections, and with CanalSat, which delivers premium television packages through the networks of Orange, Free (Iliad), SFR and Bouygues Télécom. Orange, Free and Bouygues Télécom currently have high market shares in the high speed broadband market in France and have a broad potential customer base (covering, in the case of Orange, its local loop and, in the case of Free, the portion of Orange's local loop that has been unbundled), we believe that the superiority of its technology in terms of quality, reliability and variety of content will allow it to challenge their positions in coming years in the areas where we have deployed our fiber/cable network. Following the Transaction, we will also be able to compete with these DSL offers using SFR's close to nationwide DSL coverage of the French territory. We believe that DSL-based television presents a disadvantage compared to cable: adding television services over a DSL network strains the network and decreases the amount of spectrum bandwidth available for other service offerings, particularly bandwidth-intensive broadband. Under currently available technology, we believe that DSL-based triple-play providers such as Orange and Free (Iliad) will have difficulty providing the same level of services that can be provided over fiber/cable networks (in particular, viewing of multiple TV/VOD on multiple screens; TV/VOD simultaneous viewing and recording) without making significant investments in extending fiber closer to the subscriber's home. In addition, Orange, Free and Bouygues Télécom customers must subscribe separately to premium channels, such as CanalSat, while these are included in certain of our bundled packages.

(iv) Pay DTT

Our cable television services also compete with DTT providers such as Canal+ Group. Approximately 16% of all digital television B2C subscribers in France obtain their service through DTT networks (both free and pay DTT) as of December 31, 2013 (Source: ScreenDigest). DTT currently offers only a limited number of channels (primarily free television channels) and does not offer any interactive television services, but the image quality provided is good.

(v) Other Emerging Technologies

We face increasing competition from alternative methods of distributing television services other than through traditional cable networks. For example, websites and online aggregators of content that deliver broadcasts "over-the-top" (OTT) of an existing broadband network, such as Amazon and Apple, have already emerged as competitors and are expected to become increasingly significant competitors in the future. OTT refers to broadband delivery of video and audio content without the internet access provider being involved in the control or distribution of the content itself (limiting its role to IP transfer), in contrast with purchase of video or audio content from an Internet provider, such as VOD or an IPTV video service. Outside of France, OTT is popular; for example, in the United States, Netflix and Hulu provide OTT content. The full extent to which these alternative technologies will compete effectively with our cable television system in France is not yet known. Such providers or other web content providers could begin to promote offerings in France and place significant competitive pressure on the French market. However, such technologies may also contribute to demand for the Numericable Group's very high speed Broadband Internet access.

Fixed Telephony

Traditional switched voice lines have been declining steadily in recent years as they are replaced by VoIP lines. More generally, fixed-line telephony has become a commodity product that is now essentially bundled into multi-play packages. Fixed-line services have therefore become dependent on a quality broadband offering. Flat-rate pricing for fixed line telephony has become the market standard.

The market for B2C telephony in France also faces pressure from alternative carriers, declining mobile phone charges and interconnection rates, as well as alternative access technologies and other methods of Internet telephony offered via broadband Internet connections. We expect increasing competition, including price competition, in the future.

Mobile Telephony

France is one of the largest mobile markets in Europe with total market revenues of approximately 20.6 billion euros in 2013 (Source: IDC). As of December 31, 2013, there were 74.0 million total mobile customers in France, compared to 70.5 million as of December 31, 2012, representing a 117% penetration rate of the French population (Source: ARCEP), a figure that has been steadily increasing in recent years. As a comparison, in 2012, mobile penetration of the population was 113%, 117%, 132% and 142% in Spain, the United Kingdom, Germany and Italy, respectively (Source: GSMA Mobile Economy Europe). The historically low mobile penetration, coupled with the decrease in market prices, has resulted in significant growth in mobile subscriptions. This growth is mostly driven by the subscription contract segment, which grew by approximately 8% in volume in 2013 with the prepaid contract segment declining by −16% over the same period (Source: ARCEP). The increase in the subscription contract segment and decrease in the prepaid contract segment is mainly attributable to operators transferring subscribers to potentially higher monthly bills with Internet access and by the launch of very low-cost subscription offers by French operators following the entry of Free in the mobile market in January 2012.

(a) Market segmentation

Historically, there were only three mobile network operators in France: Orange, SFR and Bouygues Télécom. Iliad was awarded the fourth mobile license in 2009 and it launched a mobile telephony service in January 2012 under the Free brand. Free's entry has disrupted the market, with competition intensifying due to Free's aggressive pricing strategy. Before the entry of Free, most of the post-paid contracts were based on limited usage (e.g., 4 hours of voice) and subsidized handsets. Free widely introduced "No-frills" packages with no handsets and limited outsourced services but providing unlimited voice and data package (3G) at a very low cost (€ 19.99/month for its key offer). Other competitors have also introduced low-cost brands such as B&You (Bouygues Télécom) and Sosh (Orange). SFR also adapted its strategy by launching its low-cost brand 'SFR RED'. Free rapidly gained market share, reaching approximately 8 million mobile customers as of December 31, 2013, less than two years after its commercial launch. This market share gain has been driven by growth of the overall market in volume and by market share gains from Orange, SFR and Bouygues Télécom.

The French mobile market is also characterised by a high share of postpaid customers. Postpaid customers represented 71% of the French mobile market (excluding French overseas territories) as of December 31, 2013, compared to 69% as of December 31, 2012 (Source: ARCEP). In comparison, the share of postpaid customers in Spain, the United Kingdom, Germany and Italy was 67%, 54%, 47% and 21%, respectively in 2012 (Source: GSMA Mobile Economy Europe). This is mostly due to the substitution of prepaid offers with low-cost postpaid offers, at attractive and low prices (e.g. €2 per month) and a small number of hours of communications (e.g. 2 hours of voice) and no Internet.

In recent years, MVNOs such as Virgin Mobile, NRJ Mobile and Numericable have also used the networks of mobile operators to sell their own branded mobile products. The migration of clients to MVNOs appears to have stabilized, with MVNOs representing a combined market share of 11% of the mobile market in France as of December 31, 2013 (Source: ARCEP).

At December 31, 2013, Orange, SFR, Bouygues and Iliad (Free) reported total mobile customers of 27.0 million, 21.4 million, 11.1 million and 8.0 million, respectively (Source: Companies FY 2013 Reporting), while the total number of MVNO customers in the market reached 7.8 million (Source: ARCEP).

(b) Pricing dynamics

In recent years, the increase in competition in the French mobile market has resulted in lower market prices. Consequently, the average market ARPU per month has declined by approximately 30% since 2011, driven mainly by migration of some post-paid subscribers to no frills offers. Following this drop, mobile prices in France are among the lowest in Europe. France currently has the lowest mobile prices for comparable offers among major operators including low-cost products, including unlimited calls, unlimited SMS/MMS, Internet 1, 2 or 3 Go, no subsidy, in each country (KPN, Vodafone in the Netherlands; Orange and Play in Poland; Proximus 5GB offer, Base and Mobistar in Belgium; Swisscom, Sunrise and Orange in Switzerland; Movistar, Orange and Vodafone in Spain; Tim and Vodafone in Italy; T-Mobile, Vodafone and O2 in Germany; O2, Vodafone and EE in the United Kingdom); for France Red, Sosh, B&You and Free offers at 19.99€. The mobile prices in France are particularly low when compared to the low density of population in France, requiring significant investments to meet nationwide geographical coverage. France has 52 households per square kilometer compared to respectively 114,114,153,179 and 85 households per square kilometer for the United Kingdom, Germany, Belgium, the Netherlands and Italy, providing a disconnect between pricing levels and the investments required to roll-out capex intensive networks.

(c) 4G / LTE

The French market has historically lagged behind other European markets in terms of mobile data consumption. Despite the high concentration of postpaid users, historically the market has been slower to embrace data services. Recently, this trend has changed as operators start to launch aggressive 4G mobile offers.

Free was the first operator to introduce 4G at no additional charge in December 2013. However, Free did not proceed with any price cuts as it did for its 3G offers. Free (Iliad) currently has limited capability to deliver 4G on a nationwide basis, given it has no spectrum in the 800 Mhz band. Other operators in the market have aligned their 4G prices with Free's, with all MNOs, including SFR, now offering similar all-inclusive 4G packages at the €20 per month starting price point.

(d) Mobile Termination Rates

Mobile termination rates ("MTRs") have been reduced by regulators across Europe. In France, ARCEP announced in 2011 it was going to further reduce mobile termination rates (symmetrically for the main operators, Free was not included as it had yet to launch commercial operations). At the end of June 2011, Orange and SFR were charging €0.03 per minute while Bouygues was charging €0.034. The new regulation required operators to reduce the rate to €0.02 per minute from 1st July 2011, €0.015 from 1st January 2012, €0.01 on 1st July 2012 and finally to €0.008 from 1st January 2013. As a result, France has the lowest MTRs in Europe with limited room for further MTR reductions; as a comparison, the average MTR in Europe is €0.0258 (Source: Body of European Regulators for Electronic Communications).

(e) Mobile spectrum and network coverage

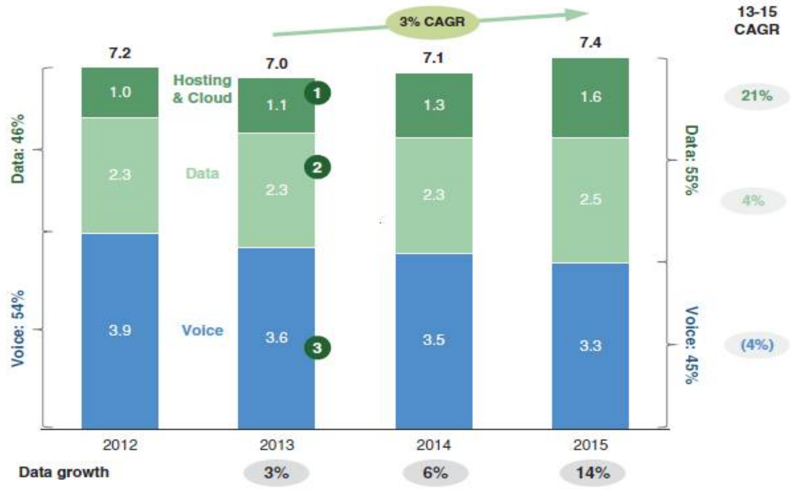
Generally, spectrum licenses in France are generally for a period of 20 years and operators can only use the technology designated in the licence on each spectrum band. This limitation prevents Free (Iliad) from offering competitive 4G service on a nationwide basis, as it is only able to use its 2.6GHz spectrum for 4G. Other operators, including SFR, have very similar positions across the spectrum bands, allowing them to compete effectively with each other across all technologies. The most recent spectrum auctions in France were the 800MHz auction in December 2011 and the 2.6GHz auction in September 2011.

B2B Market

Following the liberalization of the French telecommunications market in 1996 a large number of telecommunications operators entered the B2B market segment, offering fixed-line telephony services, fixed-line Internet access, data access links and, more recently, cloud computing. Over the last few years, industry-wide consolidation has drastically reduced the number of competitors in these segments. The medium-sized and large B2B market is highly competitive, with key market participants being Orange, SFR and Completel. The same participants and some smaller players such as Colt and Bouygues Télécom compete mainly on the medium-sized business segment. The market for small businesses is dominated by the historical operator, Orange.

The expectations of B2B customers differ from those of B2C customers, in particular with respect to the need for reliable and symmetrical bandwidth speeds (i.e. high speeds for both downloading and uploading). B2B customers require service to be extremely reliable and to be re-established within short timeframes if there is any disruption (failing which financial penalties typically apply). B2B customers also generally require symmetrical bandwidth speeds, while B2C customers are usually satisfied with asymmetrical speeds providing higher downloading speeds and slower uploading speeds. B2B customers also require higher security and are in a position to impose monetary and other penalties on providers for failure to meet contractual requirements. These requirements have an impact on the technological solutions offered to B2B customers and support higher prices in the B2B segment.

We expect next generation services and data consumption to increase (chart does not include mobile segment data):



CAGR: compound annual growth rate.

Voice

The B2B segment for voice services is extremely price sensitive, with sophisticated customers and relatively short-term (one year) contracts. The ability to compete effectively is partially a function of network capillarity, and certain of our competitors have a more extensive and denser network.

In recent years, the B2B market has experienced a structural shift to VoIP services from traditional switched voice services.

Data

In the B2B segment for data services, the capacity to transport high amounts of data and access to the latest technologies are very important to customers. In the data market, consumption has increased significantly and customers currently often seek combined infrastructure and software solutions.

Price pressure is high in this competitive market. Conversely, data consumption has increased significantly. We expect a continued increase in B2B demand for data services and bandwidth due in particular to the following factors:

- the convergence of voice and data services, such as VoIP, which results in increased demand for resilient network solutions;
- the centralization of IT hardware of multisite enterprises, including servers into one single location per enterprise, which increases connectivity needs of the peripheral sites of such enterprises;
- the emergence of new business applications, such as videoconference;
- larger corporates' demand for faster access, increased virtualization, data centers and increased security services;
- increasing digitalization at public administrations;
- increased use by medium-sized companies of complex data products, such as cloud computing; and
- increased use by businesses of internal wireless networks.

Customers are currently seeking maximum optimisation and rationalisation of their needs through the use of data centers. Large corporates tend to seek dedicated network solutions in order to control their service chain from end to end and often have their own infrastructure. Medium sized corporates are more likely to seek "infrastructure as a service" (IaaS/cloud) solutions for their data availability, storage and security needs. "Infrastructure as a service" can now provide such corporates with data storage and backup solutions that would otherwise be too expensive. While medium-sized corporates expect providers to provide tailored and secured infrastructure up to the "middleware" level, small corporates tend to prefer a packaged solution such as "software as a service." We now compete with software and other IT providers of data and network solutions, and the frontier between them and providers of infrastructure and data solutions such as us is increasingly blurred. Partnerships between IT and infrastructure providers are increasingly common and are another source of competition.

Customers

The B2B segment is also defined by the different needs of customers, which vary depending on the size of the company. Large corporates are sophisticated and highly price-sensitive customers. Speed, capacity, security and reliability are also very important to these customers. They tend to unbundle services and put them out to tender frequently. Smaller companies are more apt to bundle and place a premium on provider proximity.

We estimate that the size of the large corporates market (those with more than 1,000 employees), medium-sized companies (between 20 and 1,000 employees) and SOHOs in 2012 was, respectively, €3.1 billion, € 3.4 billion and €0.7 billion. 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.

In 2013, SFR entered into exclusive negotiations to acquire B2B operator Telindus, with the objective to enhance its capabilities as provider of next generation B2B services in France.

Wholesale Market

The wholesale telecommunications market comprises three sectors: wholesale voice carrier services, wholesale data carrier services and wholesale dark infrastructure services. The wholesale voice carrier services segment includes fixed and mobile termination and interconnection services for operators with no or limited switched voice network capillarity. The wholesale data carrier services segment includes transporting data for operators with no or limited data network capillarity. The new wholesale dark infrastructure market is developing, based on the selling of fiber connections without any related voice or data services. This business is growing in connection with the roll-out of FTTH and 4G and involves principally horizontal fiber links and backhauling.

In France, the wholesale telecommunications market is dominated by Orange and SFR with their market shares varying by segment. SFR has a strong presence in the voice wholesale segment. In the data wholesale segment, Orange dominates, with local operators playing a significant role. In the fiber wholesale segment, Orange is the clear leader with a market share of approximately 70% as of December 31, 2012 (Source: Numericable Group estimate).

- *Voice.* The wholesale market for voice services is highly volatile. Operators generally seek tenders each year and choose the provider based solely on availability and price, as there is little to no difference in the quality of service among operators with respect to voice services. Competition is therefore based primarily on price and network capillarity, as well as on operators' flexibility and ability to offer tailored solutions. Pricing in the voice wholesale segment is generally "cost plus," with the interconnection cost set by the ARCEP. Regulated interconnection costs have decreased as the telecommunications industry has matured. See "*Regulatory Overview—Regulation of Electronic Communications Networks and Services—The European Regulatory Framework for Electronic Communications*." In addition, this segment has been significantly affected by the development of full MVNO agreements between network and virtual operators. These agreements have affected the flow of traffic and led to an increase in fixed to mobile volumes, which generate higher wholesale prices. In particular, Free's arrival in the mobile market in January 2012 has led to a significant increase in mobile to fixed and mobile to mobile volumes.

- *Data.* The wholesale market for data services is less volatile than the voice market. Competition is based primarily, in addition to price, on service quality and technological advancement.

- *Fiber Infrastructure.* The wholesale market for dark fiber infrastructure is more open than the wholesale voice and data carrier, as providing it does not require having a dense, national network and does not include any services that would require technical expertise. For example, certain cities in France have built their own local fiber networks and are therefore wholesale infrastructure providers (i.e., they rent out the fiber to telecommunications operators).

Growth in the wholesale market is driven by growth in demand for network capacity, which has increased significantly in recent years.

Another trend in the French market is the development of public/private partnerships between local authorities and infrastructure players for the installation or upgrade of FTTB networks or the deployment of FTTH/FTTO vertical networks. We have already been and hope to be selected as the entity in charge of building certain new networks or in charge of upgrading existing networks.

Operators and consortiums of operators and construction companies have also started deploying FTTH vertical fiber networks in apartment buildings in order to lease the use of such networks to other telecommunications operators as "building operators" (*opérateurs d'immeubles*), including through public/private partnerships with local authorities. We operate in this area based on its bulk business relationships, as it is a way to retain and build customer relationships.

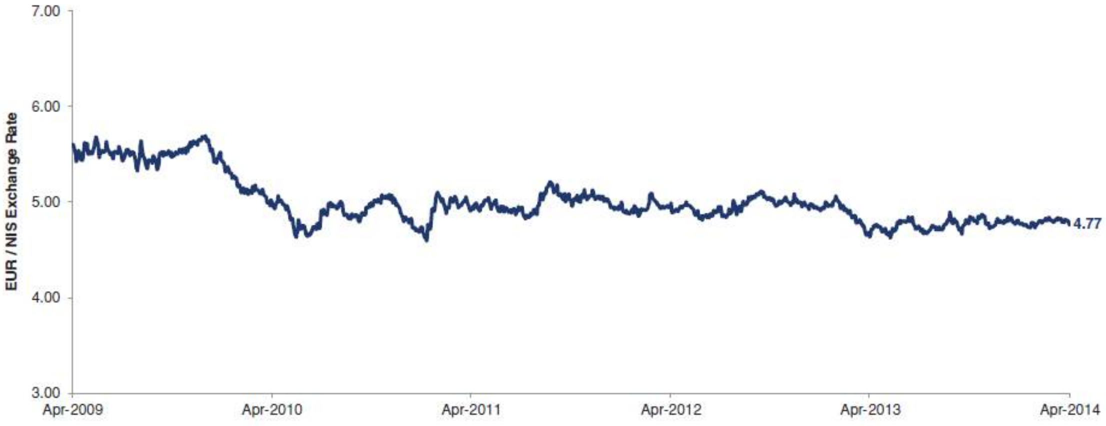
Israel

Macroeconomic Overview

We operate a significant portion of our business in Israel, which had a population of approximately 8.2 million and approximately 2.2 million households. According to the IMF, between 2009 and 2012, the population of Israel grew at an average rate of 2.2% per annum and is expected to continue to grow at an average rate of 2.2% per annum from 2012 to 2016, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our cable based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the 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 favorably as against the average real GDP growth rate in other European countries such as 1.3% for Germany, 1.5% for France and 2.3% for UK and of 2.6% in the U.S. in the same period. During this period, Israel faced a decline in real GDP for only two years, in 2001 and 2002. Since the beginning of the global economic slowdown in 2007, the Israeli economy has witnessed a high level of resilience: Israeli real GDP has grown at an average rate of 3.6%. Israel maintains a sovereign A+ and A1 rating from S&P and Moody's, respectively. Israel's real GDP is expected to grow at an average rate of 3.6% per annum from 2012 to 2016 versus an average of 1.5% for the UK and 1.0% for France according to the IMF. Israel also enjoys high levels of literacy, life expectancy and disposable income as attested by it being ranked at 16 on the Human Development Index ("HDI"), ahead of countries such as Belgium, France and Austria. Israel's economy is diversified and competitive on an international platform with a significant level of exports focused around high-technology equipment, cut diamonds and agricultural products. Israel usually posts sizable trade deficits, as it imports crude oil, grains, raw materials, and military equipment, predominately offset by tourism and other service exports, as well as significant foreign investment inflows, which contribute to the balance of payments, and a relatively stable currency.

Evolution of the EUR / NIS Exchange Rate over the last 5 Years

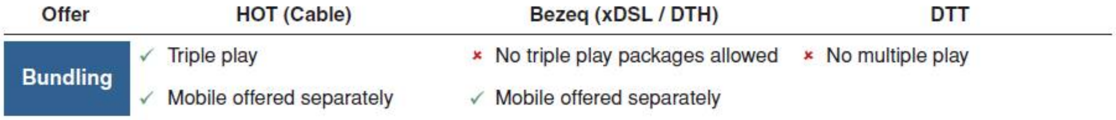


Source: Datastream

Industry Convergence

The Israeli media and telecommunications markets have, over the past several years, slowly been converging as customers were inclined to subscribe to their media and telecommunications services from a single provider. Israel currently has relatively high estimated penetration rates for pay television, broadband Internet infrastructure access and mobile telephony of 65%, 68% and 126%, respectively, according to IHS Screen Digest, which compares favorably against Western Europe. This environment fosters a market for packaged offerings or "multiple play", whereby television, broadband Internet infrastructure access and fixed-line telephony services are bundled into integrated offerings referred to as "dual-play" or "double-play" (two services provided together), or "triple-play" (three services provided together). When mobile telephony subscriptions are added to "triple play" packages, these are known as "quad-play" or "quadruple play" packages, but currently such packages are prohibited by law in Israel under certain operators' licenses, including ours.

Side by Side Comparison of Bundles in Israel



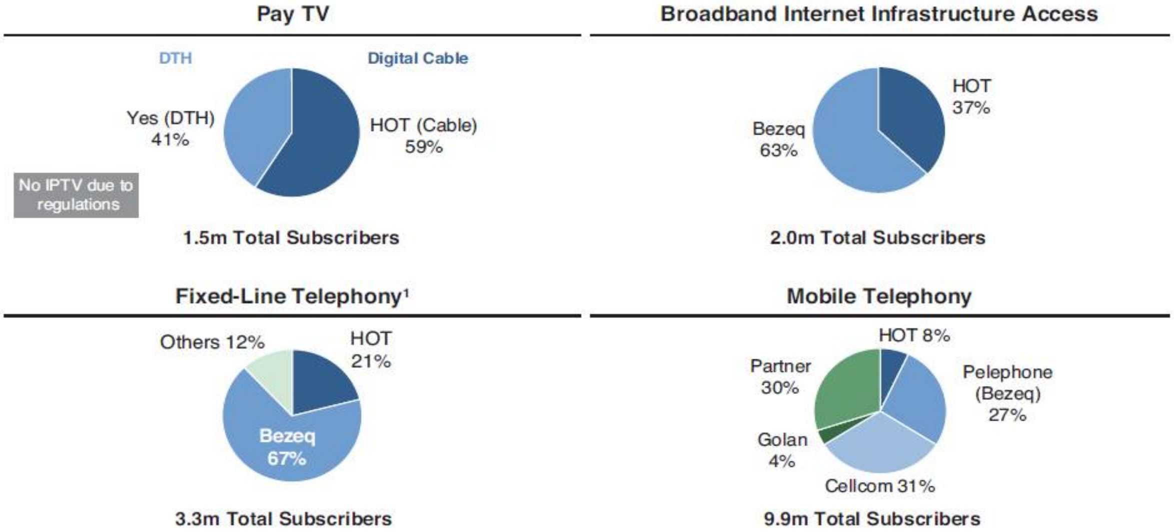
Offer	HOT (Cable)	Bezeq (xDSL / DTH)	DTT
Bundling	✓ Triple play ✓ Mobile offered separately	× No triple play packages allowed ✓ Mobile offered separately	× No multiple play

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 40% of its Cable Customer Relationships subscribing to its triple-play offerings, as of December 31, 2013. While convergence has occurred at a relatively fast pace in a number of Western European markets, notably in France and in the UK, a series of regulations, notably those affecting the integrated telecommunications operator Bezeq's ability to bundle products, have historically prevented such convergence to occur en masse in Israel, and still are a significant impediment to a broader convergence. On March 26, 2014 the Israeli Anti-Trust Commissioner approved the merger between Bezeq and YES and we forsee that following such decision, Bezeq will begin to offer triple-play in the near future. We believe that offering bundled services allows media and telecommunication service providers to meet customers' communication and entertainment requirements, increases customer loyalty and attracts new customers as the value proposition of the offering is enhanced.

Competitive Overview

Below is an overview of HOT's main competitors in Israel

Cable-based Services Market Shares by Subscribers in Israel (2013)



Source: Company filings

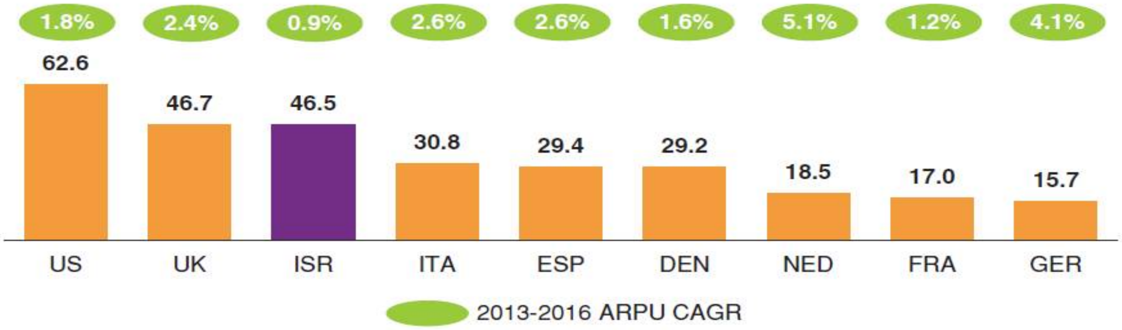
(1) Others include Netvision, Partner/Smile and others, all with relatively small market shares

1.1. Pay Television

Introduction

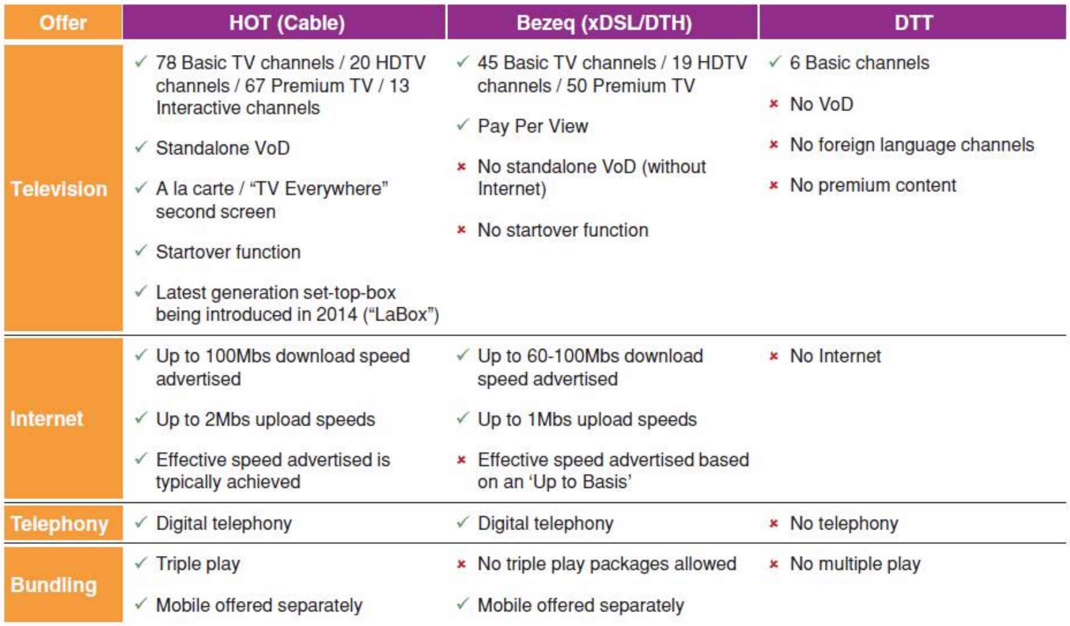
Israel's primary television platforms are dominated by pay television with relatively limited penetration of free platforms such as terrestrial television or free DTH. As a result of the free to air platforms being relatively unattractive given access to only 6 channels offered by DTT and limited local content for free DTH, Israel's pay television market currently has an estimated penetration level of approximately 65% compared to 56%, 77%, 82% and 84% in Western European peers Germany, France, Finland and Portugal respectively according to IHS Screen Digest. The Israeli pay television market has been stable by the number of subscribers since 2009 at approximately 1.5 million subscribers. Similar to Western European markets, television consumer behavior in Israel is currently focused on digital, innovative, HDTV and interactive television services such as VoD and "start over".

Israel Pay TV ARPUs vs. Peer Countries



Most Israeli households subscribe to pay television packages via cable or satellite, mostly digital, provided by HOT and YES, an associate of Bezeq, respectively. Free DTT service started in 2009 but has achieved a limited primary penetration of TV households of approximately 13% based on IHS Screen Digest's current reports, although we believe these numbers include numerous Haredi or ultra orthodox Jewish households who do not watch television. The established pay television operators face competition from free television (including DTT) and alternative ways of accessing television channels (such as "over-the-top" ("OTT") television), the competitive advantage of pay television via cable or DTH (reliability, image quality, diversified international and local language content and the ability to offer advanced interactive services among others) and the loyalty of the existing customer base lead to the pay television industry having relatively stable subscription revenues when compared to other countries where competition from other platforms is more prevalent. As of December 31, 2013, the Israeli pay television market had 1.5 million subscribers, 59% of which accessing through cable (HOT) and 41% through satellite (YES).

The penetration of pay television could increase in the coming years as cheaper packages with fewer channels have been recently introduced by HOT and YES.



Offer	HOT (Cable)	Bezeq (xDSL/DTH)	DTT
Television	✓ 78 Basic TV channels / 20 HDTV channels / 67 Premium TV / 13 Interactive channels ✓ Standalone VoD ✓ A la carte / "TV Everywhere" second screen ✓ Startover function ✓ Latest generation set-top-box being introduced in 2014 ("LaBox")	✓ 45 Basic TV channels / 19 HDTV channels / 50 Premium TV ✓ Pay Per View × No standalone VoD (without Internet) × No startover function	✓ 6 Basic channels × No VoD × No foreign language channels × No premium content
Internet	✓ Up to 100Mbs download speed advertised ✓ Up to 2Mbs upload speeds ✓ Effective speed advertised is typically achieved	✓ Up to 60-100Mbs download speed advertised ✓ Up to 1Mbs upload speeds × Effective speed advertised based on an 'Up to Basis'	× No Internet
Telephony	✓ Digital telephony	✓ Digital telephony	× No telephony
Bundling	✓ Triple play ✓ Mobile offered separately	× No triple play packages allowed ✓ Mobile offered separately	× No multiple play

---

Source: Company information and Bezeq website

Cable

HOT is the sole cable operator in Israel with a network covering nearly all Israeli homes—a unique situation in OECD countries-and generates revenues principally from subscription fees paid by customers for the services provided. HOT co-develops and co-owns a number of popular shows, movies and series. It offers a number of proprietary channels as part of its packages giving them a competitive advantage. Cable's share of the pay television market has remained relatively stable over the last three years at approximately 60% with total pay TV subscribers also remaining relatively stable.

Satellite

Satellite television is the main alternative to cable television in Israel. Television viewers can receive "free-to-air" or paid satellite television, which is offered by YES. Satellite's share of the pay television market has remained relatively stable over the last three years at approximately 40%. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU, with forecasts showing some compression for 2013, while cable ARPU is expected to expand, according to IHS Screen Digest, based upon on the digitalization and the emergence of a broader offering of channels and additional services.

DTT

Subscribers are also able to receive television services through DTT, an alternative way of watching certain television channels. Current penetration rates of DTT are low due to several reasons: (i) DTT currently offers access to six channels only, (ii) there is no access to premium or thematic content, such as sports, movies or children's programming, (iii) DTT has no interactive functionalities such as VoD or "start over", (iv) DTT has limited capacity to transfer significant number of channels simultaneously and (v) the quality of its transmission can be affected by weather. DTT could become more attractive in the future as a total of two multiplexers (MUXes) allowing for 18 channels have recently been approved by the Israeli government and are being rolled out. The Ministry of Communications expects that in 2014 the DTT platform will offer 18 channels, up from six, for free. The expanded service will use three multiplexes up from the current one. However, we believe that cable television will maintain its advantage over DTT as the increase in the number of channels does not fundamentally address some of the key customer requirements such as interactivity and ability to choose individualized content packages, and DTT channels have struggled to be successful without the revenue generated by customer subscription charges.

Other Emerging Technologies

We face a growing but limited competition from other technologies in Israel when compared to the European markets. Our incumbent competitor is currently lobbying to offer IPTV which is currently prohibited by law. Other players, such as websites and online aggregators of content that deliver broadcasts "over- the-top" of existing broadband Internet networks may become significant competitors in the future. The full extent to which these alternative technologies will compete effectively with our cable television system is not yet known; however we believe that the international IPTV market will have difficulty impacting the Israeli multichannel TV market due to various reasons, including the (i) availability of certain local language content available through cable or satellite only, (ii) quality of the signal on certain DSL-enabled connections located far from exchanges, (iii) inability to access HDTV content on most DSL connections during peak times and (iv) ability of cable operators to bundle pay television with other fixed-line products.

1.2. Broadband Internet

Introduction

Israel is a mid-sized broadband Internet market based on penetration compared to the large Western European or North American peer countries, with approximately 2.0 million broadband Internet subscriptions (residential and business) as of September 30, 2013. The current broadband Internet penetration rate in Israel (being the number of broadband Internet subscriptions per 100 households in Israel) is above the Western European average of 63%. The broadband Internet penetration rate in Israel is 68% according to IHS Screen Digest, compared to 65% as of December 31, 2009. This level is above the Western Europe average of 66% and the level observed in Italy (52%), Portugal (57%), and Germany (62%).

Broadband Internet in Israel is uniquely structured as households wishing to subscribe to broadband Internet are required to purchase an Internet access service from a licensed Internet Service Provider ("ISP") and a broadband Internet infrastructure access service from HOT or Bezeq, the only telecommunication operators which own a nationwide physical fixed-line infrastructure.

Side by Side Comparison of Cable-based Services Offerings in Israel

	HOT (Cable)		Bezeq (xDSL / DTH)		DTT
✓	Up to 100Mb/s download speed advertised	✓	Up to 60-100Mb/s download speed advertised	x	No Internet
✓	Up to 2Mb/s upload speeds	✓	Up to 1Mb/s upload speeds		
✓	Effective speed advertised is typically achieved	x	Effective speed advertised based on an 'Up to Basis'		

Broadband Internet Infrastructure Access

Currently HOT and Bezeq are the only fixed infrastructure owners nationwide. HOT uses cable, while Bezeq's network is mainly composed of DSL technology, although it is currently also building out a fiber network. Growth in the Israel broadband Internet infrastructure access market has been driven by (i) the number of subscribers to broadband Internet infrastructure access increasing steadily from 1.8 million in 2010 to 2.0 million in 2013, and (ii) a significant growth in broadband Internet ARPUs.

Bezeq, through DSL, is the leading broadband Internet infrastructure access provider in Israel, with 1.3 million subscriptions as of September 30, 2013 including business and residential customers. Based on our estimates, HOT and Bezeq have approximately 50% market share when business customers (which HOT does not address) are excluded. Including business customers, Bezeq represents approximately 63% of the total broadband

Internet infrastructure access market by total number of subscribers as of December 31, 2013, which has remained relatively stable over the last three years.

Based on the company's public filings, Bezeq is currently rolling out a Fiber- to-the-Cabinet (FTTC) infrastructure and provides advanced network services such as Next Generation Network, an advanced communication network covering over 98% of Israeli households.

On August 29, 2012, Bezeq announced it has decided to broaden the deployment of the optical fibers so that they will arrive as close as possible to the customers through Fiber-to-the-Home (FTTH) or Fiber- to-the-Building (FTTB), to form the basis for the future supply of advanced communication services and with greater bandwidth than currently provided. In August 2013, Bezeq announced it had deployed FTTH to 200,000 households and businesses in Israel and that it was planning to reach more than 400,000 homes and businesses with fiber by the end of 2013.

Our ability to offer the highest speeds in Israel on a large scale allows our customers to connect several devices (such as computers, tablets and smartphones (via Wi-Fi connection)) simultaneously without impairing the quality of television signals or the speed and quality of the Internet connections. We believe that this differentiates us from our nearest competitors.

Over the last three years, our market share of the overall broadband Internet infrastructure access market has remained relatively stable below 40%.

ISPs

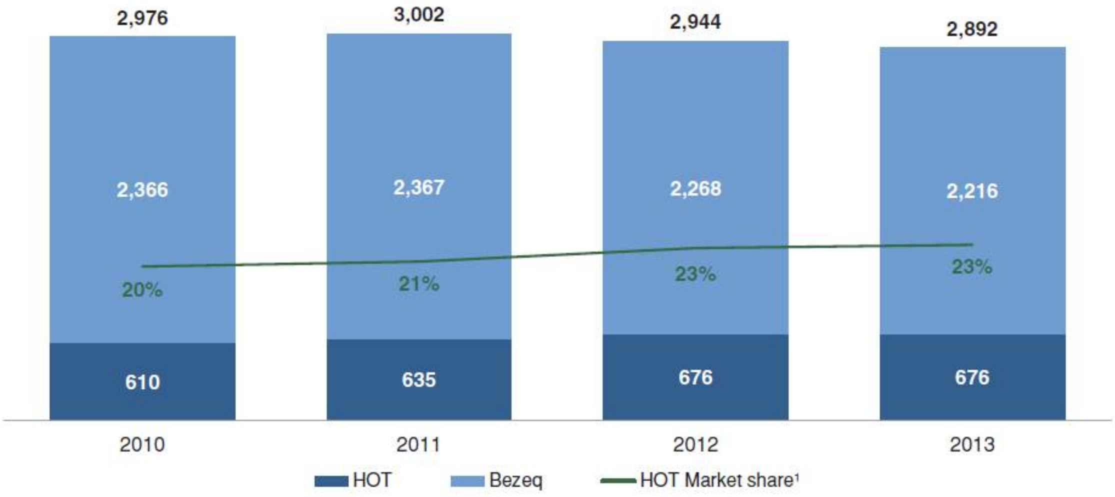
There are numerous ISP providers in Israel, although Netvision (a subsidiary of Cellcom), 012 Smile (a subsidiary of Partner Communications) and Bezeq accounted for approximately 98% of the total subscriptions. As of June 30, 2013, Netvision was the largest provider with a market share of 31.0%, Bezeq had a market share of 38.0% and 012 Smile had a market share of 28.6%, according to IHS Screen Digest.

The ISP subscription varies depending on numerous parameters such as the speed of access, the ISP provider or the broadband Internet access infrastructure which the customers use to purchase their access to the ISP subscription from. In February 2012, we launched an ISP product, through our subsidiary HOT Net, priced at a flat rate of NIS 20 per month irrespective of the speed or the package, a significant discount to the prices offered by competitors. We have been able to grow our market share since the launch of our ISP product to approximately 10%, with approximately 220,000 subscribers and total connections of 2.1 million. Recently, ISP providers have experienced fee pressure as broadband Internet infrastructure companies increase access fees.

1.3. Fixed-Line Telephony

As of December 31, 2013, there were approximately 3.3 million fixed- line telephony lines in Israel. Subscribers to fixed-line telephony services include households and enterprises. The number of lines has been declining slowly since 2010, which is in line with most Western European countries where fixed-line penetration of households has declined on the back of an increase in number of individuals who use mobile phones only. Bezeq, the incumbent fixed-line telephony service provider in Israel, is the largest provider of fixed-line telephony services, with 2.2 million fixed telephony lines or approximately 67% market share as of December 31, 2013. Also in line with Western European trends, the incumbent, Bezeq, saw a decline in its market share over the past years. In addition to Bezeq and HOT, who are by far the largest operators, fixed-line telephony can also be purchased from VOBs who cumulatively hold approximately 12% of the market share. As of December 31, 2013, HOT had approximately 30% of the fixed-line telephony market share.

Fixed Line Telephony Subscribers and Market Share Among Top Two Israeli Players Since 2010



---

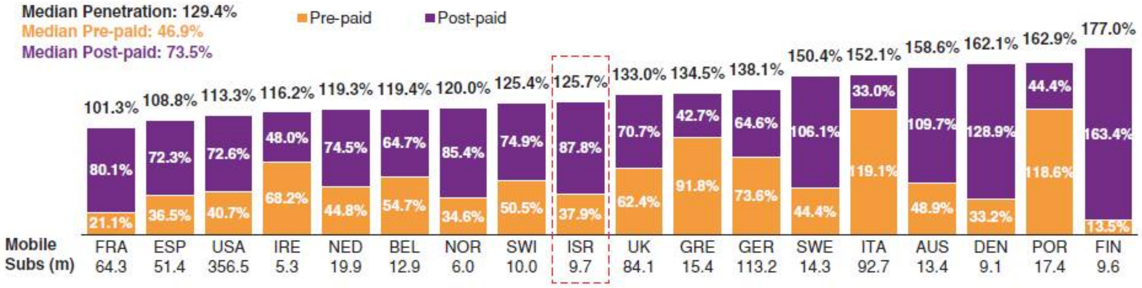
(1) HOT market share illustratively based on HOT and Bezeq total markets shares.

The market for residential telephony in Israel faces pressure from alternative carriers, declining mobile termination and interconnection rates, as well as alternative access technologies such as Voice over Internet Protocol (VoIP) (e.g. Skype). In recent years, fixed-line telephony services have been largely a commodity and uptake has become increasingly dependent on a quality broadband Internet offering by the same provider. Fixed-line telephony is increasingly included in bundles which benefit HOT as a result of its ability to provide attractive bundles offerings. Fixed-line telephony has experienced some price erosion over the past few years, partly driven by a reduction in termination fees and pressure from to bundle discount, and resulted in the decline in Bezeq and HOT's fixed-line telephony ARPUs.

1.4. Mobile Telephony

As of December 31, 2013, there were approximately 9.9 million mobile telephony customers in Israel (excluding MVNOs), and the penetration as of 2012 was estimated to be 126%, according to IHS Screen Digest, broadly in line with countries such as Switzerland, Great Britain, Belgium and Germany. As of December 31, 2012, approximately 70% of the customers were "post-paid" (purchased subscriptions rather than pre-paid cards fixed number of minutes of use), according to IHS Screen Digest. On average Israeli mobile phone users spent approximately €19 per month (excluding VAT) on their mobile telephony services in 2012, according to IHS Screen Digest, a relatively modest figure when compared to most Western European and US markets.

2012 Israeli Cellular Telephony Penetration vs. Western European and US



Source: IHS Screen Digest

There are currently five licensed Mobile Network Operators (“MNOs”) which offer mobile telephony services to the public and several players who operate Mobile Virtual Network Operators (“MVNOs”), although MVNOs currently have insignificant market share of the mobile telephony market. Market shares of the top three mobile operators, Cellcom, Partner Communications and Pelephone (Bezeq), have been relatively stable over the past years at approximately 30% each. New entrants, HOT Mobile (previously MIRS) and Golan Telecom, were granted UMTS licenses in 2011 with services launched in the second quarter of 2012 through a combination of proprietary networks and national roaming agreements with existing operators. As of June 30, 2013, HOT Mobile had approximately 761,000 mobile subscribers, corresponding to a market share of approximately 8% compared to 4% as of December 31, 2011. As of June 30, 2013, the combined ARPU for mobile telephony subscribers of all mobile operators in Israel declined to €21.6 per month primarily driven by a new mobile termination fee regulation in September 2010 which reduced mobile termination rates from NIS 0.25 to NIS 0.0687 per minute from the beginning of 2011, with further reductions to NIS 0.0634 per minute from January 1, 2012 and to NIS 0.0591 per minute from January 1, 2013. The final reduction, to NIS 0.0555 is set to come into force on or about January 1, 2014.

The Israeli mobile communications market is more competitive than some of the markets in Western Europe, notably given the recent legislation, enacted in April 2012, preventing operators from charging exit fees, except in limited circumstances. As a result, the Israeli mobile market now offers fewer barriers to entry for the new mobile license owners HOT Mobile and Golan Telecom.

Informa Telecoms & Media estimates that the Israeli mobile telephony market will grow at 2.6% per annum between 2013 and 2016, i.e. faster than the markets of other countries such as Germany, France, UK or Italy whose mobile markets are expected to achieve growth rates of (2.2)%, (0.7)%, 0.9% and (0.9)%, respectively.

The Israeli market features lower ARPUs than in most of the other developed markets, which makes mobile telecom services more attractive to consumers.

Mobile Broadband Internet

As of June 30, 2013, there were 6.3 million active 3G mobile subscribers in the Israeli market, according to IHS Screen Digest. Mobile operators’ network capability can be further enhanced by Long-Term Evolution (“LTE”) network roll-out, although the Ministry of Communications has not yet tendered for the frequencies necessary for LTE-based services, which would enable higher speeds for mobile broadband Internet. Mobile broadband Internet operators, however, currently only offer speeds and capacities that are significantly lower than those offered by cable and DSL operators. As a result, we believe that, in the medium term, HFC cable will be the only broadband Internet infrastructure access alternative to DSL with an extensive coverage and high bandwidth for the foreseeable future.

2. Portugal

Portugal’s economy is expected to have contracted 2.3% in 2013 according to the IMF due to the ongoing fiscal consolidation and both weak domestic and external demand. However, there are early signs of recovery in economic activity as GDP was expected to gradually pick up and stabilize towards the end of 2013. Recently, Portugal has gradually regained access to the sovereign-bond market at more favorable interest rates. If this trend continues, financing conditions could also improve for the private sector.

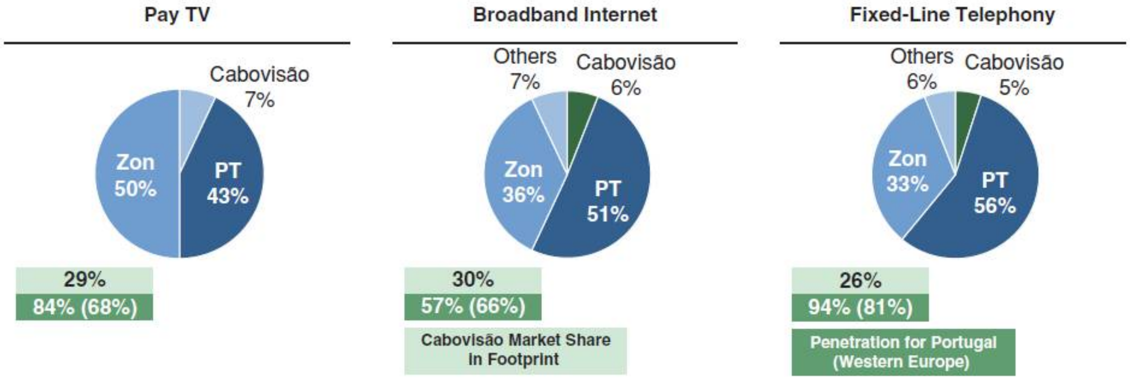
The outlook for GDP is positive as it is expected to grow at an average rate of 1.7% from 2014 to 2018 according to the IMF, as global conditions improve and demand recovers.

The population of Portugal reached approximately 10.5 million in 2012 and enjoys a stable outlook as it is expected to grow at an average rate of 0.1% from 2013 to 2018.

2.1. Cable-based Services

Competition Overview

Cable-based Services Market Shares by Subscribers in Portugal (2013)



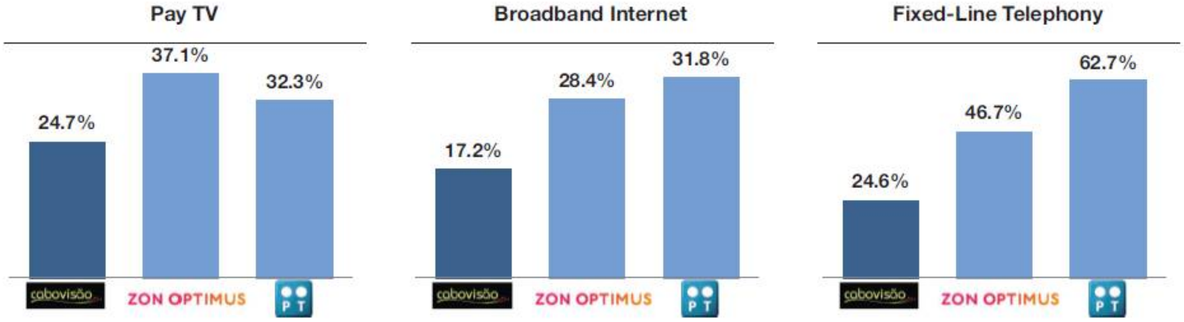
Source: Company information (Cabovisão); Portugal Telecom, ZON Optimus and Vodafone filings; IHS Screen Digest; Telegeography, Gartner

According to IHS Screen Digest, Portugal has an estimated 84% penetration rate in pay television, comparable with the US (84%) and most advanced EU peers. Pay television penetration has been stable or rising over the past three years driven by the high demand for a broad range of pay television channels and the relative weakness of free terrestrial television which only transmits five channels. Pay television has historically been primarily provided over the cable platform, which has a higher roll-out rate than many Western European countries, with DTH, a complementary platform in rural areas, and more recently, IPTV, primarily in areas where fiber is present. Most of the pay television market is divided between three operators: ZON Optimus ("ZON") (the largest player by number of subscribers), Portugal Telecom (as a challenger to ZON), and Cabovisão (which provides cable services within its footprint). Based on these companies' filings and excluding other small providers like Vodafone or Optimus, as of December 31, 2013 ZON, Portugal Telecom and Cabovisão had approximately 50%, 43% and 7% of market share nationwide, respectively. Cabovisão's market share within its footprint was approximately 29%. Portugal Telecom primarily offers low priced IPTV, predominately in fiber areas and to a lesser extent on its DSL network. However, it also has a DTH offering for rural areas where its DSL network suffers from technological limitations. Portugal Telecom's IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable. However, it has driven the increase in pay television penetration. Pay television ARPU has increased from €23.5 in 2010 to approximately €24.5 currently according to IHS Screen Digest, and is expected to increase going forward.

In broadband Internet access, penetration is slightly lower than the European average (66%) and is growing fast currently reaching an estimated rate of 57%, according to IHS Screen Digest. There are a number of operators providing broadband Internet services to residential clients in Portugal. Portugal Telecom is the incumbent communications operator, historically a monopoly in fixed line telephony and broadband Internet access with a market share of 51% as of December 31, 2013. ZON and Cabovisão have grown their broadband Internet presences on the back of Docsis networks and, over the years, have become large competitors of Portugal Telecom in broadband Internet access and telephony, with nationwide broadband Internet access market shares at 36% and 6% (and 30% within its footprint) respectively as of December 31, 2013. Mobile operators Optimus (merged into ZON) and Vodafone also have large mobile operations but a limited (although growing) fixed line network. In 2013, Optimus was merged into ZON, allowing ZON to offer quadruple-play bundles combining cable based triple-play and mobile. In fixed-line telephony, Portugal Telecom maintains a market share of 56%, while ZON Optimus and Cabovisão have market shares of 33% and 5% (and approximately 26% within its footprint), respectively, as of December 31, 2013.

Portugal has an estimated fixed-line telephony penetration of 94% compared to the Western European average of 81%, according to Gartner. Penetration is increasing since 2009, primarily driven by ZON's drive to up- sell fixed telephony. At the same time, PT's number of subscribers remains stable due to an increase in multiple-play penetration.

Cable-based Services Penetration by Player in Portugal (2013)(1)



Source: Company information (Cabovisão), Portugal Telecom and ZON Optimus filings

(1) Penetration of homes passed; ZON Optimus, penetration excludes DTH customers; Portugal Telecom penetration calculated as percentage of total households in Portugal.

Triple-play is increasingly becoming the norm in Portugal, with ZON and Cabovisão emerging as the leaders as a result of their early entry in to the multiple-play markets. Portugal Telecom is rapidly catching up with its M4O offer, which reached more than 1.3 million RGUs one year after launching, and its M3O offer each introduced to address the decline in its fixed-line telephony customer base. As at December 31, 2013, the penetration of triple-play customers in PT's unique customers was 45.8%, compared with approximately 41% a year earlier. Quadruple play offers are also common in the market with PT and ZON (which has merged with Sonaecom) leading the market.

Given the relatively wide availability of content, the quality of the network infrastructure underpinning the broadband Internet access product remains an important asset for operators. Since 2008, Portugal Telecom has engaged in significant fiber deployment, primarily overbuilding ZON's network, notably benefiting from government subsidies. As of December 31, 2013, Portugal Telecom estimated that it had passed 1.6 million homes, supporting 100Gbps download speed. In the meantime, Docsis 3.0 networks, as owned and operated by ZON and Cabovisão, allow high download speeds, which are likely to remain far above effective speeds offered to or used by residential customers for several years to come and, as a result, remain largely able to compete against most of fiber deployed by Portugal Telecom, including fiber to the home, available only in certain areas. We have the possibility to upgrade to the upcoming Docsis 3.1 standard, making it possible for us to increase broadband Internet download and upload speeds towards levels exceeding those offered by the FTTH technologies, without incurring significant investments.

While the austerity measures in place and the uncertain economic situation in Portugal continue to weigh on the telecommunications market, as customers and businesses shy away from premium service subscriptions leading to somewhat lower ARPUs and revenues, certain segments, such as pay television, and cable operators overall have continued to perform better than fixed line telecom operators in terms of headline growth performance, notably due to the loyalty of their customer base on the back of high penetration of bundled products.

Cabovisão primarily competes in areas where it has a network which accounted for approximately 908,000 homes passed as of December 31, 2013, including large cities/regions such as Palmela, Estarreja, Caldas da Rainha, Araiollos and others covering approximately 22% of Portuguese households. As its network remains outside the main cities of Lisbon and Porto, it is overbuilt by ZON and Portugal Telecom (fiber) on only approximately 55%

and 36% of its network, respectively, according to management estimates. Within its footprint, Cabovisão has high market shares of 32% in pay television, 29% in broadband Internet access and 26% in fixed-line telephony, as of December 31, 2013.

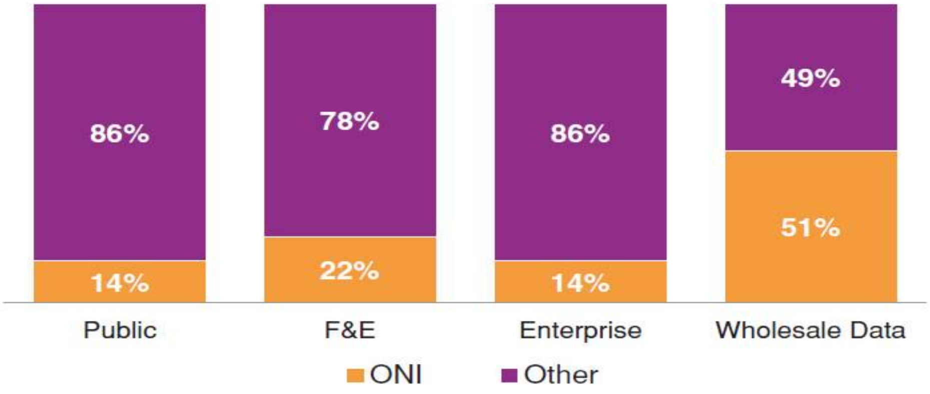
2.2. B2B Telecom

We own the second largest B2B telecom services provider in Portugal, operating under the ONI brand. In 2012, the market addressable by ONI was estimated at approximately €402 million, based on management estimates. This market includes wholesale data, enterprise, finance and energy (F&E), and government segments, which accounted for 51%, 14%, 22% and 14% of the B2B market in 2012 (excluding wholesale voice in which ONI has a limited presence), respectively. Portugal Telecom's revenues in ONI's addressable market have slowly declined over the past few years from €796 million in 2009 to €719 million in 2011 according to management estimates, as a result of a decline in voice services, a relatively slow growth in demand for data services and the overall macroeconomic climate.

Portuguese operators are also increasingly looking to B2B as an integral part of their strategy. B2B operators are looking to move away from voice services to higher margin data services and, increasingly, integrated solutions for customers including ICT and outsourcing.

Portugal Telecom, the incumbent telecom operator and largest provider of B2B telecom services is facing a growing competition from ONI, the historical challenger and largest competitor, ZON/Optimus, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom. According to management estimates, ONI's addressable market share for the B2B wholesale data market is 51%.

B2B Market Shares in Portugal(1)



Source: ONI estimation based on competitor financial information and customer surveys

(1) Shows addressable market for ONI. Does not include Wholesale Voice, which represented approximately €650 million in 2012, according to management estimates.

Portugal Telecom has been active in this segment for the past two decades, with a wide range of customers (SMEs, as well as large 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 fiber network. It has a large sales force with strong distribution capabilities in the banking and public administrations sectors and leverages its supplier relationships to enrich the range of its services. However, it has historically lost market share due to its low flexibility to address specific customer requirements and its unwillingness to reduce prices to capture volume market share.

ONI has focused primarily on its strategy on quality of service to retain existing customers, investments in both enterprise and wholesale markets and partnerships to ensure that it captures the limited demand it cannot address on its own through partners' relationships. Furthermore, it is able to leverage its access to Cabovisão's last mile HFC network to restore profitability and be able to connect client sites at a limited cost.

Optimus has historically been one of the most aggressive competitors regarding pricing and, through its merger with ZON, has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies.

Vodafone and AR Telecom have adopted different strategies to 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.

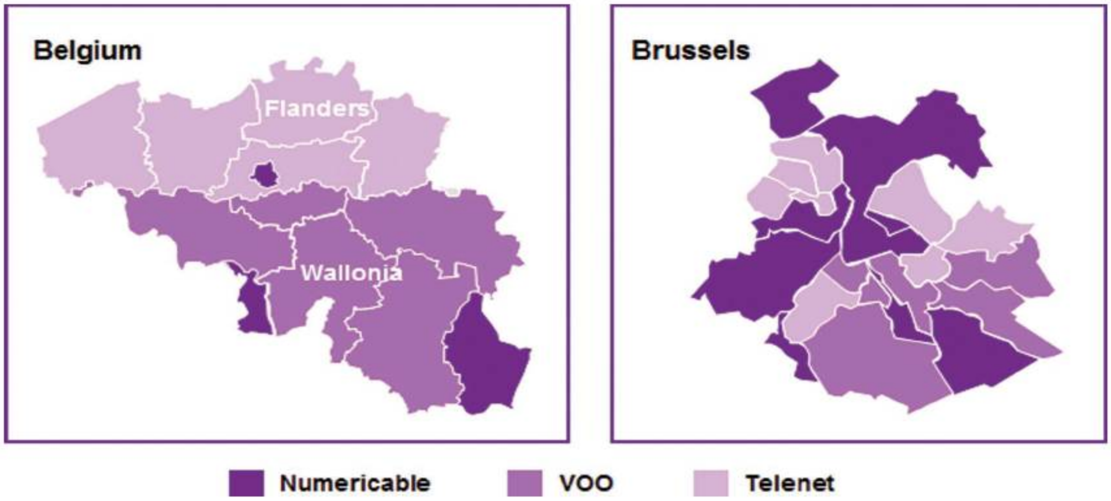
3. Belgium

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 kilometer in 2013, one of the highest in Europe, according to the United Nations database, and is surpassed only by the Netherlands and some microstates such as Malta. Belgium is one of the most prosperous countries in Europe, according to data published by the International Monetary Fund, with a GDP per capita of approximately $45,537 in 2013 compared to $42,991, $39,049 and $29,409 respectively for France, the U.K. and Spain for the same period.

According to IHS Screen Digest, as of December 31, 2013, Belgium had an estimated 94% penetration rate in pay television, significantly above the average Western European penetration rate of 68%, according to IHS Screen Digest. Cable has historically enjoyed significant market share due to the deployment of cable in Belgium as early as the 1960s. Cable captured 69% of the pay television market as at September 30, 2013, followed by IPTV (27% market share) and satellite (4%), according to IHS Screen Digest.

The Belgian media and telecommunications sector has been converging as customers are increasingly seeking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing television, broadband Internet access and fixed-line telephony services bundled into integrated offerings referred to as "dual-play" (two of the three services provided together) or "triple-play" (all three services provided together). The addition of mobile telephony services further gives rise to "quad-play" offerings.

Overview of Numericable Geographical Presence in Belgium



Competition in the pay television market is currently limited, due to a lack of overlap among cable operators. Telenet operates predominantly in Flanders, VOO in the French speaking part of Belgium and Numericable in Brussels (with Telenet and VOO also present in the capital). In 2012, Numericable acquired from local municipalities the AIESH networks (approximately 12,000 cable subscribers) located in the County of Hainaut in the French speaking part of Belgium. Belgacom, through its DSL-based network, is the only operator that offers national coverage, although we believe it currently has an inferior ability to provide a good quality pay television product via IPTV technology when compared to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom and VOO have a pay television subscription market shares of 43%, 25% and 21% respectively according to IHS Screen Digest, while Numericable has a 2% market share nationally, however, a 59% market share within its footprint, according to management estimates. The importance of cable operators in pay television may be affected going forward by changes to the regulatory regime allowing third party access to cable networks, with wholesale offers required to be in place by autumn 2013 in accordance with the CRC's decision of September 3, 2013 on Numericable (Coditel)'s wholesale offer, although such wholesale access would provide cable operators with stable, albeit somewhat lower, wholesale revenues. Furthermore, Belgacom has extensively developed its service offering, with a full range of broadcast television and premium content. This together with the reach of its network across Belgium is likely to help Belgacom increase its strength going forward. A competitive presence in the Belgian television market, although smaller compared to cable, is satellite television, which can be divided into two types of access: (i) "free-to-air" satellite and (ii) paid satellite television. In addition, certain operators in the Belgian market deliver television services via DTT, allowing customers who purchase the necessary equipment to watch television in areas where cable connection is difficult or impossible.

Broadband Internet access in Belgium is well established, with penetration rates estimated to be higher than in most other major European markets as of December 31, 2013 (approximately 69% compared to 66% in Western Europe, according to IHS Screen Digest). DSL (predominantly offered by Belgacom) is the leading broadband Internet access platform in Belgium, with approximately 51% of the total broadband Internet market, with cable taking up the remaining 49%, according to IHS Screen Digest. Fiber-to-the-home (FTTH) is yet to be widely deployed in Belgium, as this technology is capital—and time- intensive, requiring significant digging and re-wiring. While FTTH needs to make heavy investments to catch up, we believe that greater speed of cable and higher reliability in delivering promised speeds to subscribers as compared to DSL has contributed to cable overtaking DSL in Flanders and certain other areas of Belgium. The largest operators are Belgacom (45%), Telenet (37%), VOO (10%) and Numericable (1% nationally and 36% within its footprint, according to IHS Screen Digest and management estimates). In addition, the increased download speeds offered by mobile Internet technologies such as the established high- speed package access and the emerging LTE technology have presented a viable alternative to DSL and cable. Although penetration of mobile broadband Internet is currently still low in Belgium, it has been growing strongly on the back of a larger share of smartphones sold. As at March 2013, mobile broadband Internet penetration in Belgium reached approximately 48% of the total population compared to approximately 15% as at March 2011, according to Informa Telecom & Media and Euromonitor International.

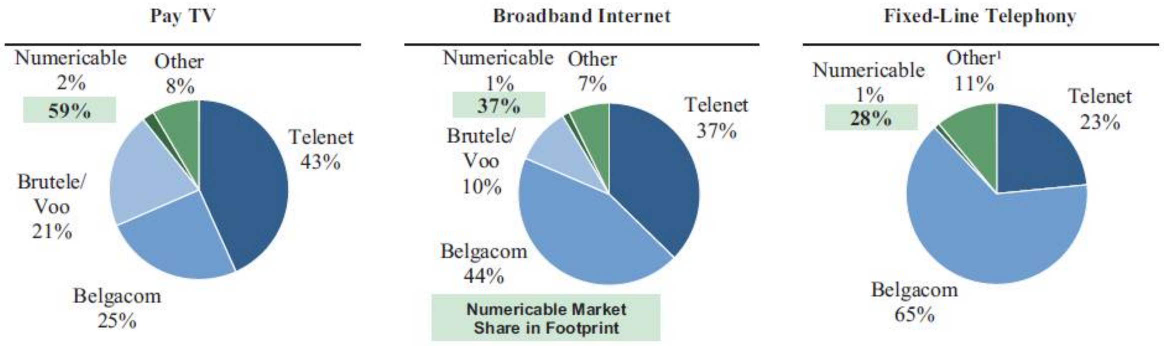
Fixed Telephony penetration in Belgium was 87% as at December 2012 according to Informa Telecom & Media, in what can be considered a mature market that has seen declines year on year, in line with other Western European markets. The incumbent, Belgacom (65% market share, according to IHS Screen Digest) has been losing market share in recent years particularly to cable operators and other access technologies, such as VoIP, while Telenet and Numericable, according to IHS Screen Digest and management estimates, have market shares of 21% and 1%, respectively. According to management estimates, Numericable has a 28% market share within its footprint. Telephony is also increasingly bundled together with other fixed-line products rather than sold as a standalone service. This explains the rise in market share in telephony of players such as Telenet, with its wide range of multiple-play offerings.

The Belgian mobile telephony market is valued at approximately €2.7 billion based on data gathered by the Belgian Institute for Post and Telecommunications (BIPT) as of and for the year ended December 31, 2012. Hence, the Belgian mobile telephony market is approximately equivalent in size to the national fixed-line telephony and broadband Internet markets. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 111% at the end of 2012 according to the BIPT. In 2012, the total number of registered SIM cards in Belgium decreased 0.5% as compared to the prior year period to 12.3 million (including mobile virtual network operators (MVNOs)), equivalent to 1.11 SIM cards per inhabitant. For a long time, the Belgian mobile telephony market has been a three player market, dominated by Belgacom, and challenged by Mobistar and BASE. According to the BIPT, Belgacom had an estimated national market share of 40.3% in terms of active mobile subscribers at the end of 2012, followed by Mobistar (30.9%) and BASE (24.6%). In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 1.9 million subscribers at the end of 2012 according to data gathered by the BIPT, an increase of 27% as compared to the prior year.

Triple-play products are offered by all of the main cable operators (Telenet, VOO and Numericable), as well as the incumbent, Belgacom. Belgacom has also invested significantly in upgrading to VDSL and adding other services (e.g. WiFi hotspots), in order to better compete with cable operators on fixed-line bundle offerings, as the higher quality of cable operators' network has meant that Belgacom has lagged behind, both in terms of convergence and ability to capture growth. Quadruple-play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as Telenet and Numericable.

Belgium enjoys a high GDP, as well as positive demographics, with the population expected to grow at a CAGR of 0.8% and GDP at 0.9% over 2013- 2016, according to Euromonitor International. This together with the resilience of the Belgium economy during the economic downturn and high presence of expatriates and foreign communities is driving the uptake in bundled projects, as well as supporting ARPU. These positive trends make Belgium an attractive market in which to operate.

2013 Market Shares by Subscribers



Source: Company filings, IHS Screen Digest

[1] Assumes constant market shares compared to 2012 level.

4. Luxembourg

Luxembourg has an estimated 70% penetration rate in pay television, according to IHS Screen Digest. Cable captured 75% of the pay television market as at September 30, 2013, followed by IPTV (25%), according to HIS Screen Digest. The largest player in pay television subscriptions is Eltrona (35%), followed by Numericable (16% nationally and 83% within its footprint) and POST (16%), as at December 31, 2012, according to IHS Screen Digest and management estimates. Importantly, due to POST's significant market power across fixed-line in Luxembourg, it is prohibited from bundling its television offering with its broadband Internet and fixed-line telephony services. Only Eltrona and Numericable, together with some smaller operators, are able to offer triple-play bundles.

Overview of Numericable Geographical Presence in Luxembourg

Broadband Internet access is well established with an estimated penetration of 86% as of December 31, 2013, among the highest in Western Europe, according to IHS Screen Digest. DSL is the leading broadband Internet access platform, capturing approximately 75% of the total broadband Internet market, followed by cable with 20% market share as at September 30, 2013, according to HIS Screen Digest. POST, the incumbent, is the largest player, capturing 59% market share, followed by Eltrona (6%) and Numericable (4% nationally and 25% within its footprint), as at December 31, 2012 according to IHS Screen Digest and management estimates. There is increasing pressure from consumers for greater speed and lower prices, in particular as Luxembourg is the only country in the EU where the regulator does not set wholesale prices for DSL access, enabling POST to dictate the terms. Furthermore, the government announced plans in 2010 for FTTH to be implemented nationally and to provide at least 100Mbs connectivity by 2015. In practice, POST is the only operator able to undertake these investments, leading the regulator to put in place measures guaranteeing access to fiber infrastructure for alternative operators. Despite these developments, FTTH deployment remains very limited.

Telephony penetration is high, estimated at 84% as at December 31, 2012 by Informa Telecom & Media. POST is the largest provider of fixed-line telephony in the Luxembourg market, with 81% market share, according to IHS Screen Digest, while Numericable has a 2% market share, and a 23% market share within its footprint, according to management estimates.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 1.6% from 2013 to 2016 according to Euromonitor International), as well as positive demographics (population CAGR of 1.2% from 2013 to 2016, according to Euromonitor International) and a significant number of expatriates and foreign communities. This together with Luxembourg's topology and high population density, make it an attractive market in which to operate.

5. French Overseas Territories

The telecom sector in the French Overseas Territories is a niche market serving a population of approximately 2.2 million according to the United Nations database. Mobile and broadband Internet access represent the bulk of the market, with total revenues of €1.3 billion (of which mobile represents approximately two-thirds), with pay television also constituting an adjacent service with total revenues of approximately €0.4 billion, in each case according to management estimates.

The French Overseas Territories markets are 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 categorized by operators that offer a smaller range of services at competitive prices (Digicel) and by the incumbent operators (Orange and SRR) that have a wider range of services, with certain players falling somewhere between the two types of operators (Mediaserv, IZI). We believe that only OMT and Le Cable have been able to offer a large product and service offering, while still maintaining competitive prices.

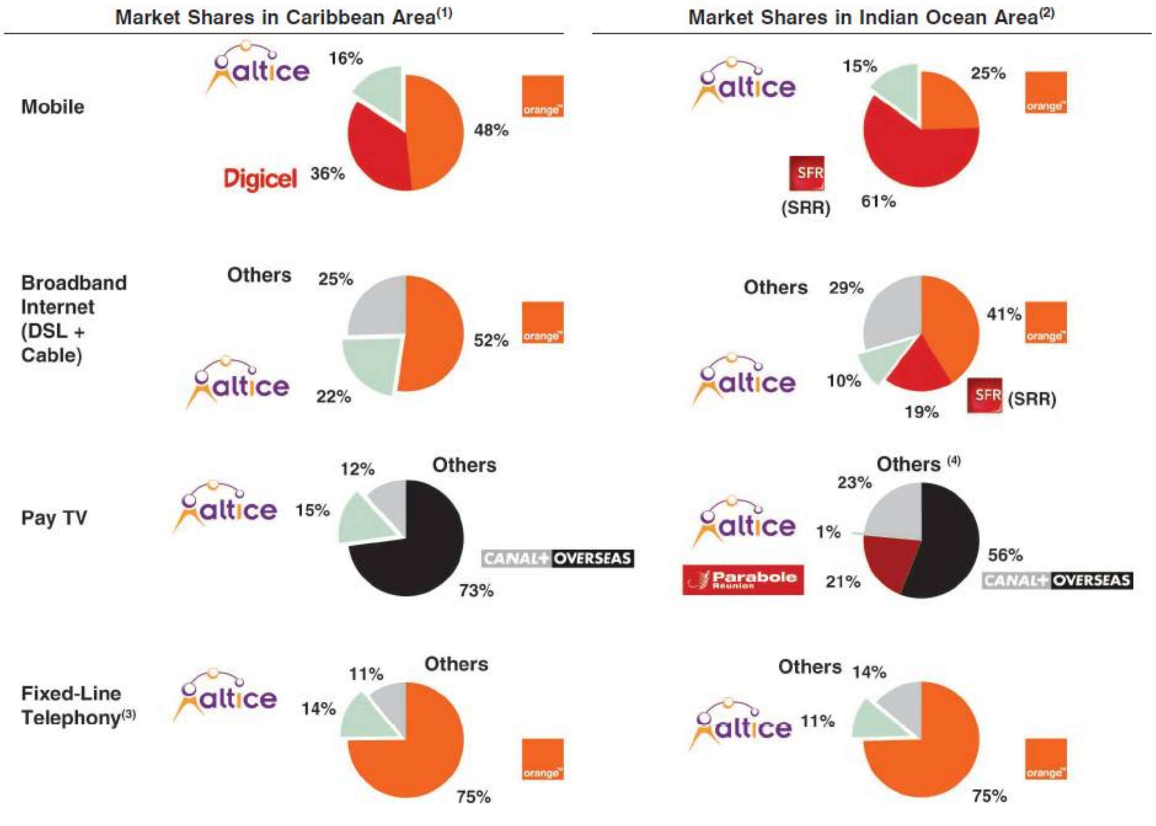
Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 124% compared to an estimated penetration rate of approximately 111% in 2009 according to management estimates. This compares favorably to mobile penetration in France of approximately 114% as of June 2013 (according to ARCEP, the French communications regulator), and in line with Western Europe penetration of approximately 121% for the same period (according to Informa Telecoms & Media). However, the young population and high price sensitivity results in lower mobile ARPUs and higher churn higher than for operators in continental Europe. The main players in the mobile telephony market include Orange, OMT, Digicel (only in Caribbean area) and SRR (only in Indian Ocean area).

Broadband Internet access in the French Overseas Territories remains underpenetrated (55% according to management estimates) versus IHS Screen Digest reported rates for the same period for mainland France (64%) and Western Europe (64%). DSL is by far the dominant technology, with limited announced plans for technology upgrades or the deployment of other access technologies, such as cable. The main players in the broadband Internet access market are Orange and OMT (and SRR to some extent in the Indian Ocean area), although there are a significant number of local DSL players, most of which offer unbundled local loop DSL services while renting Orange last mile on a wholesale basis. Presence of cable is so far limited in broadband Internet access but is growing rapidly in Martinique and Guadeloupe where Le Cable, the only cable operator with a network covering approximately half of the households, is rapidly upgrading its network and offers a growing number of homes the possibility to subscribe to high speed Docsis 3.0-enabled broadband Internet.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 67% according to ARCEP; in line with IHS Screen Digest reported rates for the same period for Western Europe (58%) but below France (77%). The market is dominated by satellite TV, with Canal Plus and Parabole Réunion among the strongest players, and cable, with Le Cable. We believe growing demand for bandwidth and triple-play packages is likely to increase demand for alternative access technologies with the ability to provide interactive services such as video on demand.

As in mainland France and Western Europe, multiple-play and convergence have increasingly become important. However, triple-play penetration lags behind that of more developed economies. While quadruple-play penetration is expected to remain limited in the French Overseas Territories as a whole, as only we can currently offer such bundles, the ability to provide quadruple- play bundles is expected to become a way for us to differentiate our offering in Martinique and Guadeloupe, where other players are either only mobile or DSL operators (Digicel, MediaServ), while large players are considered dominant and are not allowed by local regulation to bundle products (Orange, SRR).

Market shares in French Overseas Territories



---

(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 XVI
DESCRIPTION OF GROUP'S BUSINESS

Annex 1
R 6.1.1
R 5.2.2

In this section, insofar as the term "Combined France Group" is used in the subsections below, it refers to the Numericable Group after giving effect to the Transactions, including SFR, collectively. In the rest of this section from and including "—History" to and including "—Legal Proceedings", the terms "Group", "we", "us" and "our" refers to the Company and its subsidiaries (excluding ODO, Tricom, the Numericable Group, Mobius, Virgin Mobile and SFR). For an overview of our business, our competitive strengths and our strategy."

History

Since our inception, we have made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe, the French Overseas Territories and the Dominican Republic. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

In March 2005, Ypso France ("Ypso"), an entity controlled by our Group together with Cinven, acquired the cable businesses of France Telecom Cable, TDF Cable and NC Numericable, making Ypso the largest French cable operator. In 2007, all cable activities of Ypso were brought together under a single brand name, Numericable. In September 2007, together with Cinven, we acquired all of the outstanding shares of Completel, which added DSL and fiber metropolitan area networks, a corporate sector business and a nationwide backbone. In March 2008, the investment fund Carlyle acquired a 38% stake in Ypso and Completel. By the end of 2008, we had fully integrated the historical Numericable business and the historical Completel business. In November 2013, Numericable Group, the holding company of Numericable and Completel, completed its initial public offering of shares and listing of such shares on Euronext Paris. In February and June 2014, Altice France acquired additional shares in Numericable Group as a result of which Altice France now holds 40% of the shares in Numericable and has the majority of votes in the board of directors. In June 2014, Altice France completed the acquisition of the entirety of the stake of the Pechel Funds and the Five Arrows Funds in Numericable (representing approximately 2.6% of the share capital of Numericable) after exercising the call options granted by these funds to Altice France on November 7, 2013. As part of the Transactions, Altice France will acquire additional shares in Numericable and is expected to hold 59.7% of the total share capital of Numericable following the consummation of the Transactions.

In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, well-established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.

In May 2010, we acquired MIRS Communications Ltd. ("MIRS"), an Israeli company providing iDEN based mobile services. In July 2009, we began acquiring equity interests in HOT-Telecommunications Systems Ltd. and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS based 3G mobile services in Israel under our "HOT" brand. In December 2012, we completed the take-private transaction of the HOT group whereby we acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. we did not previously own.

In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacenter in the Zurich region. We began providing datacenter services in 2011. We have completed the construction of 3,600 square meters and a new build-out phase is currently in progress.

In 2006, Ypso acquired Coditel Belgium and Coditel Luxembourg, cable operators in Belgium and Luxembourg, from an entity affiliated to the Group. In 2011, Ypso sold Coditel Belgium and Coditel Luxembourg to the Altice International Group (which acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg) and certain other minority shareholders. We entered into an agreement to buy out the 40% stake in Coditel Holding Lux II held by one of the minority shareholders. This transaction was consummated on November 29, 2013.

In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.

In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda.

In July 2013, we expanded our presence in the French Overseas Territories by acquiring approximately 77% of the equity interests in Outremer, a leading mobile services provider and xDSL provider of telecommunications services, the remaining 23% of the company's equity being held by local management.

In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.

In October 2013, we acquired Ma Chaîne Sport (a producer of sports related content) and Sportv (a producer of sport related content).

On November 1, 2013, the Numericable Group, through Altice B2B France SAS, acquired 100% of the share capital of LTI Télécom SA ("LTI Télécom") and its parent and holding company Invescom SAS.

On January 15, 2014, we completed (through our subsidiary Altice Blue Two), the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.

On March 12, 2014, we completed the acquisition of Tricom, a provider of telecommunications services operating in the Dominican Republic.

On April 9, 2014, we acquired ODO, a provider of telecommunications services operating in the Dominican Republic.

Our Competitive Strengths

Annex I
R 6.1.2

We believe that we benefit from the following key strengths:

We are one of the leading cable-based communications groups benefitting from significant scale.

After giving effect to the ODO and Numericable Acquisition, we had €3,221 million of revenues and €1,482 million of Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) in the year ended December 31, 2013 and are one of the largest cable groups in the world outside of North America. We have made Pro Forma capital expenditures of €719 million in the year ended December 31, 2013, resulting in a Pro Forma Adjusted EBITDA less Pro Forma capital expenditures balance of €766 million in the year ended December 31, 2013. We benefit from significant scale with 6.5 million cable/FTTH/DSL RGUs and 4.9 million mobile customers, after giving effect to the ODO and Numericable Acquisitions. Our scale allows us to realise operational performance improvements, operating margin increases and organic cash flow growth by sharing best practices across our regions and implementing group synergies.

We enjoy leading positions in the pay television and broadband Internet markets in our service areas which have favorable dynamics for cable operators, with over 54% of our EBITDA coming from Western Europe.

We are the largest cable television operator and the second largest broadband Internet services provider in our service areas. In a significant majority of our footprint, we are the sole cable operator. We are located in markets that we believe have a number of attractive economic and other trends for cable and mobile operators. In France, we are also the leading provider of very-high-speed (defined as speeds over 30 Mbps) Internet services to residential customers, a nascent but growing market, as we leverage one of the most extensive last mile HFC and FTTH networks in Europe. In Israel, we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. In a majority of our footprint we benefit from relatively high levels of GDP per capita, high population density and strong demographic and population growth trends. All of the countries in which we currently operate have historically had high consumption of television and high pay television penetration combined with a relatively weak free-to-air television proposition. Broadband Internet penetration in our footprint, and in particular in France, Israel, Belgium and Luxembourg, also compares favorably with most other West European markets. Following the ODO Acquisition, we now own the leading cable operator in the Dominican Republic and believe we are well-positioned to capture growth in that market from increased penetration of our cable-based services.

We believe that we benefit from a fixed network advantage in each of our markets and following the Combination will have the broadest and most advanced mobile network among alternative players in France.

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

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

	Altice Key Geographies			**European Peers**		
	France (Numericable)	**Israel**	**Dominican Republic**	**Ziggo**	**Telenet**	**KDG**

Cable Network Capacity ...	862MHz(1)	600 - 862 MHz	Primarily 750 - 1,000 MHz(2)	862 MHz	600 MHz	Mainly 641 MHz
Docsis 3.0 Upgrade (%)	51	100	78(3)	100	100	95
Homes Passed per node.....	~200	~1,250	~750	1,500	~650	>1,000
Advertised Speed (Mbits)..	30 - 200	30 - 100	1 - 100	20 - 150	60 - 120	10 - 100

---

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

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

(3) As of September 30, 2013.

We are a leading multiple-play provider of cable-based services in our markets with substantial cross-sell and up-sell opportunities in fixed, mobile and B2B.

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

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

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

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

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

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

We benefit from strong Adjusted EBITDA margin and scalable capital expenditures translating into strong organic cash flow growth.

On a historical consolidated basis, our Adjusted EBITDA as a percentage of revenues increased from 28.7% in fiscal year ended December 31, 2010 to 40.3% in the fiscal year ended December 31, 2013, primarily as a result of operational efficiencies implemented by us across the organization in addition to acquisitions of higher margin businesses. The operational efficiencies have been complemented by efficient capital expenditure as the majority of our homes passed by cable are Docsis 3.0 enabled, including 100% in Israel and 51% in France (before giving effect to the SFR Acquisition), our two largest markets, making cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. Following the Roll-Over we will control 74.6% of the Numericable Group and will be able to set its dividend policy and be entitled to receive dividends, if any, declared by the Numericable Group that reflect our proportionate ownership of the Combined France Group. For the year ended December 31, 2013, based on the Post-Transaction Pro Forma Financial Information, we generated Pro Forma Adjusted EBITDA (including certain expected synergies and cost savings and Tricom EBITDA) as a percentage of revenues of 35% and Pro Forma Adjusted EBITDA less capital expenditure, as a percentage of Pro Forma Adjusted EBITDA, of 50%. We will continue to invest in selected areas where we believe there are attractive opportunities to generate strong returns over time and further increase our cash conversion, including the upgrade of the portion of our cable network in France and our cable network in the French Overseas Territories of Guadeloupe and Martinique as well as in the Dominican Republic.

We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence.

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

We have an experienced management team with a long term industry track record.

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

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

Our Strategy

The key components of our strategy are to:

Organically grow operating margins and cash flow by leveraging our operational expertise and group synergies.

We have a successful track record of improving the performance of cable and telecommunication operators across geographies. We expect to continue to grow our operating margins by focusing on cost optimization and increasing economies of scale and operational synergies as our group develops. In addition, we also aim to reduce churn by continuously improving our service quality, bundling and subscriber satisfaction, which we expect to drive growth in our operating margin. Furthermore, we expect to 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.

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

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

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

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

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

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

In the Dominican Republic, in March 2014, we completed the acquisition of Tricom, a cable and fixed line as well as mobile services provider, and in April 2014 we completed the ODO Acquisition, a mobile and wireless broadband Internet services provider, which we believe will enable us to build an integrated fixed line and mobile infrastructure, provide us with substantial cross-sell and up-sell opportunities and we believe will allow us to grow operating margins by 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 2.05x as of December 31, 2011 to 2.29x as of December 31, 2013. At Numericable, the number of our multiple-play subscribers has increased from 972,000 as of December 31, 2012 to 1 million as of December 31, 2013. Our strategy is to continue to increase our multiple-play customer bases by attracting new customers and cross-selling our existing cable-based services customer base with mobile services in all of the countries in which we operate except Portugal and Luxembourg. In France, following the SFR Acquisition we have an attractive opportunity to migrate part of SFR's 5.2 million fixed broadband customers onto the Numericable Group's network. This will allow us to leverage our network infrastructure, access to premium content and SFR's large customer base and premium brand name, to offer our existing and new B2C customers compelling bundled triple and quadruple play packages in the French market, where we will be the only player in our coverage area capable of bundling the highest broadband speeds in the market and premium pay-TV content into single-bill packages. We will also leverage up-selling opportunities to maximize ARPU by increasing penetration of certain services, such as higher speed broadband Internet, premium content or value added interactive services, such as VoD and PVR. We believe that we will be able to convert a significant part of SFR's existing xDSL customer relationships into cable-based customer relationships with additional services and potentially higher ARPU.

Leverage our networks to address new growth opportunities including B2B and mobility.

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

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

Generate value through disciplined acquisition strategy and proven integration capabilities.

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

Products and Services

We offer a variety of services over our fixed and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent and depending on the geography, B2B telecom services to corporate customers. We provide our residential cable based services primarily as part of double- or triple-play packages and, in France, the French Overseas Territories and Belgium, quadruple-play packages which include mobile services in addition to our cable based services. Available cable based service offerings depend on the bandwidth capacity of our cable networks, which consist primarily of hybrid fiber-coaxial (“HFC”) cable infrastructure.

Our television service offerings include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (“VoD”) and near-video-on-demand (“NVoD”), digital video recorders (“DVR”), high definition (“HD”) television services and, in some cases, exclusive content. We tailor both our basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

We offer broadband Internet access services and fixed-line telephony in all of our broadband Internet communications markets.

We also own and operate mobile infrastructure in Israel and the French Overseas Territories and offer mobile services through MVNO arrangements in France and Belgium.

We offer some B2B telecom services in all our geographies. However, we service large corporate customers with a focused B2B offering only in France, Portugal, Switzerland, Belgium and the French Overseas Territories. In Israel, our B2B services primarily consists of enhanced versions of our residential products which are adapted to the needs of small and medium sized businesses.

Furthermore, in France, we also sell wholesale cable- and xDSL-based services to other telecommunications operators who resell such services under their own brands.

Cable Based Services

Multiple-Play

We offer our customers bundled triple-play services comprising pay television, broadband Internet access and fixed-line telephony services at what we believe are attractive prices. We also offer various double-play packages comprising a combination of two of these services. Furthermore, we continue to introduce quadruple-play services, which include a combination of cable based triple-play and mobile packages, in a growing number of geographies, which currently consists of France, Belgium and the French Overseas Territories.

We believe the demand for our multiple play packages is primarily driven by the inherent quality of the various products included in them, which we believe are among the best available in the markets in which we operate. Although we believe our products offer the best value for money when purchased as part of triple-play packages, we typically also offer most of these services on a standalone basis in most of our geographies.

Our digital television offering includes theme and premium content packages, HDTV channels, channels with start-over functionality, radio channels, VoD services and premium digital services such as DVR. Our cable networks enable us to offer interactive digital services to most of our customers. Our digital television offering includes content and channels purchased from a variety of local and foreign producers. We continue to focus on broadcasting high quality content over all of our cable networks and seek to ensure we cater to local demand for content. In Israel, we co-develop leading original local content together with local producers and broadcast it on our proprietary suite of channels which, along with our distinctive brand, enables us to attract new subscribers to our cable-based services.

We offer broadband Internet access services across our cable footprint and a majority of homes passed by our cable networks benefit from download speeds of at least 100 Mbps. Our networks benefit from substantial spectrum availability and, on a blended basis, the majority of the homes we pass are Docsis 3.0 enabled, including 100% in Israel and 51% in France, our two largest markets. In the short to medium term, we expect that the portions of our networks that are Docsis 3.0 enabled can offer download speeds of up to 360 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be 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 5.2 million homes as of December 31, 2013, which we believe is higher than the number of homes passed by the FTTH roll-out of any of our competitors, and enables us to offer download speed of up to 200 Mbps with the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. Even the portion of our network that has not been upgraded and is only Docsis 2.0 enabled (3.3 million homes in France as of December 31, 2013) provides customers with a download speed of up to 30 Mbps, which is faster than the highest speed of our competitors' DSL networks. We intend to continue upgrading our cable network in the coming years. As opposed to some of our competitors, we do not generally restrict maximum volume of data or the speed at which our customers can access the Internet. We also offer broadband Internet access services based on xDSL technology in areas of France and the French Overseas Territories which are not passed by our HFC networks.

Our fixed line telephony services are based on either PacketCable or VoIP technologies. We offer a wide range of telephony packages, and our triple- play offers tend to include flat rate telephony packages with a significant number of minutes of use included in the price. We provide national and international connectivity to our customers either through our own interconnection capabilities or through our partners. We tend to phase out standalone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our triple-play packages rather than as a standalone product.

Our customers can achieve significant savings by purchasing pay television, broadband Internet and fixed-line telephony as part of our bundles as opposed to separately from us or from our competitors. For example, our Israeli customers currently save approximately NIS 97 per month by subscribing to one of our top-tier triple-play packages, Triple iTop, currently priced at NIS 352, instead of separately purchasing the same products the price of which would amount to approximately NIS 449 in the aggregate.

While a focus on multiple-play offerings constitutes an integral part of our customer acquisition strategy, we also continue to offer stand alone pay television, broadband Internet access and fixed-line telephony services to our customers.

Pay Television

Western Europe

France. As of December 31, 2013, we delivered digital pay television services to approximately 1.1 million residential subscribers in France, including approximately 1.0 multiple-play subscribers and 193,000 stand-alone television subscribers.

We believe that we offer residential subscribers one of the best digital pay television packages currently available in France, with the highest number of HD channels and the most attractive package of premium channels, with the same content as that available in CanalSat offers. Customers of our DSL competitors must commit to two separate subscriptions (ISP and CanalSat) in order to access the same premium content that we are able to offer direct access to without the need for an additional subscription. Our television services include between 200 and 400 digital television channels (including between 10 and 54 HDTV channels) depending on the package selected, more than 40 digital radio channels, interactive television services such as VoD, catch-up television and innovative features such as 3D-TV. VoD enables viewers to watch programs of their choice instantly, without the need for buffering, and to pause, fast- forward and rewind the content at will. Our VoD catalogue, which is comprised of over 30,000 shows and movies, is one of the largest available in France. We offer a VoD pass to our subscribers beginning at €4 per month. The films are generally available on VoD four months after their release in theatres (as compared to six months on premium pay television (e.g., Canal+)). Our revenue from VoD in France has increased from €9 million in 2010 to €12 million in 2012. We also make 40 selected channels accessible live from multiple devices (including smartphones and tablets) for a small monthly fee to low-end pay television subscribers and at no extra charge to our high-end pay television subscribers. We believe that our mid-tier and high-end packages, including Power+Family which is currently priced at €55 per month, represent a better value proposition than the comparable packages offered by our competitors.

Our television offerings include a variety of public and private channels from broadcasters around the world, as well as special interest channels covering all customer segments, including information, sports, music and home shopping channels. We believe that our high-end quadruple-play package (the “Platinum” package) which includes 320 channels (including 54 HDTV channels) is one of the most comprehensive television channel packages currently available in France. Our customers may also purchase up to six additional themed and bundled packages including digital channels and bundled channels, such as Pass Cinema and Pass Sport. Customers may also add-on additional channels, such as the Orange Cinema Series packages, BeIn Sport and Canal+. The Platinum package also includes broadband Internet access, fixed-line telephony and mobile telephony services.

In France, we license our television programming content from third-party content providers, entering into agreements directly with authors' groups in France, including SACEM (*Société des auteurs, compositeurs et editeurs de musique*, or the French Society of Music Authors, Composers and Editors), broadcasters and distributors. In general, we pay license fees based on subscriber numbers to these content providers and the agreements with certain providers require us to pay minimum guaranteed amounts. We also pay royalties based on our subscribers' usage of on-demand content, such as VoD. In addition to third party content, we also produce some of the content we offer in France through Ma Chaîne Sport and Sportv, our sports-themed pay television content provider subsidiaries.

As of December 31, 2013, we provided our analog television package, which includes 30 analog channels, to approximately 81,000 households located mainly in small and mid-sized cities in eastern France, which are connected to our network but are not digital-television enabled. We also continue to provide analog television services to legacy customers on the remainder of our network in France who have chosen not to upgrade to one of our digital packages. We expect our analog customer base in France to continue to decrease in the coming years and ultimately to phase out this service.

Portugal. In Portugal, we offer subscribers analog and both basic and premium digital television services under our "Cabovisão" brand. Our analog television service includes access to over 30 television channels. Subscribers to our basic digital television service have access to 95 digital television channels (including all of the analog television channels) and access to certain premium content and interactive services, such as VoD and catch- up TV. Our premium television service provides customers access to 142 digital television channels, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services. As of December 31, 2013, we provided cable television services to approximately 224,000 RGUs in Portugal.

Belgium and Luxembourg. We offer subscribers analog and both basic and premium digital television services in the Brussels region of Belgium and Luxembourg under the "Numericable" brand. We believe we are the leading provider of pay television services within our footprint in Belgium. Subscribers to our basic digital television service can choose from a range of approximately 100 digital television channels in Brussels and approximately 110 channels in Luxembourg and are also able to access certain premium content and interactive services, such as VoD, HDTV and catch-up TV. Our premium television service provides customers approximately 130 digital channels in Belgium and approximately 155 digital channels in Luxembourg, together with certain optional interactive features such as VoD, access to additional HD channels and HD premium content and certain other premium services, including exclusive rights to football matches from the Belgian league. To cater to culturally and linguistically diverse customers in the region, we include in our pay television packages various foreign language channels, including English, Arabic, Spanish, Italian and Turkish-speaking channels in Belgium, and English, Italian and Portuguese-speaking channels in Luxembourg. As of December 31, 2013, we provided cable television services to 114,000 RGUs in Belgium and Luxembourg.

Israel

We are the largest provider of pay television services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the HOT brand. While we continue to offer analog television services to a decreasing number of customers (11,643 as of December 31, 2013), we are in the process of phasing out this service, which will free up bandwidth over our network enabling us to expand our digital services. We have developed targeted promotional offers to migrate our existing analog customers to digital television.

Our standard digital television package consists of 78 base television channels, two extra content packages, each of which adds 5 to 17 channels to the subscription depending on the content packages chosen by the customer, and 32 radio channels. Subscribers to our standard digital package can also purchase extra content packages giving them access to additional channels. We believe our standard offering includes more channels than the number of channels offered by our competitor in its standard pay television offering. Our standard television package contains a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels as well as channels in Arabic and in Russian to address demand from the culturally diverse population of Israel. We include in our standard package the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV and Zee TV as well as all the "must carry" channels that we are required to carry on our network under existing regulation. We regularly update our standard digital television package to reflect changes in viewer interest. Our higher-end packages include all six of our extra content packages as standard and include 34 to 42 premium channels, depending on the subscription. We also offer up to 20 television channels in HD that have enhanced picture and sound quality compared to regular television channels. Under Israeli regulation, we are required to include in our portfolio of pay television offerings a low-priced basic package. This package currently provides subscribers access to approximately 23 basic channels.

In addition to a high quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity, which are available even to customers not purchasing our broadband Internet services. We also provide our digital customers with a start-over service for over 25 television channels, which is included in all of our digital television packages, enabling the viewer who misses the start of a program to go back to the beginning of the program while the broadcast is in progress. Our digital television offering also includes VoD. Our VoD library is extensive containing over 27,000 hours of content as of December 31, 2013. In addition, we offer access to additional content libraries not included in our standard VoD service on a pay-per-view or monthly subscription basis. As of December 31, 2013, our VoD penetration rate was 57% of our pay television RGUs, which we believe is the highest in Israel. We also offer digital customers our PVR service, HOT Magic, for a monthly subscription fee by means of a set-top box that, in addition to receiving the regular digital broadcasts, enables digitally recording television programs to a hard disk in real-time. In 2011, we commenced offering digital customers the HOT Magic HD set-top box, which combines VoD functionality, HD technology and recording capabilities in a single set-top box. We rolled out La Box, one of our most advanced set-top boxes, in Israel, at the beginning of March 2014.

As the result of an order issued by the Israeli Minister of Communications, since February 23, 2014 the licensed cable companies, including us, have been required to offer a fixed price, narrow-base package at a price not to exceed NIS120 (approximately €25) per month. Our current offering pursuant to this order provides subscribers access to more than 20 basic channels.

We bolster our Israeli pay television service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of content which we undertake in partnership with local production partners. We package such original and purchased content into a range of television channels that we own and broadcast under the HOT brand to our television customers. The HOT suite of channels includes HOT 3, where we broadcast our co-developed local content, HOT Family, seven movie channels, the Israeli Entertainment Channel, sports channels and more than 10 children's channels, which we believe are highly popular in Israel and run shows with top television ratings such as Haborer, Asfur 2, Split 2 Wedding Season, TLV, Redband and Mehubarot 2. We also purchase rights to broadcast popular foreign channels over our network. Our total spend on television programming content during 2013 was NIS 598 million (€124.7 million equivalent, calculated based on the average exchange rate for the year ended December 31, 2013 of €0.2086 = NIS 1.00). We believe the quality of content we provide over our network generally and the HOT television channels in particular, has been a critical factor in attracting new customers, maintaining our existing customers and minimizing churn. Under existing regulations, we are subject to certain ownership restrictions that limit the number of television channels we are permitted to own. In addition, we are required by regulation to invest a minimum of 8% of our annual pay television revenues from subscriber fees in the production of original local content. We have been in compliance with these regulatory requirements in all material respects. For further details, see "*Regulatory Overview—Television—Minimum Investment in Local Content Productions*".

As of December 31, 2013, we had 875,000 pay television RGUs in Israel, representing approximately 77% of our Cable Customer Relationships in Israel.

French Overseas Territories

We currently offer analog and both basic and premium digital television services via our cable networks in Guadeloupe and Martinique under the "Numericable" brand. As of December 31, 2013, we provided cable television services to approximately 40,000 RGUs in Guadeloupe and Martinique. Our pay television offering includes up to 184 channels and radio stations including 33 HDTV channels. Our basic cable-based pay television package, Prima, priced at €29 per month, provides our subscribers with 106 channels and radio stations, including nine HD channels. Our premium cable-based pay television package, Premium+, offered for €49 per month, provides our subscribers with 184 channels and radio stations, including 33 HD channels.

We also offer, primarily outside of our cable footprint, our broadband Internet subscribers IPTV services via an unbundled xDSL network across the French Overseas Territories. Our xDSL-based pay television offering is offered as part of a triple-play package, Prima ADSL, priced at €49 per month. This package provides our subscribers with 90 TV channels and radio stations, broadband Internet access with download speeds of up to 20 Mbps and unlimited fixed line calls to landline and mobile number in the French Antilles region, French Guiana, mainland France and 100 international destinations. The premium package, priced at €59 per month, provides 130 TV channels and radio stations.

Broadband Internet Access and Fixed-Line Telephony

We provide broadband Internet access and fixed-line telephony services across our cable (and in certain areas xDSL) footprint. We typically sell these services as components of our triple-play bundles which we believe are cheaper than the comparable services currently offered by our competitors.

Western Europe

Annex I
R 6.2

France. In France, we offer "always on" high-speed broadband Internet with a download speed of up to 200 Mbps in the EuroDocsis 3.0- enabled part of our cable network and up to 30 Mbps in the EuroDocsis 2.0- enabled part of our cable network. Our broadband Internet offerings typically include a free wireless broadband Internet router, an account with up to 30 e-mail addresses, up to 200 MB of personal webpage space and parental control services. We believe that our broadband Internet offerings are the most advanced available in France. Our strategy is to provide a superior product with premium pricing by outperforming competitors in terms of upstream and downstream speed, product features and service quality. We are well-positioned to be a broadband Internet market leader in those parts of France where our services are available. We also offer DSL double-play services that include Internet access to our subscribers moving to homes that are not connected to our cable network in France. We had 8,340 double-play DSL customers in France as of December 31, 2012 and 24,871 double-play DSL customers in France as of December 31, 2013. We also recently introduced a new DSL triple-play package open to subscribers outside our cable network area. As of December 31, 2013, we delivered broadband Internet services to approximately 1.4 million residential subscribers in France, including approximately 1.0 million multi-play subscribers and 274,000 stand-alone subscribers.

We primarily sell fixed-line telephony services as part of our triple- and quadruple-play packages because most installed cable broadband Internet routers are equipped with, or can be easily exchanged for, a broadband Internet router with two voice ports. These packages include unlimited calls from the fixed-line telephone to fixed and mobile phones in France as well as to fixed phones in certain international destinations (and mobile phones in a few international destinations), which is the market standard for triple- and quadruple-play packages in France. As of December 31, 2013, we had approximately 1,024,000 fixed-line telephony subscribers.

Portugal. In Portugal, we offer customers various broadband Internet packages under our "Cabovisão" brand with advertised download speeds ranging from 30 Mbps in our low-tier packages to 360 Mbps in our top-tier packages. Our cable network is approximately 99% upgraded to EuroDocsis. 3.0. We also offer subscribers local, national and international long distance fixed-line telephony services and a variety of value added telephony features using VoIP under the "Cabovisão" brand. As of December 31, 2013, we provided broadband Internet access services to approximately 156,000 RGUs in Portugal. As of December 31, 2013, we provided fixed-line telephony services to approximately 223,000 RGUs in Portugal.

Belgium and Luxembourg. We are a leading provider of broadband Internet access services in our footprint in Belgium and Luxembourg. We offer customers various broadband Internet packages under the "Numericable" brand with advertised download speeds ranging from 50 Mbps in our low-tier packages to 200 Mbps in our top-tier packages. Our cable network is fully upgraded to EuroDocsis. 3.0, allowing us to provide up to 200 Mbps download speeds to all upgraded households. Within our network areas in both Belgium and Luxembourg, we are currently the largest fixed-line telephony competitor to the incumbent national telecommunications operators, Belgacom and P&T Luxembourg. Our fixed-line telephony offering includes local, national and international long distance fixed-line telephony services, as well as value added telephony features using VoiP under the "Numericable" brand. We use VoIP technology, which utilises the open standards EuroDocsis 3.0 protocol in Brussels and EuroDocsis 2.0 (currently being upgraded to EuroDocsis 3.0) in Luxembourg, and through which we are able to provide both Internet and fixed-line telephony services. Customers in both Belgium and Luxembourg who subscribe to our broadband Internet access or fixed-line telephony services as part of a triple-play package, in the mid-tier segment, benefit from lower prices than those currently offered by our main competitors. As of December 31, 2013, we provided broadband Internet access services to approximately 57,000 RGUs in Belgium and Luxembourg, of which approximately 48,546 were in Belgium and approximately 8,806 were in Luxembourg. As of December 31, 2013, we provided fixed-line telephony services to approximately 53,000 RGUs in Belgium and Luxembourg, of which approximately 45,748 were in Belgium and approximately 7,463 were in Luxembourg.

Israel

Internet service in Israel is uniquely structured in as much as it is segregated into two separate elements comprised of infrastructure or network access services and ISP services. Infrastructure access service relates to access to the physical network infrastructure within Israel that is required to connect the customer's device to the infrastructure access provider's operator. This service is provided exclusively by us and Bezeq, the only telecommunication operators in Israel that own a national fixed-line network infrastructure. ISP services, which can be provided by any licensed provider, consist of providing access to the customer from the infrastructure provider's operator, through its own operator, to the local and global Internet network. ISPs generally also provide certain value added services such as data protection services, security solutions, e-mail services and system administration services. A customer wishing to subscribe to Internet services in Israel effectively needs to purchase each of these services and accordingly retains the choice with regards to providers for both services, i.e., it may choose to subscribe to the broadband Internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband Internet infrastructure access providers, on equal terms. For further details, see "*Regulatory Overview—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 47% of our Israeli cable customers have customer services equipment in their homes which could support download speeds up to 270 Mbps. We currently provide our customers with options to purchase broadband Internet infrastructure access services with advertised download speeds ranging from 30 Mbps up to 100 Mbps subject to certain time or data volume restrictions which are not currently enforced, although we reserve the right to restrict usage to prevent abuse, at competitive prices. Our customers can also choose from our triple-play and double-play packages which include broadband Internet infrastructure access services along with our television and fixed-line telephony services. As of December 31, 2013, we had approximately 744,000 RGUs to our broadband Internet infrastructure access service in Israel, representing approximately 66% of our Cable Customer Relationships in Israel. As of December 31, 2013 we had approximately 33% market share of the broadband Internet infrastructure access market in Israel based on the total number of subscribers.

In February 2012, we started providing ISP services to our customers under the "HOTnet" brand. Unlike our competitors who generally offer ISP services at prices that increase depending on the access speeds desired by the subscriber, we offer our ISP services at NIS 20 (equivalent of €4.17, calculated on the basis of the December 31, 2013 exchange rate of €0.2086 = NIS 1.00) per month irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently permitted to provide ISP services on a stand alone basis and as part of a package with mobile services, and not as a part of our other multiple-play packages.

We provide fixed-line telephony services using PacketCable™ technology on our secure cable network by offering individual lines to our residential customers under our "HOT" brand. Our services include several ancillary value added features for end users such as caller identity, call waiting and call waiting with caller identity, follow me (a call forwarding service enabling the user to be reached at any of several phone numbers), conference calling, last call return, blocking of calls with no caller identity, blocking of caller identity for outgoing calls and voicemail services. We provide our fixed-line telephony services on a stand alone basis or as a component of our triple-play and double-play packages allowing customers to choose from a range of pricing options based on their expected usage. We offer a fixed-line telephony package of 1,000 free minutes to land line (calls to mobile included) for NIS 110. As of December 31, 2013, we had 676,000 RGUs to our fixed-line telephony service in Israel, representing approximately 59% of our Cable Customer Relationships in Israel. As of December 31, 2013 we had 30% market share of the fixed-line telephony market in Israel based on number of subscribers.

Customers who subscribe to our broadband Internet infrastructure access or fixed-line telephony services as part of a triple-play package benefit from lower prices than those currently offered by our main competitor.

We seek to maximize the use of our own cable network when routing calls in order to minimize interconnection costs and capitalise on our control over quality of service. We have reciprocal interconnection arrangements with all the domestic telephony operators, international long distance operators and mobile operators in Israel pursuant to which we pay interconnection fees to such other service providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points. The Israeli Ministry of Communications has recently reviewed the interconnection fees paid to domestic fixed-line operators and set the interconnection rate at 0.99 agorot per minute irrespective of whether calls are made during peak or off-peak times.

Fixed-line telephony in Israel is segregated into two separate services comprised of domestic fixed-line telephony services and international long distance services, each of which requires a separate license. We are currently licensed to provide both domestic and international long distance telephony services. The domestic license is valid until 2023 and the international license is valid until 2032, and both may be extended for additional ten-year periods subject to the approval of the Israeli Ministry of Communications.

French Overseas Territories

We provide broadband Internet access services within our network area offering subscribers monthly rate plans. In Martinique and Guadeloupe, we offer such services over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband Internet access services over our xDSL network. We offer advertised maximum download speeds of 30 Mbps and 20 Mbps over our cable and xDSL networks, respectively. Within our footprint, the download speeds of our broadband Internet and xDSL Internet access services are at least on par with those offered by our competitors since all of our competitors rely exclusively on xDSL technologies. Further, our product portfolio also includes narrowband Internet access (dial-up) services. As of December 31, 2013, we provided broadband Internet services to approximately 73,000 subscribers (including 17,000 cable based subscribers and 56,000 xDSL subscribers).

In Guadeloupe and Martinique, we offer subscribers local, national and international long distance fixed-line telephony services on monthly rate plans and a variety of value added telephony features over our cable network and, following the acquisition of Outremer, our unbundled xDSL network. We offer the same services in French Guiana, Mayotte and La Réunion solely over our unbundled xDSL network since we do not own a cable network in those territories. As of December 31, 2013, we provided fixed-line telephony services to approximately 95,000 RGUs in the French Overseas Territories (including 17,000 cable based subscribers and 78,000 xDSL subscribers).

Bulk Services in France

In France, we offer bulk services to housing associations and multiple-dwelling unit managers, such as managers of government subsidized housing, who in turn on-sell individual service packages to their residents. Our bulk service offerings include a bulk triple-play package which includes a basic digital television package of 48 channels, 30 radio channels, unlimited broadband Internet access with download speeds up to 2 Mbps, unlimited inbound fixed- telephone calls, and free Internet and telephony modems. We also offer a stand- alone analog television package to our bulk subscribers, though the subscription rate of this package is far below our bulk triple-play offering. We collect subscription fees directly from the multiple-dwelling unit manager generally on a quarterly basis, irrespective of whether our services are actually used by the residents, thereby limiting collection risk. Approximately 70% of the homes serviced by our bulk services division are in government subsidized housing.

As of December 31, 2013, we provided services to approximately 1.8 million individual subscribers under bulk contracts. We do not, however, have any direct contact with such individual subscribers, as these contracts are entered into between the subscribers and the building managers or the housing associations.

Our bulk services customer base has decreased slightly but proven resilient over the years, providing us with a steady revenue stream. Bulk services offered in France generated combined revenue of €70.0 million in 2011, €70.1 million in 2012 and €68 million in 2013. Although our contact with bulk individual subscribers is limited, we believe there are opportunities to up-sell individual triple-play and quadruple-play packages to the end-users of our bulk services. We use a targeted sales force to encourage more of our end-users to switch from a bulk subscription to an individual subscription. In buildings where there is a bulk contract, our sales teams utilise targeted sales approaches including door-to-door sales and suggested neighbor meetings to discuss Numericable services.

Customer Premises Equipment

We believe that advanced customer premises equipment is playing an increasingly crucial role in our cable-based business as it enhances the customer experience in various ways including by facilitating access to a wide range of user friendly features and services, it offers a reliable channel for selling add-on and on-demand services, it allows for multi-screen television viewing and broadband Internet usage by multiple parties and, when the set top box and the modem are combined in one box, it allows cable operators to significantly reduce customer service expenses. We optimise the customer premises equipment we purchase by relying on our in-house design and development capability to build the user interface of our set-top boxes.

Accordingly, we have decided to roll out "La Box", our most advanced set top box, in our Western European businesses ("One Box" in Portugal) and Israel. In May 2012, we launched LaBox in France and have already rolled out approximately 300,000 units as of December 31, 2013, bringing the total percentage of set-top boxes deployed in France that are capable of supporting download speeds of at least 100 Mbps to 29%. Since its introduction in the first half of 2013, we have already installed approximately 15,000 La Boxes in Belgium and Luxembourg. La Box is an innovative integrated set-top box and cable router offered to our customers subscribed to our premium multiple-play packages. We believe that La Box is one of the most powerful and interactive set-top boxes currently available in the markets where it is offered. It can deliver very-high-speed Internet, digital television services with a capacity up to 300 channels and fixed-line telephony with two telephone lines. La Box has four tuners that allow subscribers to record two television programs simultaneously while watching a television program, as well as watching different channels in different parts of a house. Television can also be streamed to different kinds of screens (such as tablets and mobile devices). It has HD and 3D capability and also includes an 802.11n Wi-Fi router, and a removable 160 GB PVR or optional 500 GB PVR which allows it to hold over 125 hours of HD or approximately 190 hours of SD programming. Additional features include an optional Blu-Ray DVD player, access to social networking features such as Facebook and Twitter on television and a VoD price comparison engine and intelligent content search. Smart phones and tablets can act as "remote controls" for La Box, allowing users to navigate the interface with their personal handheld device as well as to switch on and off the recording of television programs remotely through the application "TV Mobile". We expect that the introduction of La Box will result in the increase of our ARPU by attracting new premium package customers and prompting existing customers to upgrade to our premium packages, which offer La Box as standard. We expect that La Box will also promote the sales of our other premium services.

Mobile Services

Western Europe

France. In France, we offer mobile telephony services under the "Numericable" brand through the nationwide networks of Bouygues Télécom and SFR pursuant to several MVNO agreements in place since 2010 and 2014, respectively. Our agreements with Bouygues Télécom relating to voice transmission services are due to expire in 2017 and those relating to data transmission expired in 2012 and were automatically renewed for an indefinite term, subject to termination by either party upon twelve months' notice. The voice transmission services agreements will be automatically renewed in 2017 for an indefinite term, subject to either party providing notice of termination six months prior to the original expiration date. Once automatically renewed, the agreements may then be terminated by either party upon twelve months' notice. Our MVNO agreement with SFR for voice and data services will expire in 2020. At the end of the initial term, the contract will be tacitly renewed for an indefinite period unless terminated by either party upon the observance of a notice period of 6 to 12 months. However, the contract may be terminated during the initial period if we fail to meet a certain annual volume of minutes. While we pay a fee to each of Bouygues Télécom and SFR in exchange for access to the their wholesale networks, the mobile market is one where lower-cost unlimited calling contracts are becoming the norm and where margins are thus structurally limited, in particular following Free's entry into the market at the beginning of 2012. Our mobile telephony business is dependent on our contractual relationship with our providers; as we have not installed the necessary equipment, we do not have full-fledged MVNO status.

Our MVNO agreements in France enabled us to introduce a quadruple-play offer in 2011 and our MVNO contract with SFR enabled us to offer 4G services from February 2014. We currently offer a broad range of mobile telecommunications products and services, including mobile voice services and data services, such as SMS, MMS, games, news and music services. While our mobile services customer base is small and our core focus remains on our other offerings, we believe that our ability to offer mobile services is an important marketing and competitive tool, contributing to our brand image and helping to reduce churn.

We had approximately 113,000 mobile subscribers in France as of December 31, 2012 and approximately 186,000 mobile subscribers in France as of December 31, 2013. Nearly all such subscribers were quadruple-play subscribers. Approximately 20% of our new subscribers in 2013 subscribed to quadruple-play offers. Stand-alone mobile telephony services are offered at prices ranging from €1.99 to €29.99 per month. In January 2012, following Free's entry into the mobile telephony market, we revised our quadruple-play packages. We began offering a SIM card and additional mobile telephony services as part of a quadruple-play package for an additional fee ranging from no charge (Basic Mobile Package) to €15.99 (Ultra-Mobile Monde Package) per month. These packages are the same as those offered to our stand- alone mobile telephony customers but are offered at a discount when part of a quadruple-play package. They include unlimited calls in France and to 40 international destinations in Europe and North America, unlimited text messages and up to 3 GB of mobile Internet. Subscribers do not have to commit to a minimum contractual period. This is the only unlimited mobile service at this price available in stores, with in-person customer service, unlike Free, B&You (Bouygues Télécom's "low-cost" mobile offerings), Sosh (Orange's "low cost" mobile offerings) and Red (SFR's "low cost" mobile offering), which are only available online. We believe that we provide our customers with one of the best value-for-money mobile telephony offers in France with unlimited national calls (both to fixed and mobile telephones), unlimited text messaging and unlimited national data access.

Belgium, We began providing mobile services in Belgium in September 2012 under the "Numericable" brand through an MVNO agreement with Mobistar. Our portfolio of mobile packages includes basic as well as premium offerings. Our basic package, Mobile Start, is attractively priced at €9.90 and includes 60 minutes of domestic calls, 50 text messages and 5 MB of Internet data. Customers may elect to purchase certain add-on packages to increase their allowance, including 1000 text messages for €10 or 500 MB of data for €10. Our higher-end packages include Mobile Extra which is currently priced at €29..90 and comes with an allowance for 1000 domestic texts, 150 minutes of national calls and 500 MB of Internet data, and Mobile Max, which currently costs €29.90 and includes unlimited domestic texts and calls and 2 GB of Internet data. When purchased along with any one of our triple-play packages, Mobile Max costs only €29.95 which we believe to be the best-value-for-money mobile package currently offered on the Belgian mobile telephony market. As of September 30, 2013, we had approximately 3,000 mobile RGUs in Belgium.

Israel

We provide mobile services in Israel to residential subscribers under the "HOT Mobile" brand on our UMTS-based 3G network, which we launched in May 2012, and mobile services targeted primarily at business subscribers under the "MIRS" brand on our iDEN network. Due to current regulations, we currently offer our mobile services only on a stand alone basis and, for a limited time, in a bundle with ISP services.

Our UMTS network is based on the HSPA+ technology and we believe that, when completed, it will be one of the most advanced nationwide networks in Israel. The roll out of our 3G mobile services has enabled us to compete effectively in the mobile services market in Israel as we are able to provide up-to- date services to customers, including faster data transmission services (up to 42 Mbps) with a higher traffic capacity. Our customers also have the option of using a wider range of devices compatible with our network, including Android based and Apple branded handsets. Consequently, we will also be able to expand the range of value added services we offer to include a wide variety of applications and content requiring higher data bandwidth and more advanced devices. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 60% of the Israeli population. Since we launched our mobile services in Israel in May 2012, we have relied on Pelephone's network. In November 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which remains subject to regulatory approval, by the Israeli Ministry of Communications and subject to any required agreement or regulation. The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. In the interim period, we have also entered into an RoU Agreement with Partner, which will expire in 2017. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details, see "*Description of Group's Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services*" and "*Description of Group's Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*". Our Israeli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

We currently offer to private subscribers unlimited local calls, text messaging and Internet access for what we believe to be an attractive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. We believe our monthly fixed prices are more competitive than those offered by our large incumbent competitors. These prices are subject to changes, predominantly driven by the competitive nature of the Israeli telecommunications market. We also offer users pay-as-you-use packages, which charge customers on a per unit used basis. Our 3G services are targeted at post-paid subscribers who account for approximately 84% of the mobile market in Israel as of December 31, 2012 according to Informa Telecoms & Media. Since the launch of our UMTS based 3G mobile services in May 2012, we have added approximately net 592,000 UMTS RGUs as of December 31, 2013.

We also continue to provide mobile services using iDEN technology. As of December 31, 2013, we had approximately 218,000 RGUs who subscribed to this service, most of whom are business customers. We expect the number of iDEN customers to continue to decline in future periods.

In the event that the regulator releases spectrum for 4G LTE services and we successfully bid for a part of such spectrum, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialise such services. In the event that we are awarded spectrum and decide to commercialize 4G LTE services, we believe that upgrading our UMTS 3G network to 4G LTE capability would be possible with limited incremental capital expenditure or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner.

French Overseas Territories

Prior to its acquisition by us, Outremer launched its mobile services in December 2004 and has increased its market share, in part, through its attractively priced propositions. We currently provide subscribers 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process during 2014. We currently offer mobile subscribers a variety of monthly rate plans and pay-as-you-go plans. For example, our basic monthly mobile plan in Guadeloupe is priced at €15.99 (not including a handset) and has a 24 month lock in period. This monthly plan includes 90 free minutes and pay-as-you-go Internet data. Our high-end monthly plan in Guadeloupe is priced at €59.99 (including a handset), has a 24-month lock-in period and includes unlimited calls to other mobiles in Guadeloupe, 24/7 unlimited calls to landline and mobile numbers in the French Antilles, mainland France, French

Guiana and 100 other international destinations, 24/7 unlimited texts to all mobile numbers in the French Antilles, mainland France and French Guiana as well as 1 GB of Internet data. As of December 31, 2013, we had approximately 375,000 total mobile subscribers in the French Overseas Territories, consisting of approximately 197,000 post-paid subscribers (including approximately 12,000 business mobile subscribers) and approximately 178,000 pre-paid subscribers. Our mobile ARPU in the French Overseas Territories was €27.10 (including pre-paid subscribers) and for the year ended December 31, 2013.

Business-to-Business Services

France

In France, we provide business customers with a comprehensive service offering, which includes voice services, either traditional switched voice or VoIP, and data services, such as very-high-speed broadband Internet, worksite connection and housing (IP VPN, LAN to LAN, SAN to SAN) and cloud services and hosting. As of December 31, 2013, our fiber network served more than 10,000 business and public sector sites directly (and approximately 800 additional sites through third party fiber connections), and our DSL network served more than 80,000 business and public sector sites. In addition to approximately 12,000 mid-sized business clients, as of December 31, 2013, we had approximately 600 large corporate clients in France, including corporations such as EDF, Air France, M6, Groupama and Société Générale and public entities such as the French Ministry of the Interior and ten other ministries of a total of twenty ministries in France, the University of Rennes and the Paris City Hall (*Mairie de Paris*). We provide services to approximately 70% of the companies listed on the CAC 40. Although we have historically focused on large B2B clients, we now intend to focus increasingly on the midmarket whose demand for value-added services (IP, cloud services, security services, etc.) and broadband Internet data services (data centers, VPNs, Ethernet ports, etc.) is growing. We offer our B2B services in France under the Completel brand. We are the second largest alternative operator to the incumbent Orange, after SFR. We believe we are the fastest growing B2B operator in France, with 4% B2B market share captured as of December 31, 2012 since June 30, 2007. We estimate that our B2B market share in France in 2013 amounted to approximately 7%, compared to Orange's 70% market share and SFR's 12% market share. We believe that we are well-positioned to increase our market share in both the large corporates and mid-market segments, in which our estimated market shares in 2013 were 8% and 4%, respectively. One of the key drivers of our B2B business in France is our collection of powerful fiber networks connected to our backbone, covering large metropolitan areas. Our B2B network is supported by 80 MANs, covering the main business areas in France. In addition, the combination of our fiber MANs and our DSL networks provides us a key technological edge in the French B2B market, enabling us to deliver customized products and services at competitive pricing. Our fiber network is also flexible due to its high capacity bandwidths ready for future services that will require an even greater bandwidth capacity and reliability. We also have three datacentres located in Paris, Rouen and Lyon to support our cloud and hosting services.

Fixed-Voice Services. Our B2B service offerings cover all fixed voice needs of our clients, including standard inbound and outbound calls using our switched voice network and, increasingly, VoIP technology, as well as our customized network architecture solutions based on fully digitalized technologies including IP. While large corporates generally have their own infrastructure for fixed voice solutions installed, medium-sized companies often seek solutions that minimize the need to install such infrastructure. For example, large corporates typically install servers at their sites to enable them to use VoIP services provided by us. The Prospectus enables customers to centralize their telephony needs on their principal sites by centralizing all of their telephony equipment on the customer's central site. This solution enables companies to rationalize costs of equipment and to route all of their internal calls through their data network. VoIP services may also be used as a back- up. Mid-sized companies often choose to use our Centrex IP service, which uses a server owned by us located in a datacentre, rather than relying on an on-site server. This service provides mid-sized businesses with a cost-optimal solution as the cost of the server is spread among our other B2B customers using our Centrex IP service. We enhanced our Centrex IP offering in 2009 through the acquisition of B3G, a French leader in Centrex and IP telephony for businesses. In addition, we provide B2B customers with tools to manage their telephone services, such as routing and intelligent management of incoming calls to customer service lines. Our Extranet service provides customers with access to detailed traffic reports and billing. Furthermore, we also offer free phone services and premium-rate services (known as "800 numbers" in France), although we expect this product to decline in the near future as we focus on more profitable segments. As of December 31, 2013, we provided fixed-voice services to more than 15,000 corporate and public institutions and managed more than 70,000 Centrex lines in France. We believe we are the leading provider of IP

Centrex services in France. We believe that we transport more than 12 billion minutes of voice traffic per year in France.

Fixed Data Services. We offer a wide range of fixed data services including broadband Internet access, transport, multi-site data connectivity, VPN, LAN to LAN, security, messaging and hosting and other value added services to our French business customers. We rely on our three datacentres to provide hosting services. We rely on two of our three datacentres in France to provide our cloud service offering. Along with our own IP network, we have access to a "peering" network with other operators and Internet providers present in France as well as with major international players. As with fixed-voice services, customers may connect their central site to our cable network, which offers the best quality, and to our DSL network if no access to our cable network is available.

(a) Worksites Connection and Housing (IP VPN, LAN to LAN, SAN to SAN)

We provide a wide range of services to connect work sites through secured Internet and database housing. A customer can connect its various work sites and affiliates through LAN to LAN Ethernet or with IP (IP VPN) and have high- speed Internet access combined with safe solutions for the housing system and easily manageable selling platforms. Our housing solutions are backed by a high-flow telecommunications structure that improves the availability of applications. We offer IP VPN services that enable businesses to send and receive data across a private, secure network, through a virtual point-to- point connection. Our services are adaptable to the technical and functional requirements of the customer's infrastructure, with flexibility in terms of bandwidth, connection technology and management of strategic flows (VoIP, Visio) and the customer's network. We bolstered our IP VPN offering in 2010 through the acquisition of Altitude Télécom, a French specialist in IP VPN with the know-how to connect a multitude of sites. Prior to its acquisition by us, Altitude Télécom connected approximately 30,000 sites in France on approximately 1,000 VPNs. This know-how has recently enabled us to secure contracts with the French Notaries Association (*Notaires de France*), connecting thousands of notary offices across France, and Volkswagen, connecting hundreds of dealerships across France. We offer LAN to LAN services that are adaptable to the business' specific protocols, which allow customers' LAN to operate as if they were located within the same building. We also offer SAN to SAN services that enable customers to securely interconnect and synchronize their information technology platforms in remote locations. Our customers thus benefit from data disaster recovery solutions through redundancy on separately located sites and flexibility, permitting both simple copies as well as total and synchronized redundancy. We believe we are the second largest Ethernet operator in France, connecting approximately 4,000 sites, and the third largest IP operator, connecting over 80,000 sites in France.

(b) Cloud Services and Hosting

We offer a full range of cloud services, including external flexible telephony services, messaging and security solutions and hosting services (i.e., servers and platforms). We focus in particular on providing "infrastructure as a service" ("IaaS"), which provides customers with the benefits of infrastructure without having to invest in it. Combining IaaS with our broadband Internet network uses the power of fiber and contributes to customer loyalty, while leveraging our expertise in critical network architecture (Business Continuity Solutions, or disaster recovery plans). We have three major datacentres, of which two are able to provide its IaaS package. In France, the security of information systems and the data included therein requires careful management, including hosting in datacentres located in France in order to benefit from French data protection laws, and hosting in a private, secure, closed network in order to lock and control access from all points. In addition, our cloud solution provides information systems hosted on IaaS platforms located in one of our datacentres, which are completely secured through our private network. Data is hosted within an infrastructure and network that is completely closed (LAN to LAN or VPN), independent from the Internet, in our datacentres located in France and therefore not subject to any foreign jurisdiction.

(c) Completude and Completude Max Offers for Mid-Sized Businesses

Originally focused on large corporates, our B2B business in France has recently begun to target mid-sized enterprises. Our packaged offering aimed at the mid-sized businesses, Completude, bundles fixed voice, data and additional services, offering a global solution for B2B customers for Internet access, unlimited telephone calls to fixed lines, and 45 international fixed destinations and other technical solutions such as type fax to mail and email voicemail. Our Completude offer generates relatively high margins despite its low price. Our premium package, Completude Max, offers broadband Internet at symmetrical speeds of up to 100 Mbps through our FTTB network for the same price as the slower DSL offers of our competitors. Over 500 corporate and public institution sites in France used Completude Max as of December 31, 2013.

Israel

We provide broadband Internet access, pay television, fixed-line and mobile telephony services and a range of advanced telecommunications solutions to our business customers in Israel. Other than our iDEN based mobile services which we market under the "MIRS" brand, we market all of our business-to- business services in Israel under the "HOT" brand. Our fixed-line telephony services include offering individual lines to businesses as well as PRI trunks (consisting of up to 30 voice lines per trunk) to our business customers. We also provide business numbering services allowing for toll free calls from anywhere in Israel to 1-800 numbers and a split billing calling service to businesses (1-700). Our portfolio of advanced telecommunications services include data and video transmission and VPN services aimed at business customers and other telecommunication providers using synchronous digital hierarchy SDH technology or IP technology. Among the solutions we offer are network services for transferring data from point to point, transferring data between computers and between different communications networks, communications network connection to the Internet and remote business access services. As our Israeli B2B business remains operationally integrated in our residential cable business and mobile business, we recognize Israeli B2B revenue within revenues from cable based services and revenues from mobile services, as applicable.

In addition, we also license the pay television content formats that we create and own to other telecommunications providers around the world. For example, we have in the past sold our popular television series Split to providers in 72 countries.

Portugal

Our recent acquisition of ONI, a leading B2B services provider in Portugal, has brought a strong B2B sales and marketing force and diverse customer base as well as attractive service offerings and distribution capabilities to our Group. As a result of the acquisition, we are now the second largest B2B services provider in Portugal. We believe that this acquisition will continue to allow us to expand our fixed-line product offering to a broader set of B2B customers at a lower cost as a result of our existing, extensive fully-owned last mile cable network throughout Portugal. Our B2B services offered in Portugal include broadband Internet access, telephony, virtual private network, leased lines, datacenter services and other corporate fixed-line services to small and large businesses. Our customers include European Maritime Safety Agency, Transportes Sul do Tejo, the Portuguese Ministry of Agriculture, the Portuguese Ministry of Finances, Turismo de Portugal, EFACEC, Continental Hotels, INATEL, ANA Group, HOVIONE, Viagens Abreu, Grupo Auto Sueco and Radio Televisao Portuguesa.

Belgium and Luxembourg

In Belgium and Luxembourg, we offer a range of dark fiber, Internet links and other fiber based network services to telecommunications operators, financial institutions, public service customers and multinational companies. Our customers include Telenet, Verizon, Colt, Dexia and the European Central Bank in Luxembourg and the EU, NATO and the Brussels police in Belgium. We do not directly provide value-added services. Our business customers evaluate our offerings based on price, technology, security, reliability and customer service. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which we sell to our business customers who may require enhanced capacity or security.

Switzerland

We are one of the leading providers of information and communications technology services aimed at business customers in Switzerland. Our portfolio of service offerings includes broadband Internet access, hosting, multimedia and data backup solutions. We conduct our B2B business in Switzerland under the "green.ch" brand, with the exception of our datacenter services, which we also provide under the "Green Datacenter" brand.

Content Subsidiaries

In October 2013, we acquired the French operators of sports themed television channels Ma Chaîne Sport and Sportv. Ma Chaîne Sport produces and assembles a diverse range of content including live broadcasts of sports events and other programs relating to football, tennis, handball, boxing and other sports as well as general health and well being. It broadcasts such content via four specialized French channels, Ma Chaîne Sport, Ma Chaîne Tennis, Ma Chaîne Extreme and Ma Chaîne Bien Etre. Sportv produces and assembles pay television content focused primarily on extreme and combat sports for distribution via its French television channel, Kombat Sport. We offer the channels distributed by Ma Chaîne Sport and Sportv as part of our pay television packages in several of our geographies. In addition, Ma Chaîne Sport and Sportv also distribute their television channels to third party service providers including Numericable France, Zeop, Canal Plus, Orange, Startime, Maroc Telecom, Naxoo and Netdream.

Wholesale Services in France

While we offer some wholesale services, including interconnection services to other operators, across our geographies, we run a focused wholesale business in France which we consider to be a key part of our global operations.

We offer a full range of wholesale products and services, including wholesale carrier services (voice and data), wholesale infrastructure services (dark fiber) and white label services.

Following the combination of Numericable's and Completel's networks in 2008, we have been able to leverage the extensive footprint of our cable and DSL networks in France. Our wholesale business in France allows us to accelerate the payback period of our network investments. We have evolved from being a local wholesale player to being a wholesale player with international and national customers. We have a wide product portfolio and customer base, with more than 200 national and international operators as customers. Our key customers include Paritel Operateur, SCT Telecom, Tata, BT and Bouygues Telecom. Our wholesale business benefits from cross-selling opportunities that arise in our B2B business. For example, we are a wholesale provider to British Telecom, which provides B2B services to Société Générale. Société Générale required an international telecommunications operator and we were best suited for providing the portion of the services to be delivered in the French territory. Our French wholesale business enabled us to target this category of services.

We address the whole spectrum of the wholesale market in France, providing local, national and virtual operators in France as well as international operators with an alternative to Orange and SFR, which are the two main wholesale suppliers in France. We believe our overall wholesale market share in France is approximately 10-20%. Our wholesale customers include Bouygues Télécom, AT&T, Data Communications and Level 3 Communications.

Wholesale Carrier Services—Voice

We provide voice termination of national and international traffic and fixed and mobile interconnection for operators with no or limited fixed network capillarity, including national and virtual operators in France and international operators in France. Fixed termination services enable an operator to use our network to connect to another operator's network to which the customer is not connected. Fixed and mobile interconnection services enable an operator to use our network to terminate communications on a third-party operator's fixed or mobile network to which it is not interconnected. This business is a legacy business from Completel. Call termination charges in France are regulated by the ARCEP and have decreased in recent years for landline networks. Therefore, our termination charges invoiced by other landline operators have decreased and in turn, our revenues from call termination charges invoiced to other landline operators have also decreased in the same time frame.

Wholesale Carrier Services—Data

We also sells circuits based on SDH and Ethernet technologies (i.e. copper or fiber) and optical fiber or DSL network (unbundling) connections to international operators or local operators with sub-scale networks in France, principally using our own network and less often reselling the use of other operators' networks. These services are generally invoiced per circuit (covering both bandwidth and speed). The setting up of a direct connection with a client favors higher margins. In our wholesale data business we typically employ a project-based approach whereby each circuit must provide a minimum return after a pre-defined payback period. Our data wholesale activity has shown regular growth since 2009, and we expect strong growth from this business in the future due to increasing worldwide data traffic and migration from legacy SDH or DSL technologies to Ethernet and fiber technologies. We believe we will be able to benefit from future growth in data traffic by leveraging our extensive fiber footprint and the combination of Numericable's and Completel's interconnected networks. Key customers of our wholesale data business in France include international and local operators with sub-scale networks in France, including AT&T, BT, Global Crossing Level(3) and Verizon.

Infrastructure Wholesale Services

We optimise 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 fiber optic connections to consumers as well as support in enabling us to deploy fiber on public property. Through December 31, 2013, we had connected approximately 164,000 homes in France through vertical FTTH networks. Deployment costs are shared with the telecommunications operators seeking access to the network in accordance with regulated tariffs and, during the term of the IRU, we provide maintenance services and charge maintenance fees to the operators who have access to the network.

We also carry out wholesale activities in France through our 95%-owned subsidiary Sequalum, the remaining 5% of equity interests in which are held by SFR Collectivités, a telecommunications infrastructure subsidiary of SFR. Sequalum was established in 2008 to plan, deploy and operate an FTTH very- high-speed fiber network under a French law scheme known as *délégation de service public* ("DSP") in an affluent district adjacent to Paris (Hauts-de-Seine), which includes the major business center La Défense. This DSP project is called DSP 92. A DSP is a form of public-private partnership under French law pursuant to which a public entity entrusts private entities to operate a public service in return for remuneration that is based on the results of operations of the service in question. Fiber deployment started in October 2009 and the first customers were connected in 2010. In July 2013 we were notified by the Hauts-de-Seine General Council of the approval of phase II of this project which is expected to continue until 2016. Pursuant to DSP 92, Sequalum has a 25-year concession, starting from January 20, 2009, to operate the relevant fiber network. The Sequalum network, when fully deployed, will cover 100% of the territory of Hauts de-Seine via 2,600 kilometers of fiber cables and reach 827,900 apartments and offices. It is open to all retail telecommunications operators, for a fee per connected household. Sequalum also charges fees for various services rendered to operators, such as the connection and disconnection of plugs, network capacity increases and the maintenance of the network, and sells capacity on its network to wholesale telecommunications operators. The access fees charged to retail telecommunications operators in a portion of the Hauts-de-Seine district that is classified as a "very dense area" are regulated by the ARCEP. Other fees charged by Sequalum are not regulated. Since 2009, Sequalum has connected approximately 500,000 homes in horizontal fiber and, since 2011, approximately 200,000 homes in vertical fiber. Revenue generated by this project has been generated to date principally from the granting of IRUs to other operators and has been minimal.

Furthermore, we also sell point to point connections. This includes backhauling radio sites for 3G and 4G deployment to other French national operators. We expect this business to grow, as higher bandwidth is needed and more antennas are built in connection with the roll-out of 4G by operators. Between 2010 and 2012, the Group connected approximately 200 sites for Bouygues Télécom and between 2012 and 2013, the Group expects to connect approximately 1,000 sites for SFR.

White Label Services

White Label Services (Cable). We provide white label dual-play or triple-play access lines to third-party operators through our cable network in France. We first began providing triple-play white label cable services in October 2009 to mobile phone operator Bouygues Télécom. We also provide white label dual-play and triple-play access lines to third-party operators through DSL (mainly unbundling). For more information on our white label (DSL) services, please see "*—White Label Services (DSL)*".

We sell white label triple-play services under long-term contracts and tailor them to the needs and requirements of each of our customers. Bouygues Télécom is currently our sole cable white label customer, following its acquisition of Darty's telecommunications business in July 2012. Services provided to Bouygues Télécom include pay television and broadband Internet access white label access lines, but do not include customer premises equipment. We continually adapt the particulars of our services to the evolving needs of our clients: for example, in 2013, an amendment to our contract with Bouygues Télécom increased the maximum Internet download speed to 200 Mbps as from 100 Mbps.

White label services allow us to leverage our network, benefit from the significant distribution networks of our partners and reach customers we would not otherwise reach through our residential cable-based offerings. This in turn enables us to acquire end-users without the associated acquisition costs under long-term commercial terms. As of December 31, 2013, we provided fiber white label triple-play services to approximately 363,000 end- users.

White Label Services (DSL). In addition to white label cable services, we provide white label double-play and triple-play access lines through our DSL network in France (mainly unbundling) to third party operators. We first began providing triple-play white label DSL services in 2006 in connection with the launch by the French retailer Darty of its own branded triple-play offering, the "Darty Box." Under this contract, we sold triple-play services to Darty, which resold them to its own customers under its own brand. We also entered into white label contracts with the French retailer Auchan in 2008.

We sell DSL white label triple-play services under long-term contracts and tailor them to the needs and requirements of each of our customers. Our contracts with each of Darty and Auchan include and included, respectively, pay television, broadband Internet access and fixed-line telephony services. We also provide our customers with certain other products and services such as set-top boxes. Our DSL white label contracts provide us with the same benefits as our fiber white label contracts in terms of leveraging our network and acquiring end-users without associated acquisitions costs.

Bouygues Télécom acquired Darty's telecommunications business in July 2012. We expect that this acquisition will continue to lead to the migration of Darty's customer base to Bouygues Télécom's network over the long-term. According to the agreement with Bouygues Télécom, a certain number of white label customers were migrated in 2012 to Bouygues Télécom's network (as such customers were only partially unbundled on our network and could be fully unbundled on Bouygues' network), but the remaining clients have not been automatically migrated to Bouygues Télécom's DSL network. However, Bouygues Télécom has successfully recruited new subscribers onto its own DSL network and churn at Darty has led to fewer and fewer white label customers on our DSL network. Our white label contract with Auchan terminated in March 2013 when we acquired Auchan's television, broadband Internet and fixed telephony service business, with customers migrating to Numericable in April 2013.

We provided DSL white label triple-play services to approximately 120,000 end-users in France as of December 31, 2012. Although our DSL white label business has been a key component of our growth since 2009, we expect a decline in this business due to our focus on growing our own branded customer base and related development of fiber access, and Bouygues Télécom's take-over of Darty. However, we believe that there is a potential for development in white label DSL services among small operators in France. We also believe that development opportunities exist for the creation of a platform for third party operators providing services to SoHos and SMEs.

Marketing and Sales

While historically the marketing and sales functions of our Group were carried out entirely by locally managed teams, we are currently in the process of establishing a monitoring and benchmarking system at Group level which will allow us to better track monthly marketing and sales performance metrics on a Group-wide basis. We expect that this initiative will allow us to tailor our marketing and sales strategy in better accordance with the trends in the markets in which we compete.

The marketing departments at our businesses are responsible for strategic brand positioning and developing and monitoring our advertising campaigns. Working in conjunction with our sales and customer care divisions, our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We target our marketing efforts at residential customers in single dwelling units and multiple dwelling units such as apartment buildings. We also market our B2B services to institutional customers and businesses such as large corporates, governmental and administrative agencies, small- and medium-sized businesses, nursing homes, hospitals and hotels. Our primary marketing channels are media advertising including commercial television, telemarketing, e-marketing, door- to-door marketing, billboards, newspaper advertising and targeted mail solicitation. We continuously evaluate our marketing channels to allocate our resources most efficiently. Marketing is a key focus of our businesses, with €87.9 million spent on sales and marketing efforts by the Group in the year ended December 31, 2013, out of which our businesses in Israel, Belgium & Luxembourg, Portugal and the French Overseas Territories accounted for €49.9 million, €3.4 million, €10.0 million and €20.0 million, respectively. The Numericable Group spent €96.9 million on sales and marketing efforts in the year ended December 31, 2013.

In France, our marketing department is responsible for designing and promoting new products and services to customers, with a particular focus on campaigns for triple- and quadruple-play packages. We market and sell our services under our "Numericable" brand.

In Israel, we market and sell our cable-based services under the "HOT" brand and in 2012 we began to also market our 3G mobile services aimed at residential customers under the "HOT Mobile" brand which allows us to leverage the recognition associated with the "HOT" brand. We continue to market our iDEN based mobile services to business customers under the "MIRS" brand. As part of our commercial television advertising strategy, we contract with popular Israeli celebrities, including actors associated with local content that we broadcast, to market our services and increase customer awareness of the "HOT" brand.

In Portugal, we market and sell our cable-based services under our "Cabovisão" brand. Our marketing department at Cabovisão is divided into two groups, a communication team responsible for designing our advertising and a product management team responsible for developing our product offerings and overall marketing strategy. Our marketing efforts leverage our strong local presence and the reliability of our customer service functions, and are focused on a simplified new offer for easier comparison with our peers' products. In Portugal, we market and sell our B2B services under our "ONI" brand. Our marketing strategy in respect of our B2B customers revolves around branding, promotion and customized product offerings addressed to the corporate and public sector. We offer a global and integrated portfolio of tailor-made B2B services to customers operating in multiple locations with often complex business requirements. Our sales team is 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.

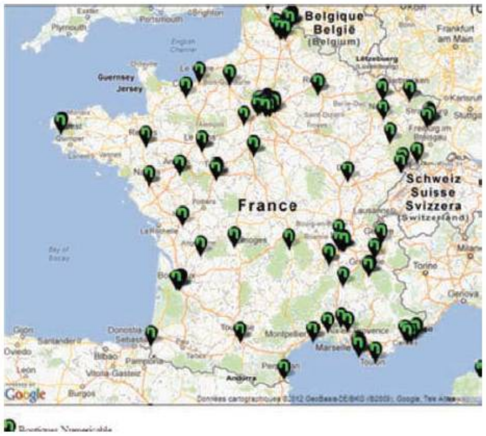
We began to market our cable-based and xDSL-based services in the French Overseas Territories of Martinique and Guadeloupe under the "Numericable" brand name in September 2013. We continue to use the

"ONLY" brand to market our mobile services across the French Overseas Territories and our xDSL- based services in French Guiana, La Réunion and Mayotte. In the French Overseas Territories, we use comparative adverts and promotions as part of our mass media advertising campaign to promote our low prices, proximity and quality.

Our marketing strategy is based on increasing the penetration of multiple-play services within our subscriber base, increasing distribution of television based value added services and ensuring a high level of customer satisfaction in order to maintain a low churn rate. We highlight our multiple-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multiple-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us.

We use a broad range of distribution channels to sell our products and services throughout our operations, including retail outlets owned and run by the Group, retail outlets owned and run by third parties, dedicated sales booths, counters and other types of shops, door-to-door sales agents who are either employed by us or are paid a commission based on sales closed, inbound and outbound telesales and, in certain countries, our websites.

In France, we have in recent years revamped our sales strategy, focusing on maximizing returns from our investments in network upgrades and in innovative products and technology. We have divided our residential sales network in France into four regions and 165 selling zones, each under the responsibility of a local manager. Each zone has its own detailed monthly reporting system which provides regular updates on, among other metrics, numbers of new customers, churn rates, revenue generation and customer satisfaction and we rely on these reports to determine sales strategy relating to increasing ARPUs and customer acquisition. We employ a mix of sales channels, ranging from websales to retail partnerships to telesales, using retail stores to demonstrate and sell our high-end products, including in particular our premium services that offer LaBox as standard, and relying primarily on websales and telesales to increase our penetration rate among lower-end customers. In order to encourage websales of our lower-end packages, we sell certain of our products and services at a lower price online. We market certain of our offerings, such as the iStart package, which includes access to very high-speed broadband Internet and DTT channels, exclusively through our website. As of December 31, 2013, we had 148 Numericable stores in France, 60% of which were run as franchises under exclusive distribution agreements. The following map illustrates our selling zones and store presence in France including franchise locations.



We continue to establish retail partnerships with leading French retail outlets (including Boulanger, Carrefour and Cora) as part of our proximity sales strategy. As of December 31, 2013, we had 250 retail sales points operating through such retail partnerships. We expect to increase our number of own stores and decrease the number of retail sales points. We use different channels in each retail zone depending on our presence and success in that zone. For example, in areas where we have a low penetration rate, door-to-door sales can be a way for us to become a better-known operator, with this marketing method resulting in increased sales through other channels. We also have a separate sales team in charge of selling our bulk services to building managers or housing associations. Our B2B business relies on a sales team that includes both direct and indirect channels. Our direct sales channel includes 170 sales engineers dedicated to the midmarket and 55 sales engineers dedicated to large corporates. We established our indirect sales channels in 2012 and these include 250 distributors led by 46 sales managers employed by us (who manage indirect sales through distributors), increasing our footprint and accelerating order intake. We address large corporates through dedicated sales engineers as well as indirect salespeople offering integrated services. We address the midmarket through dedicated sales engineers and a network of distributors managed by salespeople employed by us. Indirect sales channels people are managed by our sales engineers and are intended to help us better connect with the midmarket where local contacts are important. Indirect sales people include our B2B offers in the selection of offers that they market to mid-sized companies, along with the offers of our competitors. We have also successfully leveraged our residential and B2B operations by taking advantage of cross-selling opportunities in the wholesale segment.

Our sales distribution channels in Israel include 36 dedicated sales booths owned by the Group and operated by external dealers (the "HOT Booths"), other dealer outlets, telemarketing, and a door-to-door sales team. We have an in-house sales department for cable services, which is responsible for our sales, and we also hire external sales agents to facilitate our sales who earn a commission based on number of sales closed. Our largest distribution channel is telemarketing, while door to door sales and dealer sales also accounted for a significant portion of our sales. In Israel, we target our marketing efforts for our 3G mobile services primarily at individual customers and our iDEN mobile services primarily at institutional and business customers. We use a broad range of distribution channels to sell our mobile services, with the majority of our sales through the HOT Booths and approximately 18 sales and service centers, and a smaller portion through other dealer outlets such as branches of the Israel Postal Corporation and Menta stores Electric Warehouse, our HOT Mobile website, inbound and outbound telesales and door to door sales. In the ultra orthodox sector, we market our mobile services through an external distributor. Additionally, we focus on recruiting individual customers through our business customers by offering attractive packages and plans to their employees.

In the French Overseas Territories, we have attractive distribution capabilities with 81 points of sale for approximately two million inhabitants across the region. Our recent acquisition of Outremer has allowed us to gain access to this high-density distribution network with excellent cross- selling and up-selling opportunities. While most of our competitors externalize distribution, we believe our distribution network is a key competitive advantage as it enables us to better control sales and costs and to better service our customers as our service offerings become increasingly more complex, while also facilitating cross-selling. We have progressively increased the range of products we sell in our retail outlets starting from mobile, fixed-line telephony and xDSL-based services to, more recently, mobile accessories, handset insurance and new subscription-based services payment services. We have also integrated our cable and mobile distribution networks following our acquisition of Outremer which allows us to sell cable-based services in our shops in Martinique and Guadeloupe.

We have a distribution network of four retailers in Belgium and two retailers in Luxembourg. We make both inbound and outbound telesales through our customer call centers in Brussels for Dutch-and English-speaking customers, Casablanca, Morocco for French-speaking customers in Brussels, and Differdange, Luxembourg for Luxembourg customers. We encourage customers to purchase our products and services through our website, which we believe provides customers a clear understanding of our product prices and features, and results in lower subscriber acquisition costs.

In Portugal, we have two different sales teams, one focused on residential cable customers and the other one targeting B2B customers. For the year ended December 31, 2013, door to door sales accounted for the majority of our sales of residential cable television services, followed by sales through our 19 retail stores and inbound/outbound telesales. We incentivize our sales force through aggressive commission rates based on number of sales closed. We are undertaking measures to shift our distribution channels from door to door channels to call centers and stores as we believe that this will help us more optimally capture our target customers. Our B2B sales force consists of a dedicated team of 49 (including 11 presales agents) covering our entire footprint and focuses on small offices, home offices, small and medium enterprises, large corporates and public entities. Our B2B sales team is supported by a call center function.

Customer Contracts and Billing

We typically enter into standard form contracts with our residential customers. We review the standard rates for our services on an on-going basis. In certain of our geographies, in addition to the monthly fees we charge, customers generally pay an installation fee upon connecting or re-connecting to our cable network. The terms and conditions of our contracts, including duration, termination rights and the ability to increase prices during the life of the contract, differ across our operations primarily due to the different regulatory regimes our business is subject to in each of the jurisdictions in which we operate.

In France, we offer residential subscribers contracts with a duration of 12 months. Contracts with our B2B customers are generally entered into for an initial minimum period of one year for voice services and three years for data services, but are renewable for an indefinite period of time unless terminated by the customer or renegotiated. Contracts with public sector entities generally have a maturity of three to five years following mandatory tender processes. Our bulk contracts have an average duration of five years.

In Israel, we offer our residential cable customers commitment free contracts meaning that they can terminate the contract at any time without paying an exit fee. Our residential customers are charged a monthly fee based on our standard rates at the time of subscription, which includes a monthly rental fee for end-user equipment such as set-top boxes. We have recently become subject to new regulations which require that the monthly fee for our pay television can only be collected at the end of the month for the services delivered during the preceding month. Previously we offered contracts with a duration of 12 or 18 months. We are not committed to maintain the prices at which we currently offer our products. Although in Israel we are generally locked into the prices we offer for the entire duration of the contract, we are permitted to increase prices based on an increase of the CPI index used to measure inflation and in certain offers, we reserve the right to increase prices subject to certain terms. The price of our analog television services is subject to a maximum tariff, which is determined by the Israeli Broadcasting Council from time to time. Analog television accounted for 12,000 pay television RGUs in Israel as of December 31, 2013. The prices of our other cable based services are subject to general oversight of the regulatory authorities, including notification requirements for price changes, but are not subject to a maximum tariff. Our contracts with business customers are generally not commitment free, provided the amount exceeds NIS 5,000 per month, and pricing is based on our standard rates for the services subscribed to or in certain cases on individually negotiated rates.

We also offer our HOT Mobile residential mobile customers commitment free contracts meaning that they can terminate the contract without paying an exit fee at any time. We were among the first mobile operators in Israel to unbundle our services from the purchase of handsets by offering customers our 3G services on handsets of their choice which they need not have purchased from us. Our mobile customers are generally charged a monthly fee based on our standard rates at the time of subscription and a one-time fee relating to SIM cards, and if purchased from us, the sale of handsets which we do not subsidize.

In Portugal, we offer our residential cable customers contracts with a duration of up to 24 months. New customers are typically locked in for a 24-month period. Monthly fees typically include our rates as of the date of subscription plus a rental fee for end-user equipment. While we typically provide customers with modems free of charge, we offer set-top boxes either free of charge or subject to a discount or a deposit, depending on the offer. In line with market practices in Portugal, we usually do not charge our customers any connection fees. We are permitted to increase prices without any limitation imposed by the regulatory authority, however, we are required to provide our customers with one month’s prior notice. Contracts with business customers are individually negotiated, the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract. Business customer retention is high compared to the retention of residential customers as switching service providers in the short term can be difficult and costly especially for large corporate customers. Long term business customer relationships usually last on average for six years with contract terms ranging between 24 to 36 months.

In Belgium and Luxembourg, we offer our residential cable contracts with a maximum duration of six months due to regulation. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices (and subject to the approval of such price increase by the Minister of Economy in Belgium). For regulatory reasons, we do not charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

In the French Overseas Territories, we typically offer residential cable and xDSL customers contracts with a duration of 12 months, while our mobile customer contracts typically have a duration for up to 24 months. We are permitted to increase prices during the term of our customer contracts subject to an obligation on our part to afford customers the right to terminate their subscriptions should we decide to raise prices. We charge our customers early exit fees if they decide to terminate their contracts with us prior to expiration.

Our billing system for cable based services in Israel has been developed by Convergys Solutions Limited ("Convergys") and we receive certain consulting, support and maintenance services from Convergys. Our billing system for our 3G mobile operations in Israel is an integrated billing and customer contact management system developed by Comverse Ltd. ("Comverse"). Our billing system for our iDEN mobile operations has been developed by Motorola Israel Ltd. Our billing system, ProCable, used in our cable operations in France, Portugal, Belgium and Luxembourg has been developed by InfoCABLYS, a Canadian provider of customer care and billing systems. In our French B2B operations, we rely on Arbor's billing software. In our Portuguese B2B operations, we use Stratus RedKnee's billing system as well as our own in- house billing system to a smaller extent. Our business in the French Overseas Territories continues to use a billing system which it has developed in- house. We generally offer our customers the choice between electronic and paper statements and the ability to pay by bank order or credit card. We monitor payments and the debt collection process internally. We perform credit evaluation of our residential and business subscribers and undertake a wide range of bad debt management activities to control our bad debt levels, including direct collections executed by our employees, direct collections executed in co-operation with third party collection agencies and pursuing legal remedies in certain cases.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer service function for our cable based and mobile services is carried out by approximately five call centers located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), a call center in each of Tunisia and Morocco (servicing our customers in France), a call center located in Casablanca, Morocco (servicing our French-speaking customers in Belgium), a call center located in Brussels (servicing our Dutch-speaking customers in Belgium), a call center in Differdange, Luxembourg (servicing our customers in Luxembourg), two call centers in Palmela, Portugal and Caldas de Rainha, Portugal (servicing our residential customers in Portugal), one call center in Lisbon, Portugal (servicing our business customers in Portugal) and a call center in Mauritius (servicing our customers in the French Overseas Territories). We also provide our customers with access to technical support help desks which operate at substantially all times.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimises our operational risks and costs.

In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers. For example, in France, our B2B segment has put in place customer service functions specifically adapted to the service quality requirements of business customers, including in respect of technical and administrative matters. Our computerized customer operations were upgraded through a specific program introduced in early 2012, which provides for a centralized and adapted approach to customer relations. Our standard service contract for B2B customers in France includes an undertaking to re-establish service within four hours. Our annual availability has been greater than 99.98% during each of the past six years. Our highly secure network and customer service are available 24 hours a day.

We have launched and partially implemented initiatives aimed at improving our customers' experience. These initiatives include enhanced Customer Relationship Management ("CRM") systems, which allow us to better manage new subscribers, identify customers at risk of churning, handle complex customer issues, offer special retention offers to potential churners and repayment plans to insolvent customers.

In France, recent surveys have shown high customer satisfaction rate for our products and services. We were also ranked first in several online surveys on French broadband Internet providers carried out in June 2013 by the website 01net. The quality of our broadband Internet offering in France has also been confirmed by NetIndex.com, a website that anonymously compiles global Internet speed data, which ranked us ahead of SFR, Bouygues Télécom, Free, Colt and Orange in France for the speed of our Internet broadband Internet offering over the period from January 2012 to June 2013. IP-Label Newtest, which measures the performance of broadband Internet providers in Paris and in the French provinces for 01net, ranked us first in terms of the quality of our triple-play services provided in June 2013. In February 2013, the French magazine Capital designated LaBox as the best set-top box in the French market. In addition, in a study conducted by the ARCEP in 2013, we were recognized as having the lowest failure rates (0.6% for Numericable, compared to 1.4%, 1.2%, 2.2% and 1.2% for Orange, SFR, Bouygues Télécom and Free, respectively), the best time for setting an initial connection (7 days for Numericable, compared to 9 days, 13 days, 14 days and 17 days for Orange, SFR, Bouygues Télécom and Free, respectively) and one of the best voice qualities in France. We believe that our high customer satisfaction levels are in part due to the ease with which our customers are able to self-install our services. For a significant portion of our service offerings, we typically send all the necessary equipment to our customers who are able to simply "plug-and-play" thanks to the reach of our network. 57% of our installations in France were carried out by our customers themselves in 2009, compared to 2013, when 70% were self-installations.

In Israel, we believe we have substantially improved customer care as a result of the introduction of new processes resulting in shorter waiting times in call centers, new ways of servicing customers including via Facebook and live chat functions, the development of self-service applications, increased automation, a closer relationship with our subscribers through an increased number of interactions and the 24/7 availability of our technical support representatives. We believe a large proportion of our customers are loyal to our brands thereby reducing churn. For example, as of December 31, 2013, approximately 63%, 51% and 39% of our Israeli pay television, broadband Internet infrastructure access and fixed-line telephony customers respectively have been our customers for over four years, and approximately 55%, 54% and 53% of our Portuguese residential pay television, broadband Internet access and fixed-line telephony customers respectively have been our customers for over four years.

With respect to the majority of our operations, we outsource our customer service functions to third-party providers. Such providers use operating procedures, tools and training that are provided by the Group. In some of our geographies including France, a team of in-house specialists handles the most complex customer care issues. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimising these for several years.

We believe that the high-density distribution network we have in the French Overseas Territories as a result of the recent acquisition of Outremer enables us to provide better service to our customers as they can easily reach our stores. This will be particularly useful as our product and service offerings become increasingly broad and complex. As part of Outremer's integration into our Group, we are currently in the process of rolling out our customer service practices, including customer service functions relating to quadruple-play services, across our retail network.

Network

France

In France, we have an extensive network, covering both switched voice and data. Both our residential and B2B operations benefit from our extensive backbone. As of December 31, 2013, the total length of fiber cables that make up the national long distance network is approximately 13,000 kilometers. Our network has 83 end points and 30 amplification sites and is mainly based on dark fibers owned by us, lit with DWDM optical wavelength equipment. Our network includes hybrid fiber and coaxial cable connections to residential homes, 80 fiber metropolitan area networks connecting corporate and public sector sites in France's dense business areas and an extensive DSL network over our switched voice lines with 700 network subscriber access nodes. Covering about 35% of homes in metropolitan France, our network is concentrated in densely populated areas and does not cover the entire French territory.

Our cable network is one of two core end-to-end French networks with extensive local loop infrastructure, the other being owned by Orange. As of December 31, 2013, our cable network in France passed 9.9 million, or approximately 35% of, French homes, including approximately 5.2 million homes passed by our FTTB/EuroDocsis 3.0-enabled network, approximately 3.3 million homes by our EuroDocsis 2.0-enabled network and 1.4 million homes by our standard coaxial cable network (the latter without bi-directional capability and thus limited to television services). Over 85% of the homes passed by our cable network in France is EuroDocsis 2.0- or EuroDocsis 3.0-enabled as of December 31, 2013. In addition, 85% of the homes connected to our network benefits from a frequency of 862 MHz and is therefore triple-play capable. The portion of our network that has already been upgraded to FTTB and uses EuroDocsis 3.0 technology currently provides a download speed of up to 200 Mbps, which is the highest available in France on a large scale and allows our customers to connect several devices, such as computers, televisions, tablets and smartphones, simultaneously without impairing the quality of the television signal. We believe this download speed and our separate streams of television and Internet give us an advantage over our competitors. In addition, this portion of our cable network in France has the potential capacity to support download speeds of up to 400 Mbps with limited capital expenditure. The portion of our network that uses EuroDocsis 2.0 technology provides a download speed of up to 30 Mbps, which, we believe, is higher than speeds offered by our DSL competitors. Both the EuroDocsis 3.0 and the EuroDocsis 2.0 television-encoding technologies benefit from an 862 MHz frequency and enable us to offer our residential customers triple-play or quadruple-play and interactive services requiring large bandwidths. We believe that the picture quality of our television products, especially for HDTV channels, is superior to that of the IPTV technology used by our competitors on DSL lines and that this will become an increasingly important differentiator, especially for customers with wide-screen television sets. In addition, we believe we are well-positioned to respond to competitive pressure from FTTH and VDSL technologies, given the technological superiority of our network and the low coverage overlap between our fiber/cable network and those networks. With respect to areas covered by our cable network, less than 8% of DSL lines will benefit from increased download speeds due to VDSL2+ technology.

Our B2B business in France relies on our fiber optic cable metropolitan area networks (“MANs”) located in large urban areas installed in 80 dense business areas in France. Among other things, our MANs enable us to connect new B2B customers with limited capital expenditures. Our DSL network connects our business customers’ more remote sites. As of December 31, 2013, our fiber cable network in France passed over 10,000 corporate and public sector sites, and our DSL network passed over 80,000 corporate and public sector sites.

Our MANs and DSL network provide complementary access technologies to address our business customers’ needs, which vary depending upon the bandwidth and security requirements of their sites. Generally, we connect our business customers’ main and/or critical sites with fiber, provided that they are located within 500 meters of our MANs. Secondary sites of large business customers, as well as mid-sized companies subscribing to our standard “Completude” service, are connected to our DSL network, except for “Completude Max” customers, who are connected through fiber. Customers’ secondary sites outside of our DSL network’s reach are connected through DSL lines or leased lines from other telecommunications operators. We believe that direct connections based on complementary fiber and DSL access are the best technical response to customer needs in terms of bandwidth requirements, technological and geographical complementarities and end-to-end control of service quality. Our national CORE IP network is one of the few “100 Giga ready” French networks to be up and running and runs from Paris to Lyon, and our VoIP network (which we believe is one of the most technologically advanced networks in France) can adapt to multiple technologies, providing the agility required to respond to customers’ needs. Our VoIP network infrastructure has a monthly traffic of approximately 1.2 billion minutes.

We own the hybrid fiber and coaxial cable in our network as well as the equipment, head-ends, hubs and certain other parts of the access network, including our long-distance backbone. The physical infrastructure into which our cables are placed, such as ducts and poles, are either owned by us or by Orange. With respect to the ducts and poles used by us but owned by Orange, we access them under long-term IRUs. See “—Network History and Ownership” below. Several telecommunications operators can occupy or use the same physical infrastructure, or even the same telecommunications equipment, without affecting the quality of service being provided.

We expect to continue to selectively deploy fiber on a continual basis, where a densification of our fiber network in France is necessary to improve service to our customers. We generally upgrade the network to EuroDocsis 3.0 when the network is upgraded to FTTB at the latest. We continuously upgrade and renovate B2B connections in order to remain in line with customer expectations and requirements.

We have increased the number of homes in France connected with FTTB/EuroDocsis 3.0 over the past several years. We upgraded 658,000 homes in the year ended December 31, 2010, 114,000 homes in the year ended December 31, 2011, 503,000 homes in the year ended December 31, 2012 and 408,000 homes in the year ended December 31, 2013.

For our B2B customers, one of the advantages of our network in France is that it is scalable with both fiber and DSL providing a key technological edge. We are able to use our fiber network to establish a direct connection to customer sites that have very high capacity requirements, with an average capacity of greater than 125 Mbps and a growing number of gigabit sites, and DSL to secondary customer sites, with lower capacity requirements.

Network History and Ownership. Our network was built through the acquisition and combination of entities which themselves had built cable networks under various legal frameworks, in particular the 1982 Cable Plan (*Plan Câble*) and the 1986 New Deal Plan (*Plan Nouvelle Donne*). For a detailed description of the history and ownership of our network, see "*Risk Factors—Risks Relating to Our Business, Technology and Competition—There are uncertainties about the legal framework under which we own and operate our network in France, Belgium and Luxembourg.*" and "*—We rely on third parties for access to and the operation of certain parts of our network.*".

Technical Characteristics. We use the backbone, which refers to the principal voice and data routes between large, strategically interconnected networks and core routers, to transport all digital signals to our subscribers throughout France. As of December 31, 2013, the total length of fiber cables that make up our national long distance network is approximately 13,000 kilometers. Our data backbone is currently running "All- IP" and carries all of our communications traffic by using dedicated specific bandwidths for each of our digital television, high-speed broadband Internet, B2B data and residential fixed-line telephony services. The voice backbone carries our switched voice communications traffic. We consider this backbone to have full capacity to meet our subscribers' needs.

The part of our network that uses standard coaxial cable to provide analog and digital television to approximately 1.4 million homes is not connected to our backbone.

Routers put in place before 2007 (i.e., before EuroDocsis 3.0) allow for download speeds of up to 100Mbps, and routers with EuroDocsis 3.0 allow for download speeds of up to 400 Mbps.

The distribution of our services within dense metropolitan areas is supported by local loops which are connected to the backbone and can address increased capacity needs. We own the local loops connected to our network.

Our residential subscribers connect to the network through a coaxial cable connection from one of our nodes. On average, approximately 1,000 homes (for the portion of the network equipped with EuroDocsis 2.0) and 200 homes (for the portion of the network equipped with EuroDocsis 3.0) are served by one of the approximately 40,000 optical nodes in our network. In the portion of our network upgraded to EuroDocsis 3.0, approximately 43% of homes are located within approximately 100 meters from the fiber connection on average (with less than 100 homes per node on average), approximately 16% of homes are located within approximately 200 meters from the fiber connection on average (with between 100 and 500 homes per node on average) and approximately 41% of homes are located within approximately 300 meters from the fiber connection on average (with more than 500 homes per node on average).

Network quality can deteriorate as customer penetration rates on any particular node increase above a certain threshold. When required, the scalability of our network enables it to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes. We use amplifiers on a portion of our coaxial lines to strengthen both downstream and return path signals on the local loop, but not on the EuroDocsis 3.0-enabled portion of our network to which subscribers are connected by an FTTB connection. The FTTB technology allows for fiber deployment to generally reach the boundary of our subscribers' building, such as the basement in a multi-dwelling unit, with the final connection to the individual living space being made via alternative, non-optical means, typically through a coaxial cable. By relying on existing coaxial cable within each building to reach each customer's apartment, the FTTB technology allows us to vertically integrate more customers at low cost and more quickly than operators deploying FTTH. However, as the number of subscribers in a building increases, FTTH can become necessary to ensure the same speeds.

We monitor the performance levels of our networks in France on a continuous basis. The backbone network has been designed to include redundant features to minimize the risk of network outages and disasters and reroute traffic in the opposite direction around the backbone in the event that a section of the backbone is cut. Even though we have insured our buildings, head-end stations, nodes and related network equipment against fire, floods, earthquakes and other natural disasters, they are not insured against war, terrorism (except to a limited extent under our general property insurance) and cyber-risks. We carry insurance on our fiber optic network and property damage insurance for our coaxial network up to a capped amount and subject to exclusions.

Israel

We provide our pay television, broadband Internet infrastructure access and fixed-line telephony services through our extensive fully owned cable network which we believe is one of most technologically advanced networks in the EMEA region. Our cable network passes most of Israel's 2.2 million households. The fiber rich characteristic of our network generally gives it inherent capacity, speed and quality advantages as compared to copper based xDSL networks. In particular, a fiber and coaxial cable offers a larger bandwidth than copper cable and, unlike the latter, it is not significantly affected by attenuation (i.e., a reduction in the strength of the signal) or distortion (i.e., a reduction in quality of the signal) when the signal is carried over a long distance. Our cable network allows the provision of fiber optic transmission services using DWDM technology, SDH technology or IP technology. In addition, our cable network backbone includes two national and regional strategically interconnected head-ends that enable transmission of signals over our cable network. We are in the final migration process of the telephony customers from 4 Nortel CS2K telephony switches to the new telephony environment based on Genband (Class 4) and Broadsoft (Class 5) switches with advanced Session Initiation Protocol ("SIP") switch which is used to create and control communication sessions over an IP network. Our network supports minimum capacity per household of 862MGhz in approximately 45% HP, 750 MGhz in approximately 40% and 600 MGhz in approximately 15% our homes passed, respectively.

Our cable network enables us to deliver broadband Internet infrastructure access, fixed-line telephony and other interactive services such as VoD, to our customers throughout our cable network in addition to regular digital and analog television services. Our entire cable network is also U.S. Docsis 3.0 enabled allowing us provide ultra fast broadband Internet infrastructure access services at a download speed of up to 100 Mbps with limited or no degradation in speed throughout our network, which we believe is the fastest in Israel on a large scale and can support theoretical download speeds of up to 300 Mbps with certain limited modification to network equipment, which will allow us to easily upgrade our network to increase download speeds in the future. In 2011 and 2012, we also began selectively deploying FTTx network upgrades, which involved replacing existing Coax Cable used for local loop connectivity with optical fiber to reach the end user's building or last amplifier. We have already deployed FTTx to approximately 100,000 of our homes passed. We plan to continue the selective deployment of FTTx at our discretion which will enable an expansion in the traffic capacity over our cable network and improve our VoD services, increase the number of television channels we are able to offer and increase the speed of our Internet services.

Our cable network is fully owned by HOT Telecom. Part of our cable network runs through ducts and poles owned by Bezeq. We are party to certain continuing arrangements with Bezeq relating to the installation and maintenance of such parts of our cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013 respectively for services provided by Bezeq under these arrangements. For further details, see "*Description of Our Business—Material Contracts—Agreements with Bezeq relating to installation and maintenance of portions of our cable network*".

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which as of December 31, 2013 comprised of approximately 635 network sites distributed throughout Israel providing nationwide coverage. In relation to the roll out of our UMTS-based 3G mobile services, we are in the process of building and expanding a UMTS network based on modern HSPA+ technology. We have committed to the State of Israel to achieve the following periodic coverage milestones for our UMTS network based on total Israeli population: by September 2013—coverage of 20% of the settled area of Israel and where at least 20% of the Israeli population is residing; by September 2015—coverage of 40% of the settled area of Israel and where at least 40% of the Israeli population is residing; by September 2016—coverage of 55% of the settled area of Israel and where at least 55% of the Israeli population is residing; by September 2017—coverage of 75% of the settled area of Israel and where at least 75% of the Israeli population is residing; and by September 2018—coverage of 90% of the settled area of Israel and where at least 90% of the Israeli population is residing and coverage of 90% of the roads in Israel. We have expanded our UMTS network coverage through a combination of modifying our existing mobile network sites by installing UMTS equipment enabling the use of the new frequencies and building new UMTS enabled sites. Our UMTS network already extends to approximately 61% of the inhabited territory of Israel and covers approximately 73% of the Israeli population. As of December 31, we deployed approximately1,000 sites needed to cover the entire Israeli territory. The Network Sharing Agreement between HOT Mobile and Partner has reduced the need for new sites, resulting in the slowing down of the roll-out of the new sites. We relied on an agreement with Pelephone, a subsidiary of Bezeq, pursuant to which we use Pelephone's in-country roaming services to service our customers while we build-out our UMTS network in 2013. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. Furthermore, in November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This amendment will allow HOT Mobile to exercise its rights under Network Sharing Agreement. In the interim, HOT Mobile has entered into the RoU Agreement with Partner which gives HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers. The services under the RoU Agreement shall begin after completion of preparation by the parties.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028. We have also entered into a roaming contract with Vodafone pursuant to which Vodafone provides our 3G customers with international roaming capabilities. For further details see *"Description of our Business—Material Contracts—Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services"* and *"—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel"*. Our Israeli cable based business, which we run under the "HOT" brand, has allowed our mobile business to benefit from certain synergies including in respect of retail distribution and brand awareness.

Currently, our UMTS network permits data transfer at speeds of up to 42 Mbps which we are seeking to increase to 84 Mbps in the future. In addition, if the Israeli Ministry of Communications tenders frequencies for LTE and if we acquire such frequencies, we expect to begin developing infrastructure within the arrangements we have entered into with Partner (subject to regulatory approvals) that would allow us to commercialize such services. We believe that, because of our extensive fixed-line network and our advanced UMTS network, upgrading our mobile network to the 4G standard will involve significantly less capital expenditure (or investment in the newly formed limited partnership to be set up in Israel pursuant to the Network Sharing Agreement between HOT Mobile and Partner) than we incurred to roll out our 3G network because our mobile network infrastructure will require minimal upgrading as compared to some of our competitors. We believe these factors will allow us to quickly market the newest LTE-based packages to our customers. The following table sets forth details regarding the spectrum allocated to us and our competitors for the provision of mobile services.

Service Provider	**UMTS Bandwidth (Mhz)**	**GSM Bandwidth (Mhz)**
HOT Mobile	2,100	—
Pelephone	850 - 2,100	—
Cellcom	850 - 2,100	1,800
Partner	900 - 2,100	900 - 1,800
Golan	2,100	—

We expect that the Israeli Ministry of Communications will tender LTE frequencies in the 1,800 Mhz and 2,600 Mhz range in next few years. A tender committee has been formed, but it has not yet published any tender. We understand some of the relevant frequencies are used by the Israeli Ministry of Defense and by Bezeq and may only be allocated for commercial use once the frequencies are released by the Israeli Ministry of Defense.

Portugal

In Portugal, we benefit from a state-of-the-art HFC cable network that passed 908,000 homes as of December 31, 2013 covering certain Portuguese cities in over 60 districts and 200 municipalities. We use this network to provide residential pay television, broadband Internet access and fixed-line telephony services. It extends over 3,647 km and includes 224,000 km of optical fiber. We have upgraded approximately 99% of our network to

Docsis 3.0 and expect to reach 99.7% following certain upgrades that are currently underway. We fully own our distribution networks, head-ends and drops, which gives us significant flexibility to deploy and constantly improve our product offering.

Our acquisition of ONI enriched our assets base with the second largest B2B cable network in Portugal covering approximately 85% of the Portuguese population. We operate a nationwide backbone supported by approximately 9,000 km of fiber pairs and 427 points of presence supporting 9,957 customer sites, using OTN (Optical Transport Network) connections comprising several 10 Gbit/s signals over a single optic-fiber pair with speeds between 155 Mbit/s and 10 Gbit/s. Radio links complement our access portfolio, with 174 point-to-point systems in service. In addition, our network is connected to Spain through the 10G SDH Iberian ring and a new 10G PTN connection. Furthermore, we use SDH to support Ethernet services using its wide coverage (1200 NE) and the intrinsic automatic protection in case of failure by switching to an alternative route in less than 50 ms. In the two main metropolitan regions, Lisbon and Porto, Packet Transport Network (PTN) technology backbones are providing native Ethernet clients accesses through optic-fiber, usually with 1 Gbit/s of bandwidth. Within the cities and in the B2B environment, FTTH is deployed with direct extension of PTN, enabling up-to 100 Mbps and 1G VPN/VLAN services. A wider coverage is attained with xDSL technologies in operation in 126 co-location sites and since June 2013, symmetric Ethernet services are supported through Ethernet Last Mile (EFM) technology, with a theoretical reach of 120 Mbps but being deployed for 10 Mbps (four pairs).

Belgium and Luxembourg

We provide our pay television, broadband Internet access and fixed telephony services to both residential and business customers who reside in our service area through our combined broadband HFC network which consists of a fiber backbone with local loop connections constructed of coaxial cable with a minimum capacity of 860 MHz in Brussels and 550 MHz in Luxembourg. We are the only operator with a fully secured backbone between Paris/Luxembourg and Brussels with excess capacity, which can be used to exchange all channels carried in France, Belgium or Luxembourg.

In Brussels, our network assets include approximately 513 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable. In Luxembourg, our network assets include approximately 450 kilometers of fiber backbone. We own the primary and secondary fiber backbone and the fiber and coaxial cable.

Our fiber backbone is currently running All-IP and carries all of our communications traffic with dedicated bandwidth for the various types of traffic. Customers connect to the network through a coaxial connection from one of our nodes. Amplifiers are used on the coaxial lines to strengthen both downstream and return path signals on the local loop. On average, approximately 191,000 homes in Brussels and 42,000 homes in Luxembourg are served by each of the approximately 240 optical nodes in the Brussels region, approximately 30 optical nodes in the AIESH region and approximately 96 optical nodes in Luxembourg. Network quality can deteriorate as customer penetration rates on any particular node increase above a certain number. When required, the scalability of our network enables us to address this problem, within limits, through node "splits" in which we install additional equipment at the node so that the same capacity serves approximately half of the initial homes.

In Brussels and in Luxembourg, we built our network pursuant to agreements with municipalities which authorised us to build and operate a television cable network over the territory of the municipality. In Luxembourg, in certain municipalities, we directly acquired the network from private owners; while in other instances the network is owned by the municipality which we operate pursuant to a concession agreement. Ownership of the network between the cable operator and the municipality during the term of the agreement can also depend on who originally invested in the network.

As of December 31, 2013, our HFC cable network passed 171,000 homes in Brussels and 42,000 homes in Luxembourg. Our entire cable network in Brussels and Luxembourg is nearly fully EuroDocsis 3.0-enabled. Within the network we acquired in late 2012 in the County of Hainaut in Belgium, we have already upgraded approximately 95% of homes passed to triple-play capability, approximately 10% of our subscribers in the area are already subscribed to one of our multiple-play products and approximately 30% now receive digital services. We provide mobile services utilising the mobile network of Mobistar in Belgium (the second largest mobile service provider in Belgium) pursuant to mobile virtual network operator ("MVNO") agreements.

French Overseas Territories

Following our acquisition of Outremer, our proprietary infrastructure in the French Overseas Territories now includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies enabling us to deliver 2G and 3G services respectively, with coverage throughout the French Overseas Territories. Our acquisition of Outremer also enriched our asset base with fixed-line xDSL networks, over which we provide Internet, fixed-line telephony and IP television services which are available to most households in the region. In Guadeloupe, Martinique and La Réunion, our fixed-line xDSL network is supplemented by WiMAX capability enabling the delivery of last mile wireless broadband Internet access. In addition, we have invested in IRUs and leases of submarine cable capacity, which connect our terrestrial mobile and xDSL fixed-line networks to international routes.

In addition to mobile and fixed-line xDSL networks, we also own a HFC cable network in Martinique and Guadeloupe, which passed 73,312 homes in Martinique (covering approximately 57% of Martinique by homes passed) and 80,831 homes in Guadeloupe (covering approximately 53% of Guadeloupe by homes passed) as of December 31, 2013. We are currently in the process of upgrading our network to EuroDocsis 3.0 and expect to complete the process by the end of the first half of 2014.

It is expected that ARCEP will initiate an application process to award spectrum for the provision of LTE mobile telephony services in the French Overseas Territories in 2014. In case of a successful award, our ability to provide LTE mobile services to complement our existing 2G and 3G mobile services in the French Overseas Territories will depend in part on our ability to upgrade our mobile network and roll-out an LTE network, which could involve a significant amount of capital expenditure. Based on current plans, we expect that we would need to invest approximately €30 million (net of tax subsidies) from 2014 through to 2016 to upgrade our networks to roll-out LTE mobile services.

Suppliers

While historically purchasing activities were typically carried out locally at the various entities comprising our business, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power. The purpose of our centralization efforts is to leverage the combined scale of our operations located in different geographies and thus negotiate more favorable pricing and other commercial terms from suppliers of certain hardware, software, pay television content and other products used in all of our operations than each of our businesses could individually secure. In order to put the centralization process on a more formal footing, we are currently in the process of establishing a global purchasing subsidiary. We believe that the continued integration and streamlining of our global procurement processes will allow us to realise significant cost savings going forward.

We have relationships with several suppliers that provide us with hardware, software and various other products and services necessary to operate our businesses. We use a limited number of subcontractors to maintain our network, operate our call centers and supply, install and maintain installed consumer and on-site business and public sector terminals, with Group employees performing only a small portion of installations. Certain services can be self-installed by our customers, but most still require a professional installer. Our agreements with third party providers generally require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

We currently deploy the set-top box La Box in our operations in France, Belgium, Luxembourg and Portugal, and we also introduced LaBox in Israel in March 2014. We purchase La Box set-top boxes from Sagemcom for use across our operations. We also continue to procure set-top boxes for use in certain of our operations from Technicolor. Although we have not to date entered into a global supply contract with either of Technicolor or Sagemcom, we weigh in on the negotiation of each individual contract entered into by our businesses in order to leverage our combined purchasing power and generally ensure the same terms and conditions are agreed upon across our operations. Further examples of globally negotiated but locally entered supply arrangements include contracts with Nagravision for the purchase of its set-top box software Nagra CAS and contracts with Cisco and Casa Systems for services relating to the deployment and maintenance of our networks across our operations. While we progress the globalization of our procurement functions, our businesses continue to purchase certain of the products and services required for their operation under locally negotiated contracts for a variety of reasons, including the need for such products and services being specific to each locality.

In our French residential business, our main hardware and software suppliers are Sagemcom, Castlenet and Netgear, which equip us with set-top boxes and broadband Internet routers in which we own the intellectual property rights; Cisco, which provides us with cable router termination systems (i.e., equipment typically located in the head-end or hubsite which we use to provide high-speed data services); Pro-Cable, which supplies us with billing and related software and hardware; and Nagra France, which sells us its conditional access system. The main hardware and software suppliers of our French B2B segment are Cisco, which provides us with data network parts and customer premises equipment, such as servers; Huawei, which supplies us voice network components and voice-related customer services equipment; Genbad, which provides voice network maintenance; Ciena, which provides fiber and data network components; and Arbor, which sells us its billing software. Other than in respect of Nagra France, we do not believe we have any material supplier dependencies. Our contract with Nagra France was entered into in October 1999 and expired in 2007. Upon expiration, the contract is tacitly renewed for successive five-year periods, subject to termination by either party upon six months' notice prior to the end of any such five-year period. The last tacit renewal took place on January 1, 2012, and will therefore be up for renewal again in December 31, 2017.

In Israel, our key infrastructure, hardware and software suppliers for our cable based operations include Bezeq which provides us with design, installation and maintenance services relating to certain parts of our cable network which pass through ducts and poles owned by Bezeq; Genband, Bynet and BroadSoft which provide us with equipment and services relating to telephony switches; NDS Limited, a subsidiary of Cisco, which provides us with equipment and services relating to unified encryption systems; Technicolor and Sagemcom, which provide us with set-top boxes including, in respect of Sagemcom, the HOT Box; and Nagravision, which provides us with software for set-top boxes.

We have entered into a number of reciprocal interconnection agreements with fixed-line telephony providers in Israel, mobile operators in Israel and internal long distance telephony operators. We have also entered into an agreement with Convergys in relation to certain billing related services for our cable services. In addition, we contract with suppliers for the purchase of television programming content that we package and broadcast under the HOT suite. We also purchase rights to broadcast independent Israeli and international channels on our network and content for our VoD service. We use a limited number of subcontractors to install broadband Internet, telephony and digital television equipment in customer homes. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of the service provided by our subcontractors on a regular basis. With respect to our mobile operations, we have engaged Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. We have entered into an agreement with Pelephone, which has provided us with in-country roaming services for our 3G mobile operations since we began offering mobile services in Israel in May 2012 and also have roaming agreements with several foreign mobile operators. In November 2013 we entered into the Network Sharing Agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies. The Network Sharing Agreement, which is subject to regulatory approval, will enable HOT Mobile and Partner to share antennas and frequencies and facilitate optimum 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. In November 2013. HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause to which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. We have agreements with various suppliers for the purchase of 3G compatible handsets. Comverse supplies us with certain services relating to an integrated billing and customer relation management ("CRM") system for our 3G mobile operations. The main suppliers for our iDEN based mobile operations are Motorola Solutions, which owns the rights to the iDEN technology and is the primary manufacturer of infrastructure equipment for iDEN technology, and Motorola Mobility which manufactures end- user equipment for iDEN technology.

The suppliers to our residential business in Portugal include Portugal Telecom and EDP, which provide us with services relating to certain parts of our cable network which pass through ducts and poles owned by them; Fibnet and Aveicabo, which provide us with installation services and services relating to the maintenance of our network; Randstad, which provides us with contract and payroll management services relating to our sales agents as well as call center functions; as well as NSN and Genband, which provide us with hardware as well as maintenance and support for network equipment. For our recently acquired Portuguese B2B business, we have a set of long-term contracts for our main infrastructure (sites and fiber) with Rede Eléctrica Nacional and Electricidade de Portugal, in addition to the use of our own fibers, and a contract for ducts and land with BRISA, the main Portuguese highway operator. In Spain, we lease bandwidth and optical wave-lengths from British Telecom and UFINET enabling our presence in the Iberian Peninsula and Madrid. Further key suppliers of our Portuguese B2B business include Alcatel-Lucent, Cisco, Corient, Sonus.HP, Ruckus, Dell and Axis.

In Belgium and Luxembourg, Numericable France is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement we entered into with Numericable France on the date of the acquisition of Coditel by us, Numericable France provides us technical, engineering and support services, while also allowing us to benefit from its purchasing power for equipment, in particular set-top boxes, content and IP traffic. Other key suppliers of our IT needs include InfoCABLYS, which provides us with hardware and the billing and customer care software "ProCable", and Sage, which provides us with support for its enterprise resource planning system that we use. In Belgium, we use subcontractors to install Internet, fixed-line telephony and digital TV equipment in subscriber homes, in addition to having a small portion of installations performed by our own employees. In Luxembourg, we use both our own employees and subcontractors to perform installation services. Certain services can be self-installed by our customers but most require a professional installer. Our agreements require that the subcontractors maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of service provided by our subcontractors on a regular basis.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange, SRR and Digicel to which we pay interconnection fees and purchase capacities from for both our cable-based and mobile activities. With respect to our recently acquired mobile operations, we historically source our handsets from Samsung and Alcatel and purchase our network infrastructure and 2G/3G base stations from ZTE. In anticipation of a potential release of frequencies for 4G LTE, we have requested quotes from major original equipment manufacturers. Regarding our cable-based operations, we purchase rights to broadcast channels on our network and content for our TV service and we use only one subcontractor, ERT, to install broadband Internet, telephony and digital television equipment in subscriber homes. We procure our xDSL modems and set-top boxes from Pace (formerly known as Bewan) and Sagemcom, while we purchase our cable modems and set-top boxes from Numericable France which sources from Netgear and Technicolor, respectively.

Material Contracts

Annex I
R.22

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 the 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 fiber networks. The terms on which Orange makes its ducts available to other operators are less favorable than the terms we benefit from under the IRUs. On November 4, 2010 ARCEP ruled that the operational procedures of our IRUs should be modified and aligned with the operational procedures granted by Orange to other operators. Our IRUs with Orange were accordingly amended in December 2011.

Agreements with Public Authorities under the New Deal Plan

In 1986, the French government launched the New Deal Plan (*Plan Nouvelle Donne*) (law 86-1067 of September 30, 1986 relating to freedom of communication). Under this new regulatory framework, local authorities could themselves set up networks or authorise private companies to set up these networks. Several private companies (which we later acquired) set up new networks and were granted occupancy rights and operating concessions to operate these networks for 20 to 30 years. The networks belonging to the New Deal Plan represent 38% of our overall network in France.

There is no form of contract in connection with the New Deal Plan and, as a result, there has been a certain degree of uncertainty over the network ownership under certain long-term agreements entered into with local authorities. We entered into approximately 500 agreements in connection with New Deal Plan networks.

In this context, law 2004-669 dated July 9, 2004, which implemented the 2002 European directives, "2002 Telecoms Package" (the "Paquet Télécoms 2002"), into French law, imposed an obligation to conform agreements through terminating exclusive rights over the installation and/or operation of networks.

In order to clarify the conditions for conforming the agreements currently in place with public authorities (primarily local authorities) in accordance with this obligation, in May 2010, we made a proposal to ARCEP to novate the agreements under the following approach: the ownership of physical infrastructure (the ducts) reverts back to local authorities, while ownership of all existing telecommunications equipment and cables expressly reverts back to us through a transfer process.

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

We have signed nearly 80 agreements, 25 of which follow the approach agreed to by ARCEP, with various local authorities and we are currently in the process of negotiating the implementation of its proposal with certain other local authorities.

Ad hoc Agreements with Public Authorities

A limited portion of our current network in France (approximately 7%) is governed by legal agreements such as long-term leases of public property, or *conventions d'affermage*, a type of operating concession through which we lease an entire network, or public land use agreements, or *conventions d'occupation du domaine public*, through which we install the necessary network equipment on certain public property with no underlying property transfer.

These agreements are entered into with local authorities, primarily municipalities, for terms ranging from ten to 30 years. In accordance with the terms of Articles L. 2122-2 and L. 2122-3 of the *Code général de la propriété des personnes publiques*, local authorities may terminate these public land use agreements at any time by demonstrating that doing so is in the public interest.

Upon termination of such agreements, we must, in accordance with our contractual obligations, (i) return the entire network to the local authorities, in some cases against the payment by the local authorities of an amount equal to the market value of the network, and in some cases free of charge, (ii) remove at either our cost or at the cost of the local authorities the equipment installed by us on the local authorities' premises, (iii) transfer the network to another operator with the approval of local authorities, or (iv) repurchase the network. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts back to the local authorities.

Fees are generally paid on an annual basis, and vary depending on the size of the network, the number of users connected to the network and, if applicable, the extent of the deployment of our own network on public land.

Other Infrastructure and Network Agreements

We have entered into several agreements in connection with the maintenance, extension and upgrade of our network, including maintenance agreements, fiber lease agreements and use of dark fiber link agreements. Most of our maintenance agreements are with various French network construction and marketing companies in the context of delegation of public services (*délégation de service public*) agreements with public authorities, have a term of one to three years and are renewed either annually or for an indefinite term. Completel has entered into an IRU agreement with SFR expiring in 2021. The fiber lease and dark fiber link agreements have been set up mainly with other network owners in France, including Orange and SFR, and have a duration of three years or more. Certain of these contracts must be renewed within the next few years. In addition, we have entered into agreements with various suppliers for the delivery of hardware and software in connection with our continuous efforts to upgrades and modify our French cable network.

Agreement with the State of Israel relating to ownership of our cable network

In July 2001, our predecessor companies entered into an agreement with the State of Israel pursuant to which they agreed to waive all claims against the State of Israel arising out of the grant of a satellite broadcast license to D.B.S. Satellite Services (1998) Ltd, an associate of Bezeq which provides satellite technology based multi channel television services under the YES brand. In exchange, the State of Israel agreed to waive all of its claims and rights concerning the cable infrastructure, such that our predecessor companies would hold all right and title to the cable infrastructure in their respective concession areas and have the right to operate the cable network even after the end of the concession periods. The agreement, which was transferred to our Group as part of the Israeli cable consolidation process, sets out a payment mechanism based on revenues deriving from the use of the cable infrastructure pursuant to which we are required to make annual payments to the State of Israel until January 1, 2015. In addition, we are required to pay certain amounts to the State of Israel, as provided in the agreement, in the event we sell any of our cable network assets or operations carried out via the cable infrastructure or in the event we issue securities through a public offering, investment or similar transaction. In each year ended December 31, 2011, 2012 and 2013, we paid the State of Israel over NIS 58 million under this agreement. We have provided a second ranking floating charge over all of the assets of HOT to the State of Israel to secure our payment obligations under the agreement.

Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms

In relation to the addition of frequencies to our mobile license enabling us to provide UMTS based 3G services, we were required to pay to the State of Israel a total license fee of NIS 705 million, out of which we paid NIS 10 million at the time of receiving the license. For the remaining NIS 695 million, we were required to provide the State of Israel a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every per cent. of market share gained by HOT Mobile since the date of the license. The market share of HOT Mobile is calculated as the average of: (i) the ratio of HOT Mobile subscribers (including UMTS and iDEN) in the private sector to the total number of mobile subscribers in the private sector; (ii) the ratio of the number of outgoing mobile call minutes initiated by subscribers (including UMTS and iDEN and call minutes in the same network) of HOT Mobile in the private sector to the total number of outgoing mobile call minutes (including call minutes in the same network) by all mobile subscribers in the private sector; and (iii) the ratio of revenues from HOT Mobile subscribers (including UMTS and iDEN) to the total revenues from all mobile subscribers in the private sector. In April 2013 HOT Mobile received a notification from the Israeli Ministry of Communications clarifying the meaning of certain components of the market share calculation, namely "subscribers in the private sector", "number of outgoing mobile call minutes" and "revenues". The two measuring periods for market share gain run from the date of the license to September 26, 2013 and September 26, 2016, respectively and the remaining license fee, which is the lowest fee as calculated on each of the testing dates, would be payable three months after the second testing date. As a condition for such bank guarantee, HOT Mobile and HOT signed an irrevocable letter of undertaking in favor of the bank that issued the guarantee, which is secured by a pledge of all of the assets of HOT Mobile which HOT Mobile is permitted by law to pledge. In addition, we have agreed to indemnify the State of Israel for any monetary liability that it incurs as a result of our use of the mobile license and have entered into an insurance agreement to be insured for any such liability. As of the first testing date on September 26, 2013, we have achieved a market share calculated in accordance with the license agreement that entitles us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications to reduce the amount of the bank guarantee to an amount of NIS 80 million as guarantee of our obligation to achieve certain territorial coverage requirements under our license. On November 21, 2013, the Israeli Ministry of Communications notified HOT Mobile that the license fees shall be decreased to NIS 10 million (which has already been paid) and the bank guarantee shall be decreased from the amount of NIS 695 to an amount of NIS 80 million. We have also provided bank guarantees to the State of Israel for an amount of approximately NIS 27 million and $8.4 million as surety for the compliance with the terms of our broadcasting licenses and fixed-line licenses, respectively.

Agreements with Bezeq relating to installation and maintenance of portions of our cable network

In the 1990s, certain of our predecessor companies entered into agreements with Bezeq for the purpose of planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses. For further details regarding the term of our broadcasting licenses, see "*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 neighborhoods. Bezeq is permitted to terminate the agreement in case we breach the agreement and have not cured such breach within six months of written notice from Bezeq. The agreements set forth a payment mechanism pursuant to which we pay Bezeq an annual amount representing capital expenditure and maintenance costs based on the length of the cable network passing through its ducts as well as one-time payments in respect of certain services provided by Bezeq. Capital expenditure costs are staggered over a 12 year period and the amounts payable to Bezeq are accordingly reduced by approximately 65% after 12 years of the delivery of each segment of the cable network. We incurred total costs of NIS 46 million, NIS 48 million and NIS 47 million in 2011, 2012 and 2013 respectively for services provided by Bezeq under these agreements.

Agreement with Nokia Solutions and Networks relating to installation of the UMTS network

In June 2011 we entered into an agreement with NSN for the establishment of the new UMTS network infrastructure pursuant to which we provide 3G mobile services to our customers. Under the terms of the agreement, NSN has agreed to plan and erect the new network infrastructure on a turnkey basis. In the first stage completed in 2012, NSN met its requirement to complete the network with coverage extending to 20% of the Israel population according to our mobile license requirements regarding the first check point. We estimate that the amount payable for all of NNS' commitments will be approximately $39.8 million. The agreement is for a term of 15 years. NSN has agreed to provide certain warranties for the repair or replacement of network components that do not meet the functionality and capacity requirements established under the agreement. NSN has also agreed to provide maintenance with respect to our mobile network.

In 2013 and early 2014 several amendments were made to the agreement with NSN postponing payments due under the agreement, in return for a debt obligation which was issued in favor of NSN, and guaranteed by HOT. In this framework of agreements HOT Mobile also confirmed receipt of a final installment of key parts in relation to the aforementioned project.

White Label Contracts in France

We are party to long-term contracts with the French appliance retail company Darty (white label DSL and fiber contract) and the French telecommunications operator Bouygues Télécom (white label fiber contract), pursuant to which we sell certain of our television, broadband Internet and/or telephony services to each of these counterparties, which then resell them as double- or triple-play packages over our network under their own brand and to their own subscribers. We provide telephony services to Darty, who does not own a fixed network, but not to Bouygues Télécom. We continue to explore opportunities to enter into additional white label agreements.

Under our white label contracts, we are committed to certain standards of quality and efficiency, and penalties may be charged by our white label customers if these commitments are not met. Each of our white label customers pays us monthly fees based on the number of end-users to whom they sell our bundled packages and, in the case of certain voice services contracts, based on usage. Additional fees are payable by our customers that require additional services, such as customer care and billing. The fees charged include (i) a fee per subscriber which depends on the type of package subscribed to, (ii) telephony charges and (iii) VoD charges. By way of exception, digital television services provided to Darty customers are invoiced by Darty on behalf of us and are paid directly by Darty to us.

We entered into our first white label contract in February 2006 with Darty. We entered into two subsequent white label contracts with Darty: (i) in October 2008, for the provision of very high-speed broadband Internet services, and (ii) in November 2009, for the distribution of television services. In addition, we entered into a white label fiber contract with Bouygues Télécom in May 2009 for very high-speed broadband Internet services. Our contracts entered into with Darty and Bouygues Télécom are due to expire in 2021 and 2019, respectively. Upon reaching the initial expiration date, the terms of each of the Darty contracts provide for automatic renewal for successive periods of five years, unless otherwise notified by either party upon 12 months' prior notice. The Bouygues Télécom contract provides that upon reaching the initial expiration date, the contract will be automatically renewed for an indefinite period, unless otherwise terminated by (i) Bouygues Télécom upon 24 months' prior notice or (ii) us upon 12 months' prior notice.

In May 2012, Bouygues Télécom acquired Darty. Accordingly, our existing Darty and Bouygues Télécom white label contracts have been amended, most recently in December 2012, to reflect Darty and Bouygues Télécom's new commercial relationship.

Interconnection Agreements

Interconnection is the means by which users of one telephony network are able to communicate with users of another telephony network and, as the case may be, through a third telephony network. For a subscriber located on one telephony network to complete a telephone call to an end-user served by another telephony network, the subscriber's network service provider must interconnect either to the end-user's network, or to the network that transfers the call to the end-user's network. Typically, the network transferring the call and the end-user's network charge the subscriber's service provider a fee to transfer or to terminate the communication. Interconnection fees are typically regulated by the telecommunications regulator in each of the countries in which we operate. Regulators also commonly impose on all participants in the fixed-line telephony and mobile telephony markets an obligation to negotiate in good faith interconnection agreements with every requesting operator who is seeking to provide a publicly available electronic communication service. Generally, the cost of interconnection fees that we pay is taken into account in the price we charge our subscribers.

We have entered into various domestic and international reciprocal interconnection agreements for our fixed-line telephony, mobile operations and ILD services with other providers of electronic communications services. Our interconnection agreements generally have terms that continue for the duration of the parties' licenses to pursue telecommunication activities and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings. For the year ended December 31, 2013, on an aggregated basis, we incurred interconnection fees of €89.8 million.

Agreement with Pelephone, Vodafone and Belgacom relating to mobile roaming services

In November 2011, HOT Mobile entered into an agreement with the mobile operator Pelephone, a subsidiary of Bezeq, pursuant to which Pelephone agreed to provide domestic roaming services for 3G users to HOT Mobile and HOT Mobile agreed to exclusively purchase such services from Pelephone. The agreement enables us to provide 3G mobile services to our mobile customers while we continue to build-out our UMTS network in Israel. The cost for the services provided by Pelephone is based on agreed rates and depends on the actual usage of Pelephone's mobile network by our 3G customers in Israel.

In November 2013, HOT Mobile and Pelephone amended their underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. This agreement will allow HOT Mobile to exercise its rights under the Network Sharing Agreement with Partner, which still remains subject to regulatory approval by the Israeli Ministry of Communications. See "*Description of Group's Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*".

In addition, we have entered into a roaming agreement with Vodafone through which we receive roaming services for 3G around the world including approximately 500 mobile networks. We are also in the process of negotiating and signing roaming contracts directly with individual mobile operators in various countries. Our roaming agreement with Vodafone enables our Israeli 3G mobile customers to access other mobile networks while abroad. Although the particular terms depend on the country in which roaming services are accessed, the agreement regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreement automatically renews until one of the parties gives written notice of termination and may be terminated in the event of a material breach or the commencement of liquidation or insolvency proceedings.

In November 2012, our recently acquired French Overseas Territories business entered into an international roaming agreement with Belgacom International Carrier Services ("BICS") for the benefit of our 2G and 3G subscribers. The agreement is scheduled to expire in November 2015. The cost for the services provided by BICS is based on agreed rates and depends on the actual usage of BICS' mobile network by our customers travelling abroad.

We have also entered into international roaming agreements with various operators of GSM networks around the world, allowing our Israeli iDEN customers to make calls while overseas using a GSM compatible phone which we provide.

Mobile Network Sharing Agreement with Partner in Israel

On November 8, 2013, HOT Mobile entered into a network sharing agreement (the "Network Sharing Agreement") with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership ("JV Entity") that will hold, develop and operate an advanced shared mobile network for both companies. Each party is required to maintain and operate its own core network and independently provide mobile communication services, including marketing and sales of such services, to its respective customer base. The Network Sharing Agreement is subject to regulatory approval from the Israeli antitrust authority and the Israeli Ministry of Communications, including in relation to the modification of the network coverage requirements under our mobile license.

The Network Sharing Agreement, among other things, regulates the management and development of the shared network and the management and governance of the JV Entity (including a mechanism for appointing directors, the approval of business plans and certain decisions that require the approval of both parties). As consideration, HOT Mobile is required to pay Partner a specified one-time amount by January 1, 2017, and thereafter, each party will bear half of the capital expenditures required for the purpose of establishment and upgrade of the shared network, while the shared network operational expenditures will be allocated in accordance with a prescribed mechanism based, *inter alia,* on the traffic volume usage of each party of the shared network. HOT has issued a guarantee for HOT Mobile's obligations under the Network Sharing Agreement and the Group may be required to provide an additional guarantee or a bank guarantee to Partner in the event of the downgrade of the Group's corporate rating by certain specified levels.

The Network Sharing Agreement with Partner is valid until December 31, 2028 and provides for automatic renewals in five year increments after December 31, 2028 (unless either party notified its intention to terminate the agreement by a 24 months' notice prior to each extension period). However, at any time after the eight anniversary of the effective date of the Network Sharing Agreement, either party may terminate the agreement by providing 24 months' prior notice. The Network Sharing Agreement may also be terminated by a non-defaulting party upon certain specified events, including a material breach, failure of a party to meet its funding obligations, termination of a party's license by the Israeli Ministry of Communications and the occurrence of certain insolvency events. The Network Sharing Agreement also provides for an exit plan upon termination.

HOT Mobile and Partner have also entered into a right of use agreement (the "RoU Agreement") granting HOT Mobile a right of use over Partner's mobile communication network for the purpose of providing nation-wide mobile coverage to our customers pending implementation of the Network Sharing Agreement. The services under the RoU Agreement shall begin after completion of preparation by the parties. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have recently entered into an agreement with Pelephone pursuant to which we are no longer tied exclusively to Pelephone.

Agreement with NDS relating to purchase of a unified encryption system

In February 2007 we entered into an agreement with NDS Limited pursuant to which NDS Limited supplies certain software and services for the implementation of a unified encryption system which enables us to provide pay-television services, control access to particular pay-programming packages and charge fees on an individual subscriber basis. This system encrypts transmitted signals sent to customers and customers decrypt the signals using a set-top box which allows them to receive the pay programming offered. The agreement also requires NDS Limited to provide certain support and maintenance services related to the encryption system. The agreement is for a term of 10 years although we have the right to terminate the agreement with respect to the support and maintenance services after five years. In April 2011 the agreement was amended to expand the range of services to be provided by NDS Limited in order to include encryption systems for a new type of set-top box provided by Technicolor. We are required to pay NDS Limited an annual fixed amount for delivery of the encryption systems and related software licenses and provision of support services in addition to royalties and a fee for each set-top box with encryption technology. On February 17, 2013, HOT Telecom sent a notice of termination of the agreement to NDS Limited. The notice was sent in view of negotiations between the Group and the Cisco group, the parent of NDS Limited, regarding a new global contract. In response to the notice, HOT Telecom received a letter from NDS Limited on March 5, 2013 stating that in its view the agreement could not be cancelled before July 2015. The parties are currently in the process of negotiating revised terms.

We are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions. While we have not yet entered into a Group-wide supply contract with Cisco, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreement with Nagra France relating to the purchase of a unified encryption system

In October 1999, we entered into a contract with Nagra France for the purchase of a unified encryption system, which expired in 2007. Upon expiration, the contract is tacitly renewed for successive five-year periods, subject to termination by either party upon six months' notice prior to the end of any such five-year period. The last tacit renewal took place on January 1, 2012, and the next renewal, if any, will take place in December 31, 2017. We believe that a failure on Nagra France's part to continue supplying us its unified encryption system could disrupt, and have an adverse effect on, our business in France.

Agreements with Technicolor relating to purchase of set-top boxes

In October 2007 we entered into a memorandum of understanding with Technicolor for the purchase of set-top boxes manufactured by Technicolor. We formalized the understanding by entering into an agreement in 2009 and subsequently amended the agreement in June 2011 to include the purchase of set-top boxes that combine HD technology and recording capability functionality (known as the HD-PVR set-top box). Technicolor is responsible for the design, production and delivery of the set-top boxes and to ensure compatibility with the software developed for the HD-PVR set top-box. In consideration, we are obligated to pay Technicolor a fixed amount for each set-top box. The price of set-top boxes includes a warranty extending for three years covering the hardware and 12 months covering the software elements of the HD-PVR box. Technicolor is also required to provide hardware and software support and maintenance services after the expiry of the warranty period. The agreement is valid until May 2016.

We are party to similar agreements with Technicolor for the purchase of set-top boxes across our operations. While we have not yet entered into a Group-wide supply contract with Technicolor, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Agreements with Sagemcom relating to purchase of equipment

In March 2011 in Israel, we entered into an agreement with Sagemcom Broadband SAS for the development and purchase of a product which combines the functionality of an Internet modem, telephony modem and wireless router (known as the HOT Box). Under the terms of the agreement, Sagemcom has agreed to develop the product and to grant licenses to use the product software. In consideration, we are obligated to pay Sagemcom a fixed amount for each set top box. Sagemcom is also required to provide a warranty and maintenance services under the agreement. The agreement is for a term of four years and is automatically renewed for periods of one year at a time unless one party notifies the other of its intention to terminate the agreement upon expiry of the current term.

In October 2011 in France, we entered into a supply agreement with Sagemcom for our most technologically advanced set-top box to date, LaBox. The initial term of this contract is until April 2014; it is automatically renewable for successive terms of five years, subject to prior notice of termination. It contains commitments from Sagemcom to deliver the ordered set-top boxes within a set schedule and a non-exclusive commitment from us to order minimum quantities of set-top boxes over the term of the contract. Since August 2011, Sagemcom has been owned by Carlyle. Upon consummation of the Transactions, Carlyle is expected to become a shareholder of the Company.

We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, Belgium and Luxembourg. We introduced LaBox in Israel in March 2014. While we have not yet entered into a Group-wide supply contract with Sagemcom, we continue to weigh in on the negotiations of each of these contracts in order to achieve better prices by leveraging our combined purchasing power and to ensure that the same terms and conditions are entered into by each of our businesses.

Sagemcom was acquired by funds managed by Carlyle, which is a member of the Group in Concert with respect to Numericable of which the Company is a principal member, on August 17, 2011. We believe that the price we pay Sagemcom for the purchase of its set-top boxes is a market price. Jonathan Zafrani represents Carlyle on Numericable's board of directors. In the context of his role at Carlyle, Mr. Zafrani is a member of the board of directors of a certain number of Carlyle investment portfolio companies, including Sagemcom Holding, parent company of Sagemcom.

Agreement with Bezeq for the Provision of Transmission Services

In December 2012, an agreement was signed between HOT Mobile and Bezeq for the supply of various transmission services required for the purpose of providing radio mobile telephone services provided by HOT Mobile. The agreement's validity is for a period of five years from April 1, 2013. HOT Mobile is entitled to terminate the agreement upon 120 days' prior written notice subject to an early termination fee.

In exchange for all of the services provided to HOT Mobile by Bezeq, HOT Mobile agreed to pay Bezeq a total of approximately NIS 62.2 million which will be paid over the term of the agreement.

Agreement with Comverse

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd., pursuant to which Comverse would provide a BSS system (an integrated billing system with a customer contact management (CRM) system) and related hardware, software and services to HOT Mobile, including operation and maintenance of the CRM system. In exchange for Comverse's services, hardware and software, we agreed to pay a total of $12.5 million. The agreement is expected to be in effect for a period of approximately five years. In January 2012, the parties signed an addendum to this agreement, whereby Comverse committed to make seven additional employees available for the project (in lieu of the manpower that should have been made available for the project by us), against payment of $500,000.

Content Purchase Agreements

Several different relationships govern the content that we provide to our cable television subscribers. Alongside original content produced for HOT, in Israel we also purchase transmission or retransmission rights for channels and content produced by third parties. We pay copyright and carriage fees to the foreign, national and thematic broadcasters carried on our cable television networks. In general, these fees are paid in part to copyright collection agencies and to broadcasters based on a combination of per program fees and the number of subscribers to our cable service. We also typically pay royalties based on our subscribers' usage of on-demand content. In France, we generally enter into agreements directly with authors' rights societies, including ANGOA and SACEM, broadcasters and distributors. Our agreement with ANGOA was entered into in February 2011 and was renewed automatically at the end of its initial term on December 31, 2013 for a successive one-year period. It will be automatically renewed for successive one-year periods unless terminated by either party upon six months' notice. The fees charged by ANGOA are based on our overall revenues in France and are paid on a quarterly basis. We also guarantee a minimum fee per customer to ANGOA. We entered into a similar agreement with the SACEM in October 2003 that expired in December 2004, was extended until December 2009 and has since been automatically renewed for successive one- year periods. Pursuant to this contract, we pay quarterly fees to SACEM based on our overall revenues in France. This contract can be terminated at the end of each renewal period by either party, subject to a three-month notice period. In Israel, we have entered into agreements with two authors' right societies, namely AKUM Association of Music Composers, Writers and Producers in Israel Ltd. (AKUM) and Israel Screen and Television Artists Royalties Company Ltd (TALI). We entered into agreements with AKUM in 2011 following an arbitration proceeding initiated by AKUM to resolve the mechanism for calculating annual royalties for the use of works whose rights are protected by AKUM. Under the present arrangements which are valid until 2016, we have a license to broadcast works whose rights are protected by AKUM in consideration for which we have agreed to settle all of AKUM's claims from 2003 until 2010 with respect to past royalties and have also agreed on royalty rates for 2011 to 2016. In 2011, we signed an agreement with TALI providing for the payment of royalties between 2003 and 2014.

The terms and conditions of our contracts governing the payments and content providers of copyright fees to broadcasters vary by jurisdiction. We also enter into transportation and distribution agreements with the commercial broadcasters. Through transportation contracts, we agree to carry a commercial broadcaster's signal across our fiber backbone to our head end stations, where the signal is subsequently delivered to our subscribers. Broadcasters who transmit their signal to us by satellite can elect to deliver their signal directly to our head end stations and, as a result, do not need to enter into a transportation agreement with us. We also enter into distribution arrangements with all of the commercial broadcasters whose channels we carry on our networks, pursuant to which we agree to carry the broadcaster's signal from the head end station to our cable television subscribers. A variety of compensation arrangements have been made in respect of the contracts we enter into with the commercial broadcasters. In some situations, we do not charge the broadcasters any fee for transmitting their signal to our subscribers. Instead, the broadcasters benefit from increased advertising revenue they receive from reaching our basic cable television subscribers and we benefit by providing our subscribers added content. In certain situations, we pay broadcasters for the channels they transmit over our network. In other instances, we have entered into revenue-sharing arrangements or subscriber-based fixed fees. In addition to these arrangements, we have also entered into contracts with certain broadcasters pursuant to which we currently pay a fee in order to have the right to broadcast their signal on any digital cable television service that we may offer in the future. Our main content providers include TF1, the M6 Group, Canal+, Dori Media Spike Ltd., Sport Channel Ltd. and Noga Communications (1995) Ltd.

Additionally, in Israel we purchase stand alone programming from third party content providers, for the purpose of including such programming in our "home" linear channels and/or our VOD services.

In France, on September 26, 2013, we entered into an agreement with the Canal+ Group. Pursuant to this agreement, Multithématiques, an affiliate of Canal+ France, licensed to us distribution and marketing rights, on a non-exclusive basis, relating to certain television channels including CINE+, in SD and/or HD, and catch-up television version, if such version is available. The financial terms set forth under this agreement expired on December 31, 2013 and have been amended. The agreement expires in July 2017, and does not provide for automatic renewal. The early termination option may be exercised upon two months' prior notice (i) by us in case of the rejection by us of the financial terms for the period from 2014 to 2017 and (ii) by Multithématiques subject to Canal+ obtaining the lifting of the injunction rendered by the French Competition Authority (*Autorité de la concurrence*) (decision no. 12-DCC-100) requiring the Canal+ Group to make available to all distributors who so request, on a non- exclusive basis, all of the movie channels that Canal+ Group operates or may operate (with the exception of the channels Canal+, Canal+ Sport, Canal+ Cinéma, Canal+ Décalé and Canal+ Family), and to maintain the quality of the unbundled channels. On November 12, 2013, we entered into an agreement with Canal + Group. This agreement takes effect retroactively from January 1, 2012 for a period of two years until December 31, 2014, without tacit renewal. Under this agreement, we must distribute on our network channels including Canal +, Canal + TV services, Canal + The Channel, Canal + weekend and certain football and rugby channels.

In addition to content purchasing, in Israel, we have co-developed shows and have also developed several show platforms for our HOT suite of channels. We believe that our involvement with local content production companies has allowed the HOT brand to benefit from the significant popularity of our television series, movies and shows among the Israeli population by leveraging the fame of the local actors and actresses in our marketing campaigns to promote our offerings. Further, in October 2013, we acquired Ma Chaîne Sport and SPORTV, French operators of sports-themed Francophone television channels which produce and assemble their content.

Content Distribution Agreements

In October 2013, we acquired Ma Chaîne Sport and Sportv. Ma Chaîne Sport and Sportv entered into agreements with Numericable, Valvision, as well as certain of our subsidiaries, for the non-exclusive distribution of Kombat Sport, Ma Chaîne Sport, Ma Chaîne Sport Extreme, Ma Chaîne Sport Bien Etre and Ma Chaîne Sport Tennis television channels in Belgium, Luxembourg, France, Martinique and Guadeloupe. The contracts have a duration of 5 years with retroactive effect from January 1, 2013. Pursuant to these agreements, Ma Chaîne Sport and Sportv receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma Chaîne Sport and Sportv are entitled to advertising revenues received from the broadcast of their television channels. The contracts can be terminated by any party in case of a breach of the contract by the other party not remedied within 60 days.

Numericable Shareholders' Agreement

In connection with the Numericable IPO, Altice France, Cinven and Carlyle have entered into a shareholders' agreement governing their relations as shareholders of Numericable and establishing the principles governing administration of the Numericable Group (the "Numericable Shareholders' Agreement"). The Numericable Shareholders' Agreement has a term of 15 years, it being specified that Altice France will benefit from the pre-emptive right as described below for five years from November 12, 2013, the date of the definitive listing of Numericable shares on Euronext Paris (the "IPO Date") and each party will be released from its obligations under the Numericable Shareholders' Agreement if its shareholding falls below 5% of Numericable's share capital. The Numericable Shareholders' Agreement will terminate following completion of the Roll Over.

The consequences of the Numericable Shareholders' Agreement, the allocation of Numericable's share capital following the Numericable IPO and the intent of the three parties to the Numericable Shareholders' Agreement are as follows:

Altice France, Cinven and Carlyle have declared that they form a group acting in concert with respect to Numericable (the "Group in Concert"), the main provisions of which are described under "—*Composition of Numericable's Board of Directors*" and "—*Other Provisions*" below, and undertake not to, during the period of the Numericable Shareholders' Agreement, form any group acting in concert with another shareholder of Numericable (except any affiliate which is a beneficiary of a free transfer);

At the closing of the Numericable IPO, the members of the Group in Concert held together more than the majority of Numericable's share capital and voting rights (i.e., approximately 70% in total);

On February 6, 2014, Altice France acquired, from Carlyle and Cinven, additional shares in Numericable Group (the "Numericable Acquisition"). Following the Numericable Acquisition, Altice France holds 40% of shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors in accordance with the provisions of the Numericable Shareholders' Agreement see "—*Composition of Numericable's Board of Directors*" below.

In June 2014, Altice France completed the acquisition of the entirety of the stake of the Pechel Funds and the Five Arrows Funds in Numericable (representing approximately 2.6% of the share capital of Numericable) after exercising the call options granted by these Pechel Funds and the Five Arrows Funds to Altice France on November 7, 2013.

Except in special circumstances, Altice France will continue to benefit from its pre-emptive and preferential rights with respect to each of the two other members of the Group in Concert as long as such member's shareholding has not fallen below the 5% threshold of Altice France's share capital; Altice France contemplates increasing its position as the largest shareholder and thus could in the future hold the majority of Numericable's share capital and voting rights, in particular by exercising its pre-emptive and preferential rights.

The main provisions of the Numericable Shareholders' Agreement are summarised below.

Composition of Numericable's Board of Directors

The Numericable Shareholders' Agreement gives Cinven, Altice France and Carlyle the right to propose the appointment of certain directors: Altice France will have the right to appoint three directors (as long as it continues to hold more than the stake in Numericable's share capital that it held at the closing of the Numericable IPO (i.e. 30% plus one share) (the "Initial Threshold")), and, respectively, two directors and one director (as long as it holds more than 15% and 5% of Numericable's share capital, respectively), Cinven will have the right to appoint one director as long as it holds more than 5% of Numericable's share capital, and Carlyle will have the right to appoint two directors (as long as it continues to hold more than 15% of Numericable's share capital, and one director as long as it holds more than 5% of Numericable's share capital). The Funds' NG Shares (as defined below) are not included in the calculation of Altice France's ownership of Numericable with respect to the above-referenced thresholds.

The Numericable Shareholders' Agreement also provides that the board of directors will include three independent directors, in accordance with the criteria defined by the AFEP-MEDEF Code.

The tenth member of the board of directors will be the Chairman and CEO. For a period of six months following the completion of the Numericable IPO, each of Altice France, Cinven and Carlyle will have a veto right as to any changes in the appointment of Numericable's Chairman and CEO.

The Numericable Shareholders' Agreement provides that if Altice France's shareholding falls below the Initial Threshold and the above-referenced ownership thresholds of 15% and 5% of Numericable's share capital, Altice France will have to cause the resignation of the, respectively, one, two or three directors whom it will have appointed.

The Numericable Shareholders' Agreement also provides that if Cinven or Carlyle falls below their ownership thresholds and therefore cause the cumulative number of directors appointed by Cinven and Carlyle to be reduced to two or one, Cinven or Carlyle (as the case may be) must cause the resignation of the director(s) it has appointed. Upon the resignation of the first director in the case referenced above, such director will not be replaced, bringing the number of directors to nine.

In the event of the resignation of one or several of the directors appointed by Carlyle or Cinven in the case referenced above, bringing the number of directors on Numericable's board below nine, such directors will be replaced by one or more candidates appointed by Altice France so that the Numericable's board will be composed of nine members.

Furthermore, if Altice France's shareholding crosses (taking into account the Funds' NG Shares which are subject to the Altice Call Option (as defined below)) the 37.5% ownership threshold with respect to Numericable's share capital, the Numericable Shareholders' Agreement provides that Altice France will appoint five members of the board of directors including the Chairman who will have a decisive vote, in accordance with the terms and restrictions below:

(1) the Chairman and CEO, subject to his approval, shall be deemed to be designated by Altice France. Absent such appointment, (i) the offices of Chairman of the board of directors and Chief Executive Officer shall be separated; (ii) the Chairman shall resign from his office as Chairman and member of the board of directors (it being specified that he will continue his/her role as Chief Executive Officer and not as a member of the board) and his/her office as a member of the board of directors will be replaced by a member designated by Altice France; and (iii) the new Chairman of the board of directors will be chosen among the members designated by Altice France;

(2) in the event that the board of directors is composed of only nine members, Cinven and Carlyle have agreed to vote in favor of the appointment of an additional director, appointed by Altice France, so that board of directors is composed of ten members;

(3) in the event that, as of the date Altice France crosses the 37.5% threshold, Altice France has only three members out of a ten-member board of directors (not taking into account the Chairman), and this threshold is not crossed upon Cinven or Carlyle falling below the 15% or 5% (as applicable) ownership threshold, one of Carlyle's two representatives shall be replaced by a candidate designated by Altice France, so that Altice France has five out of ten members of the board of directors (including the Chairman);

(4) at any time beginning from (and including) the date Altice France crosses the 37.5% threshold:

    a. if Carlyle falls below the 5% ownership threshold with respect to Numericable's share capital, whereas Cinven continues to hold a stake greater than 15%, the last representative of Carlyle shall be replaced by a director designated by Cinven; and

    b. if Cinven falls below the 5% ownership threshold with respect to Numericable's share capital, whereas Carlyle continues to hold a stake greater than 15%, the representative of Cinven shall be replaced by a director designated by Carlyle;

(5) if Altice France falls below the 37.5% ownership threshold, the rules governing the composition of the board of directors applicable prior to Altice France's exceeding the 37.5% threshold shall be reestablished and Altice France undertakes to cause the resignation(s) of the director(s) required to this effect.

The Numericable Shareholders' Agreement provides, moreover, that the composition of Numericable's board of directors will comply with the rules on balanced representation of women and men, and that Numericable's governance will comply with the AFEP-MEDEF Code, with the exception of the initial board of directors which will consist of 10 members (including 3 independent directors), it being specified (as described above) that the Numericable Shareholders' Agreement also specifies that if the shareholding of Cinven or Carlyle falls below a threshold of Numericable's share capital so that the cumulative number of the members of the board of directors that may be designated by Cinven and Carlyle is reduced to two or one, Cinven or Carlyle (as the case may be) shall cause the resignation of the director(s) that it will have designated. In the event of a first director's resignation in the above-referenced case, the latter will not be replaced, so that the number of the members that compose the board of directors will be reduced to nine (of which one third will be independent directors).

As of the date of the Prospectus, the board of directors of Numericable is comprised of the Chairman and CEO and four additional directors appointed by Altice France, one director appointed by Cinven, one director appointed by Carlyle and three independent directors.

Other Provisions

In accordance with the Numericable Shareholders' Agreement, Cinven, Carlyle and Altice France intend to act in concert with respect to Numericable.

The Group in Concert will be dissolved if Cinven, Carlyle and Altice France, collectively, hold less than 10% of Numericable's share capital and voting rights with respect to any of Cinven, Carlyle and Altice France, if such party individually holds less than 5% of Numericable's share capital and voting rights.

Under the Numericable Shareholders' Agreement, Cinven, Altice France and Carlyle have agreed to reach a common position prior to any general meeting of Numericable at which an important resolution will be submitted that might affect Numericable's future prospects.

In addition, the Numericable Shareholders' Agreement provides that the strategic decisions listed below may only be made and implemented with the prior approval of Numericable's board of directors requiring a simple majority of the members present or represented:

- adoption and modification, if any, of the annual budget, including in particular the investments and divestments as well as the associated financing plan;
- adoption and modification, if any, of the business plan;
- appointment, dismissal and compensation (and modification of the compensation) of the Chairman and CEO and the appointment of members of Numericable's board with regard to the provisions set out in "*—Composition of Numericable's Board of Directors*" above;
- hiring/appointment, dismissal/lay-off and compensation (and modification of the compensation) of the president and/or member(s) of the management team of subsidiaries;
- convening and adjourning Numericable's general shareholders' meetings and adopting draft resolutions to present to such meetings;
- 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 authorised under the annual budget), it being specified that the board of directors will give each year to the Chairman and CEO all of the powers relating to the grant of securities, endorsements and guaranties of a unit amount less than € 10 million, in accordance with Article R. 225-28 of the French Commercial Code, within the limit of a total amount of €50 million;

- entering into any transaction, or opening and pursuit of judicial, administrative or arbitral proceedings to which Numericable or a subsidiary is a party, for any amount exceeding €10 million;
- entering into any disposal, acquisition, investment, or divestment (in any form including in particular in connection with an exchange, contribution, acquisition, creation of shareholding and/or dissolution of a subsidiary, partnership, joint-venture, universal transmission of assets, etc.), by Numericable or any of its subsidiaries, representing investments or divestments exceeding €10 million (such test being conducted in enterprise value with regard to acquisitions and disposals); or a substantial change to the terms and conditions of such project;
- entering into any agreement regarding acquisition or transfer of indefeasible rights of use with regard to the individual plugs connected to the network through fiber or coaxial cable, by Numericable or any of its subsidiaries;
- distribution of dividends or any similar type of transaction (such as a repurchase or repayment of own shares, or more generally, of securities);
- 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 Labor Code, with the exception of agreements that are entered into in the ordinary course of business and on arm's length terms (a "Decision Related to Regulated Agreements");
- proposal regarding any changes to a subsidiary's by-laws;
- the implementation of any stock option or stock purchase plan, of any ownership plan for employees or corporate officers, of profit-sharing, of incentive schemes, of company savings plans, of group savings plans, and all other significant changes to such plans or programs, with the exception of that which would result from a legal obligation (to the extent that such a plan was not approved in connection with the approval of the annual budget);
- mergers, spin-offs, partial asset contributions (or any similar type of transaction) to which Numericable or one of its subsidiaries would be a party.

Furthermore, it is specified that for any Decision Related to Regulated Agreements, each of Altice France, Cinven and Carlyle will have a veto right during the six month period from the Numericable IPO and, after this period, as long as it holds more than 10% of Numericable's share capital.

Furthermore, the Numericable Shareholders' Agreement provides that the following strategic or important decisions must be approved by a two-thirds majority of Numericable's board of directors and that each of Altice France, Cinven and Carlyle has a veto right in this regard for a period of six months following the Numericable IPO, and after this period, as long as it holds more than 10% of Numericable's share capital:

- entering into any disposal, acquisition, investment, or divestment (in any form including in particular in connection with an exchange, contribution, acquisition, creation of shareholding and/or dissolution of a subsidiary, partnership, joint-venture, universal transmission of assets, etc.), by Numericable or any of its subsidiaries, representing investments or divestments exceeding €200 million (such test being conducted on an enterprise value basis with regard to acquisitions and disposals);

- any decision relating to an increase, reduction or amortisation 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; and

- any merger, spin-off or partial asset contribution (or any similar transaction) concerning Numericable, and in general any legal restructuring of Numericable and its subsidiaries when the expected amount of the transaction exceeds €200 million (this test being conducted on an enterprise value basis), except intra-group transactions.

Moreover, prior to entering into the Numericable Shareholders' Agreement, Cinven, Altice France and Carlyle have agreed on the 2014 budget and on the composition of the Numericable Group's management team following completion of the Numericable IPO, and have undertaken to agree on any modifications thereto occurring before the completion of the Numericable IPO or within six months thereafter.

During and after the lock-up period relating to the Numericable IPO, the transfer of shares held by the parties to the Numericable Shareholders' Agreement will be governed by the Numericable Shareholders' Agreement. In that regard, the Numericable Shareholders' Agreement provides, as described below, the stipulations related to share transfer, and especially for the orderly sale of shares held by Altice France, Cinven or Carlyle, pre-emptive and preferential rights granted to Altice France by the other parties and a joint transfer right for each of the parties to the Numericable Shareholders' Agreement, if applicable, subject to certain exceptions.

Freely permitted transfers: A party to the Numericable Shareholders' Agreement may transfer Numericable shares to an affiliate freely, as long as the beneficiary adheres to the stipulations set out in the Numericable Shareholders' Agreement. In addition, Altice France may transfer to the banks financing Altice France's acquisition of Numericable's shares in the context of the Numericable IPO all of Numericable's shares held on the IPO Date by Altice France and pledged to such banks as collateral for such financing.

Transfer restrictions for shares held by Altice France, Cinven and Carlyle: For the duration of the Numericable Shareholders' Agreement, Altice France, Cinven and Carlyle agree to not proceed with any acquisition of Numericable shares which would require one of them to make a takeover bid on Numericable's shares, unless the shareholder has obtained from the AMF an exemption with respect to the obligation to make a takeover bid for Numericable's shares or a decision confirming that the other parties to the Numericable Shareholders' Agreement are not subject to this requirement.

Orderly transfer and Altice France pre-emptive rights: Apart from the freely permitted transfers mentioned above, a transfer made in the context of a cash takeover bid for Numericable mentioned below or a public tender offer not made 100% in cash or a Complex Transaction, as defined in "*Public offer other than 100% in cash and complex transactions.*" below, any transfer of Numericable's shares made by a party to the Numericable Shareholders' Agreement in the five years following the completion of the Numericable IPO must be made through an orderly transfer procedure (especially an over-the-counter transfer, a market transfer or a market placement transfer) under the following conditions: (i) the transfer must involve a number of shares representing either (x) at least 1% of Numericable's share capital or (y) at least €30 million, (ii) Altice France will have a pre-emptive right to purchase Numericable's shares offered for sale; (iii) if Altice France does not exercise its pre-emptive right, the transferring shareholder may freely transfer the shares (subject to the joint transfer right described below).

Cash offer to purchase and Altice France preferential right: in the event of a third party cash offer to purchase Numericable's shares, and in the event that Cinven and/or Carlyle wishes to tender all or part of their shares to the offer, Altice France will have a preferential right to acquire such shares at the price of the offer. These stipulations are also applicable in the event of a higher or competing offer, in each case at the price of the relevant offer.

Public offer other than 100% in cash and complex transactions: in the event of a third party offer that is not 100% in cash (in particular a public exchange offer or a mixed offer), as well as a transfer, other than a freely permitted transfer, paid other than in cash (especially a transfer paid partially or in whole by listed or unlisted securities) (a "Complex Transaction"), Altice France, Cinven and Carlyle agree (i) to coordinate immediately following an offer that is not 100% cash or, as the case may be, a Complex Transaction and (ii) not to tender to the offer and not to proceed with the Complex Transaction without the prior approval of each of Cinven, Carlyle and Altice France.

Loss of Altice France's pre-emptive and preferential rights: Altice France will definitively lose its pre-emptive right and its preferential right referenced above in the following cases: (i) a transfer of Numericable's shares by Altice France that results in Altice France having a lower shareholding in Numericable than 30% plus one share, (ii) a transfer by Altice France, within one calendar year, of Numericable shares that represent more than 2.5% of Numericable's share capital (the "Permitted Altice France Percentage") (it being specified that this maximum percentage does not take into account any freely permitted transfer that Altice France could be a party to) (as long as these transfers do not result in Altice France having a lower shareholding in Numericable than 30% plus one share), and in the event that Altice France does not transfer all of the Permitted Altice France Percentage within one calendar year, the non-transferred proportionate share of the Permitted Altice France Percentage will be added to the Permitted Altice France Percentage in the following year, as long as the number of Numericable shares that Altice France can transfer in the course of one calendar year does not exceed 10% of its shareholding in Numericable as calculated on December 31 of the preceding year (and as long as the transfer does not result in Altice France having a lower shareholding in Numericable than 30% plus one share), (iii) an indirect or direct loss by Patrick Drahi and/or his heirs of his and/or their majority stake in the share capital and voting rights of Altice France, or (iv) loss by Altice France of its position as principal shareholder of Numericable.

Joint transfer right: the parties to the Numericable Shareholders' Agreement other than the transferring shareholder (including Altice France, as an alternative to its preferential right) will have a joint transfer right, for five years from the IPO Date, under any transfers conducted over the counter or in connection with a bookbuilding, prorated to their holdings in Numericable's share capital on the date of the preliminary offering circular relating to the Numericable IPO. Cinven and Carlyle can exercise their joint transfer right on such a transfer of Company shares made by Altice France, including shares included in the Permitted Altice France Percentage, excepting only freely permitted transfers.

Maintenance of the public float: Altice France, Cinven and Carlyle, and the individuals with whom they coordinate, are not allowed to proceed with any acquisition of Numericable shares whose effect would result in a decrease in the float (i.e., the percentage of share capital held by shareholders other than members of the Group in Concert or their affiliates) to 25% of the total number of Numericable shares.

Call options: call options were granted to an affiliate of Altice France (the "Beneficiary") by Cinven and Carlyle (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 have been 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 capitalised 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% of the securities for which transfer is contemplated, so that the Beneficiary transfers this portion simultaneously with the transfer by the Grantor and realises 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% 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 capitalised 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.

These Call Options will be restated on or about the Completion Date in order to cover disposal of Company's securities by the Grantors.

Numericable is a controlled entity, following the listing of Numericable's shares on Euronext Paris, as described above; however, Numericable believes that there is no risk that the control will be exercised in an abusive way.

In addition, the enforcement of the pledge granted by Altice France in favor of the banks financing the 2013 Margin Loan, with respect to certain of Numericable's shares that Altice France holds, could result in a change in the controlling shareholders of the Numericable Group.

HOT Minority Shareholder Agreements

In October 2010, Cool Holding entered into separate agreements with Yedioth Communications Ltd. ("Yedioth") and companies from the Fishman Group (collectively, "Fishman" and, together with Yedioth, the "HOT Minority Shareholders"), pursuant to which (i) Cool Holding acquired 4,565,493 shares of HOT from Fishman in March 2011 and 10,012,003 shares of HOT from Yedioth in November 2011 and (ii) Cool Holding agreed that, until the date that is three years from each such acquisition date, Cool Holding would not take any action which would cause HOT to become a private company or for its shares to be delisted from the Tel Aviv Stock Exchange, without receiving the consent of each HOT Minority Shareholder (the "Take-Private Consent Right").

On November 5, 2012, in connection with the Take-Private Transaction, Cool Holding entered into separate agreements (each a "HOT Minority Shareholder Agreement") with the HOT Minority Shareholders, pursuant to which (i) Cool Holding agreed to acquire directly or through one of its subsidiaries from each of the HOT Minority Shareholders all of their respective shares in HOT, representing approximately 11% of the outstanding shares of HOT (the "HOT Minority Shareholder Shares"), in consideration for a payment of NIS 41 per share, (ii) each of the HOT Minority Shareholders agreed to waive its Take-Private Consent Right and (iii) as additional consideration for the waiver of the Take-Private Consent Right, Cool Holding granted each HOT Minority Shareholder the right to purchase the HOT Minority Shareholder Shares from Cool Holding or one of its subsidiaries (the "HOT Minority Shareholder Call Options") at a price per share equal to NIS 48 (the "Call Consideration") during the 24-month period commencing on the first anniversary of the Take-Private Transaction. The Take-Private Transaction was completed on December 27, 2012 .The HOT Minority Shareholder Call Options may be exercised by the relevant HOT Minority Shareholder in up to three transactions, each of which shall cover at least 30% of the shares sold by such HOT Minority Shareholder to Cool Holding or one of its subsidiaries in the Take-Private Transaction.

The HOT Minority Shareholder Agreements contain anti-dilution rights and consent rights with respect to changes in business prior to the exercise of the HOT Minority Shareholder Call Option and certain minority shareholder rights, which will become applicable if the HOT Minority Shareholder Call Options are exercised after the Take-Private Transaction, including tag along rights with respect to any sale of HOT shares by Cool Holding; pre-emptive rights with respect to issuance of HOT shares; restrictions on HOT's ability to effect transactions outside of the ordinary course of business (including a transaction resulting in the sale by HOT of a material asset); subject to certain exceptions, restrictions on entering into transactions with any shareholder, director or officer of HOT or any affiliate thereof; restrictions on the incurrence of any material indebtedness; and, subject to certain exceptions, the right to require HOT to re-register and list its shares on the Tel Aviv Stock Exchange. In addition, Cool Holding has certain drag-along rights with respect to the shares sold to the HOT Minority Shareholders upon the exercise of the HOT Minority Shareholder Call Options.

Roll over of the Outremer Minority Shareholders and the Mobius Managers

On July 5, 2013, Altice International, through its wholly owned subsidiary Altice Caribbean, acquired approximately 77% of the equity interests in Altice Blue Two (the "Outremer Transaction"), 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 Transaction (the "Outremer Minority Shareholders").

In addition, on January 15, 2014, Altice Blue Two completed the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion. The acquisition documentation provides for the reinvestment, by certain managers of the Mobius Group, which were also shareholders of Mobius Group, (the "Mobius Managers") of a fraction of their sale proceeds into the Altice group.

Pursuant to contribution agreements dated January 30, 2014, (i) the Mobius Managers have contributed to the Company vendors notes they hold against Altice Blue Two, against Ordinary Shares of the Company and (ii) in March 2014, the Outremer Minority Shareholders contributed to the Company the shares they hold in Altice Blue Two (other than ratchet shares described further below and except further for a limited number of ordinary shares retained by one of the Outremer Minority Shareholder, but on which the Company has a call-option, exercisable at a predetermined price during the fourth quarter of 2014) against Ordinary Shares in the Company valued at the offer price, i.e. €28.25 (the "Managers' Roll Over). The contribution agreements also contemplate a 2014 financial performance based earnout payable to the Outremer Minority Shareholders by way on an additional issue of Ordinary Shares of the Company in early 2015, up to a value of € 10,000,000. As a result of the above, the Company issued approximately 2,111,909 new Ordinary Shares subscribed by the Outremer Minority Shareholders Managers and the Mobius Managers, leading to a dilution of Company shareholders by approximately 1.0%.

In addition, Altice, the Outremer Minority Shareholders and the Mobius Managers have entered on March 11, 2014 into agreements pursuant to which (i) the Outremer Minority Shareholders transferred ratchet shares tracking the performance of Altice Blue Two to Altice Caribbean, in exchange for warrants issued by Altice Caribbean and tracking the performance of Altice Caribbean and its subsidiaries (together with the underlying shares, the "Altice Caribbean Warrants"), (ii) Altice Caribbean Warrants were awarded to the Mobius Managers, and (iii) existing shareholders' arrangement at the level of Altice Blue Two were replaced by shareholders arrangements at the level of Altice SA, Altice Caribbean and Altice Blue Two (the "New Outremer Shareholders' Arrangements").

The New Outremer Shareholders' Arrangements include certain limitations on the rights of the majority shareholders of Altice Caribbean and of Altice Blue Two (but not of the Company), contain certain restrictions to the transfer of the shares of the relevant entity, and grant liquidity rights to the Outremer Minority Shareholders and the Mobius Managers (collectively referred to below as the "ABT Managers"), including those described below.

At the level of the Company, the New Outremer Shareholders' Arrangements provide (i) for specific lock-up commitments on the shares held by the ABT Managers in the Company (lapsing partially in 2016 and 2017, and totally in 2018) and (ii) a pre-emption right on those shares in favor of Next. The New Outremer Shareholders' Arrangements do not provide for specific rights in favor of the ABT Managers relating to the corporate governance of the Company.

At the level of Altice Caribbean, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Holding's rights as a majority shareholder of Altice Caribbean, including specific veto and consent rights in favor of the ABT Managers. Further, Mr. Jean Michel Hegesippe (who is one of the ABT Managers), shall be appointed as new CEO of Altice Caribbean. The New Shareholders' Arrangements also contain certain restrictions to the transfer of Altice Caribbean's shares (including the Altice Caribbean Warrants) and, in particular (i) an inalienability period lapsing in 2019 on shares held by the ABT Managers (subject to certain exceptions), (ii) the prior approval by Altice Holdings of any transfer of shares of Altice Caribbean held by the ABT Managers, (iii) a pre-emption right in favor of Altice Holdings, (iv) a proportional tag along right in favor of the ABT Managers, and (v) a drag along right in favor of Altice Holdings (and, as from 2018, in favor of the ABT Managers) in case of a contemplated transfer of at least 95% of Altice Caribbean's capital. The New Outremer Shareholders' Arrangements also provide that all investments of the Altice group in an area covering the Caribbean, the Indian Ocean and Mauritius shall be completed through Altice Caribbean (or one of its subsidiaries). Further, the

New Outremer Shareholders' Arrangements contain put and call arrangements exercisable on the Altice Caribbean Warrants in 2018, at a price determined in order to allow the ABT Managers (subject to certain bad leaver situations), to capture a fraction of the potential value added to the investment of the Altice group in Altice Caribbean since July 2013 (or, regarding the Mobius Managers), since March 2014).

At the level of Altice Blue Two, the New Outremer Shareholders' Arrangements provide certain limitations on Altice Caribbean's rights as a majority shareholder, including specific veto and consent rights in favor of the ABT Managers. The Company will have a call option (and the relevant ABT Manager will have a put option) on a limited number of shares of Altice Blue Two held by one of the ABT Managers, exercisable at a predetermined price during the fourth quarter of 2014.

Dominican Republic Acquisitions

ODO Acquisition

Pursuant to an agreement dated November 26, 2013 between Altice Bahamas (a wholly-owned indirect subsidiary of Altice International) and Wirefree Services Denmark A/S (a company controlled by Orange S.A.), on April 9, 2014, Altice Bahamas, through one of its newly formed fully owned subsidiary, Altice Dominican Republic II, acquired from Wirefree Services Denmark A/S and certain of its affiliates all of the outstanding share capital of ODO. The aggregate purchase price payable by Altice Bahamas was $1.4 billion.

Tricom Acquisition

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

Potential Benefits from the acquisition of Tricom and ODO

The Tricom Acquisition and the ODO Acquisition are consistent with our strategy to drive profitability and cash-flow expansion through in-market consolidation. In particular, we believe that we will benefit from cross-selling Tricom's high speed broadband Internet and pay television offerings to ODO's existing customers and ODO's mobile services to Tricom's customers in addition to offering new services that utilise both companies' product sets and networks. We believe the combination of Tricom and ODO will create a fixed-mobile integrated player in the Dominican Republic.

We believe that Tricom's and ODO's network infrastructures are complementary. We intend to progressively migrate the existing fixed line DSL customer base in the Dominican Republic to Tricom's cable network where possible. We expect to generate savings by reducing maintenance costs and unbundled local loop ("ULL") and bitstream fees as well as realising 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 utilising Tricom's excess 4G spectrum which should allow for a cost efficient roll-out of 4G services.

MVNO Agreements

In France and Belgium, we offer mobile telephony services to our customers as MVNO operators.

In 2010 in France, we entered into several MVNO agreements with Bouygues Télécom for voice and data transmission, pursuant to which we introduced our quadruple-play offering in 2011. The agreements relating to voice transmission services are due to expire in 2017 and will be automatically renewed unless otherwise notified by either party with six months' notice prior to their respective initial expiration dates. Upon renewal, they will be valid until further notice and may be terminated by either party upon twelve months' notice. The agreements relating to data transmission services expired in 2012, but were renewed at their expiration for an indefinite term. They may be terminated by either party upon twelve months' notice.

The financial terms of these agreements include a flat fee that corresponds to minimum levels of consumption by our end-customers and a variable fee based on actual consumption (i.e., number of end-customers, amount of voice and data transmission services used). Bouygues Télécom must use its best efforts to comply with its obligations under these MVNO agreements and has a right to unilaterally modify these agreements should it be become unable to perform all or part of its obligations due to technical or regulatory reasons.

On April 11, 2011, LTI Telecom entered into MVNO agreement with SFR for voice and data services (SMS, MMS, data) for a period of nine years. At the end of the initial term, the contract will be tacitly renewed for an indefinite period unless terminated by either party upon the observance of a notice period of 6 to 12 months. However, the contract may be terminated during the initial period under certain conditions. On November 22, 2013, LTI Telecom and SFR agreed on the modalities for the introduction and provision of 4G services. Following the acquisition of LTI Telecom by us, Completel was subrogated to the rights and obligations of LTI Telecom under this contract by an addendum signed on November 30, 2013. Under this MVNO agreement, Completel pays to SFR (i) a subscription fee and (ii) in case of exceeding the level of consumption included in the subscription, a fee based on actual consumption of end customers of the Group and the type of services, with a minimum annual billing based on the type of services.

In Belgium, our MVNO agreement with Mobistar is valid for an initial term of three years expiring in 2014 and will automatically extend for an additional period of two years unless the agreement is terminated by either party, for any reason.

Shareholders' Agreement between Next L.P., Penta and Valemi

Next L.P., Penta and Valemi entered into a shareholders' agreement prior to the initial public offering of the Company pursuant to which each of Penta and Valemi agreed to grant to Next L.P. a right of first refusal with respect to any proposed transfer of ordinary shares of the 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.

Annex I
R 17.1
R 17.3

Employees

The following tables show our employees by country of employment.

	As of December 31, 2013	As of December 31, 2012	As of December 31, 2011
France	2,077	1,910	1,599
Israel	2,677	5,121	5,814
Belgium and Luxembourg	70	82	83
Portugal	491	561	719
Switzerland	87	81	81
French Overseas Territories	930	830	910
Total	**6,543**	**8,650**	**9,227**

Certain of our subsidiaries also use contract and temporary employees, which are not included in the above number, for various projects.

We are subject to various labor laws in each of the jurisdictions in which we operate. Labor laws typically govern the length of the workday, minimum wages for employees, procedures for hiring and dismissing employees, determination of severance pay, annual leave, sick days, advance notice of termination of employment, equal opportunity and anti-discrimination laws and other conditions of employment. Further, we are generally required to provide severance pay upon the retirement, death or dismissal of an employee. We are also required to make national insurance payments on behalf of our employees to the government in each of the jurisdictions in which we operate.

Some of our employees currently belong to 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 we expect would lead to Numericable Group- level agreements on matters of common interest that would apply to all of the Numericable Group's companies. As a result, a subsidiarity principle would be applied and any areas not addressed at the Numericable Group level would be negotiated at the level of each of the Numericable entities and Completel. Other than as disclosed in the Prospectus, we consider our employee relations to be good.

In Israel in August 2013, Power to the Workers—A Democratic Workers Organisation ("Power to the Workers") claimed a collective dispute and requested declaratory reliefs that Power to the Workers is the representative organization of HOT (not including Hot Mobile), and that the group must conduct negotiations regarding a collective bargaining agreement. In addition, the court was asked to declare that non-payment of wages to employees who refused to commit to working a full work week.

Annex I
R 8.1

Properties

We lease and own certain properties for our corporate offices, sales offices, broadcast centers, communication rooms, customer service centers, sales stores, mobile network sites, hubs, switches and head-end sites. Our registered office is located at 3, boulevard Royal, L-2449 Luxembourg. With respect to our French operations, our main corporate offices are located in Paris, France. With respect to our Israeli operations, our main corporate offices are located in Yakum which is located in proximity to Tel Aviv. With respect to our Belgian operations, our main corporate offices are located in Brussels, Belgium. With respect to our Luxembourg operations, our main corporate offices are located in Strassen, Luxembourg. With respect to our Portuguese operations, our main corporate offices are located in Lisbon, Portugal and Pamela, Portugal. With respect to our operations in the French Overseas Territories, our main corporate offices are located in Paris, France. With respect to our operations in the Dominican Republic, our main corporate offices are located in Santo Domingo. 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.

Annex I
R 8.2

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 the Prospectus in "*Risk Factors—Risks Relating to Our Business, Technology and Competition—Our business may be adversely affected by actual or perceived health risks and other environmental requirements relating to exposure to electromagnetic fields through telecommunications equipment.*"

Furthermore, we are also careful to offer our subscribers ecologically responsible products and services in order to reduce their energy consumption. Due to its versatility and multifunctionality, the new LaBox represents a significant advance, since it combines several functions (Blu- Ray TM reader, TV-HD decoder and removable hard drive).

Insurance

We maintain a property insurance policy with wide coverage based on "extended fire" wording to cover our property on a new replacement basis. In certain of our geographies including France and Israel, we also maintain a business interruption policy based upon the same perils. The property coverage is supported by coverage for electronic equipment. We maintain various liability insurance policies including general liability, comprehensive third party liability, products liability & professional liability, multimedia liability and employer's liability insurance policies. In addition to these policies we maintain motor vehicle insurance policies, heavy equipment policy, open policy for contract works to cover maintenance and development works and few other small policies. We have directors' and officers' liability insurance policies that cover all members of our Group executive management and the members of the majority of our local management boards. We do not insure against certain operational risks for which insurance is unavailable or which can only be insured at what we believe to be on unreasonable terms.

In our view, the sum insured, the limits of liability, the deductibles and scope of cover in our policies are satisfactory and suitable for companies acting in the telecommunications sector (subject to the wording of the policies, conditions and exclusions). However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage. With respect to the majority of our businesses, we do not insure against war and terrorism risks, however, we believe we are covered in Israel by the Property Tax and Compensation Fund Law, 1961.

Annex I
R 20.8

Legal Proceedings

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date of the 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 favor of AGICOA and instructed HOT to pay damages of approximately NIS 10 million plus linkage differences, interest from the date of filing the claim and plaintiff’s expenses and attorney fees. Appeals were filed by both parties to the Supreme Court regarding the ruling. The parties have submitted to the Supreme Court a settlement agreement which has been approved. Under the settlement agreement, HOT will pay AGICOA for the use between 1993 and 2015 of AGICOA’s repertoire a total sum that is less than the provision booked by HOT in its financial statements.

Litigation Relating to Coditel Network in Luxembourg

In 2006 and 2010, respectively, the municipalities of Roeser and Junglinster in Luxembourg terminated Coditel’s network operation agreements. Coditel refused to comply with the municipalities’ request to stop operating the network as it deemed that Coditel acquired ownership of the network from a private individual prior to entering into the agreements with the municipalities, which only pertain to the network operations, and that such 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, and to 10% as of January 1, 2014, while Internet and telephony services are subject to a 20% VAT rate, up from 19.6% due to an increase effective January 1, 2014. When marketing multiple-play offerings, the Numericable Group allocates a price reduction compared to the price it would charge for such services on a stand-alone basis. This price reduction is primarily applied to the Numericable Group's Internet and telephony services in multiple-play offerings, because such services are newer products. As a result, the VAT the Numericable Group charged to its multiple-play subscribers was lower than the VAT that would have been charged if it had deemed the price reduction to apply primarily to the television services portion of its packages.

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

The Numericable Group has formally contested the tax adjustments for fiscal years 2006 to 2009. The Numericable Group asked the Ministry of Finance in December 2011 for a settlement of all the rectifications proposed by the Administration for all the companies of the Numericable Group for fiscal years 2006 to 2009. Further to these requests, the tax authorities revised downwards the amounts of rectifications for years 2008 and 2009 by including in its calculation a limitation based on the 50/50 rule applicable on the composite VAT which was effective from 2008 to 2010. The new amounts of rectifications, amounting to €17.1 million (not including penalties of 40%) for fiscal years 2006 to 2009 were communicated to the Numericable Group at the end of August 2012.

Furthermore, in 2012, the tax authorities have also initiated a tax audit of fiscal year 2010, in the same matters and scope as the audits described above. These procedures gave rise to proposed adjustments at the end of June 2013, for a total amount of €6.1 million (except penalties of 40%). The Numericable Group responded on August 21, 2013 in order to contest the proposed assessments. The tax authorities responded to our observations in October 2013 maintaining their position with respect to the proposed adjustments. To date, no tax audit has been initiated for 2011 and subsequent years.

The tax authorities also placed into collection the rectification of fiscal year 2006 on NC Numericable (approximately €2 million (out of the €17.3 million mentioned above for the 2006-2009 period)). The Numericable Group asked for a payment deferral and filed a complaint in September 2012 which was rejected by the tax authorities on June 27, 2013. The Numericable Group filed an additional request on August 20, 2013.

VAT rules applicable to multi-play offerings changed as of January 1, 2011. For a description of the practices and situation of the Numericable Group since January 1, 2011, see Part II of the Prospectus (*Risk Factors—Risks Relating to Legislative and Regulatory Matters—Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.*).

Finally, in 2013, the tax authorities initiated tax audits on the Altice B2B France and Completel entities in respect of fiscal years 2010 and 2011, giving rise to proposed adjustments on December 19, 2013. These proposed adjustments relate to certain charges for services the companies received in 2009, 2010 and 2011. In addition, the proposed adjustments resulted in a €28.5 million reduction of reportable deficit. The Group contested all of the proposed adjustments on February 17, 2014. On December 31, 2013, a tax provision for a total amount of €36.3 million was recognized covering all VAT risks (excluding €7.1 million of penalties) in respect of proposed adjustments for fiscal years 2006 to 2010 (€23.2 million) and the risks associated with the proposed adjustments with respect to charges for services rendered in fiscal years 2009 to 2011 (€11.4 million).

European Commission's in-depth inquiry into the transfer of cable infrastructure by certain municipalities in France

On July 17, 2013, the European Commission announced that it had opened an in-depth inquiry into whether the transfer of certain public cable infrastructure during such period by several French local authorities to the Numericable Group was in accordance with European competition laws on State aid. The European Commission, in announcing the opening of the inquiry, noted that it believed the transfer of public goods to a private enterprise without appropriate compensation provides such enterprise with an economic advantage from which its competitors did not benefit and thus constitutes state aid under European Union rules, and that the free transfer of cable networks and ducts to the Numericable Group effected by approximately 45 French municipalities, according to the estimates of the Numericable Group, conferred such an advantage and thus constituted state aid. The Group firmly contests the existence of any state aid. In addition, this inquiry relates to a relatively small number of network plugs (approximately 200,000), the bulk of which have not been upgraded to EuroDocsis 3.0 and provide access only to a limited number of its pay television services. The European Commission's decision of July 17, 2013 was published in the Official Journal of the European Union on September 17, 2013. The case is currently in a comment period during which we and third parties may make observations in relation to the allegations, with the Group still firmly contesting the existence of any state aid.

Disputes with Orange in France

The Numericable Group entered into four non-exclusive IRUs with Orange on May 6, 1999, May 18, 2001, July 2, 2004 and December 21, 2004, in conjunction with the Numericable Group's acquisition of certain companies which operated cable networks built by Orange. These cable networks, which are only accessible through the civil engineering installations, including primarily ducts, of Orange, are made available to the Numericable Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a 20-year term.

Following ARCEP's decision 2008-0835 of July 24, 2008, Orange published on September 15, 2008 a technical and commercial offer made to telecommunication operators pursuant to which such operators could roll-out their own fiber networks in Orange's ducts. The terms of this mandatory technical and commercial offer are more restrictive than the terms the Numericable Group benefited from under the Orange IRUs. As a result, Orange requested the Numericable Group to comply with the general procedures regarding the access to Orange's ducts to maintain and upgrade its network. ARCEP and the Paris Court of Appeal ruled in favor of Orange on November 4, 2010 and June 23, 2011, respectively. The Numericable Group appealed the decision in the French Supreme Court (*Cour de Cassation*) but on September 25, 2012 the Court upheld, for the most significant part, the decision of the Paris Court of Appeal.

Moreover, on October 21, 2011, ARCEP initiated a sanctions procedure against the Numericable Group for not having complied with its November 4, 2010 decision. Consequently, in December 2011, the Numericable Group executed amendments to the IRUs in order to comply with the November 4, 2010 ARCEP decision and to align the operating procedures set forth in the IRUs with the procedures set forth in Orange's generic technical and commercial offer.

In the meantime, the sanctions procedure initiated by ARCEP was not settled with the execution of the amendments to the IRUs and the Numericable Group was sentenced on December 20, 2011 to a fine of €5.0 million for noncompliance with ARCEP's November 4, 2010 decision. This fine was paid in its entirety in 2012. The Numericable Group appealed this decision before the *Conseil d'Etat*. On October 21, 2013, the *Conseil d'Etat* annulled the penalty.

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

Dispute with Free relating to the advertising of mobile services in France

On August 3, 2011, Free filed a claim against Numericable SAS and NC Numericable before the Commercial Court of Paris following the launch of a mobile offer by the Numericable Group in Spring 2011 through an advertising campaign entitled "The mobile revolution."

Free, who used the term "revolution" to refer to its initial launch of mobile phone services and whose latest offering was named the "Freebox Revolution," argues that the Numericable Group's campaign led to customer confusion and damaged its brand and image. Free claims €10.0 million in damages.

After the hearing, the Court asked the opinion of the *Direction Générale de la Concurrence, de la Consommation et de la Répression des Fraudes* (the "DGCCRF") as to whether Free's assertions were justified with regard to the laws of advertising.

The DGCCRF issued an opinion in which it indicated that the Numericable Group's campaign did not constitute misleading or irregular advertising inconsistent with applicable advertising law. However, in spite of this opinion, the Commercial Court of Paris rendered a decision in December 2013 awarding damages of €6.0 million to Free. The Numericable Group has duly filed an appeal.

Dispute with the Ligue de Football Professionnel (Professional Soccer League)

On April 26, 2013, the *Ligue de Football Professionnel* (the "LFP") asked the Commercial Court of Nanterre to rule that Numericable and NC Numericable had abused their dominant position and breached their non-discrimination obligation to the LFP when the LFP was producing its channel CFoot. The LFP is asking for €4.1 million in damages. More specifically, the LFP is complaining of the low level of remuneration received to market its CFoot channel by comparison with the remuneration of certain sports channels marketed in its bundles. The Commercial Court of Nanterre is expected to render its decision in 2014.

Disputes with various providers of value-added services ("VAS") in France

By related complaints dated February 19, 2013, five providers of added-value telephony services that offer their services to the public through Completel's premium-rate (0899) telephone numbers commenced litigation against Completel in the Commercial Court of Nanterre, requesting that Completel be ordered to pay a total of €350,000 in repayment of amounts withheld by Completel out of amounts collected on their behalf. Completel withheld these amounts in response to the practices of these companies, which in Completel's view violate their agreements with Completel as well the industry's ethics rules. Moreover, these companies seek a total of €12 million in damages for prejudice they claimed to have suffered as a result of the withholding of amounts due by Completel.

In addition, because Completel decided in November 2012 to terminate this activity, it suspended certain repayments and applied various contractual penalties to companies marketing this type of value-added telephony service. Certain of these companies brought action against Completel in various commercial courts, asking for payment of the amounts withheld by Completel or the cancellation of the penalties applied by Completel. The total amount claimed is approximately €400,000, including primarily amounts collected on behalf of the providers.

Actions of Colt, Free and Orange before the General Court of the European Union Regarding DSP 92

Colt, Free and Orange, through three distinct actions, sought for the General Court of the European Union to annul the September 30, 2009 decision of the European Commission (decision no. C (2009) 7426), which considered that the granting of €59 million in compensation for the public service costs for the establishment and operation of a network of very high speed electronic communications in the Hauts de Seine department did not constitute state aid under the rules of the European Union. The Numericable Group was not a party to these actions;

its subsidiary, Sequalum, intervened in the proceedings, as did the French State and the Hauts de Seine department. By three orders dated September 16, 2013, the General Court of the European Union rejected the claims of the three claimants and confirmed the aforementioned decision of the European Commission approving such public financing. Free and Orange duly appealed the decision.

Labor disputes in France

The Numericable Group is involved in certain labor disputes, of which a significant amount result from the last period of substantial mergers in 2006-2007 with UPC-NOOS, which gave rise to potentially contentious adjustments and harmonisation in labor policies until 2009. The claims related to these disputes could amount up to approximately €4 million. These disputes largely consist of employees contesting the reasons or the form of their dismissals.

Claim by Bouygues Télécom against Numericable, Completel, and NC Numericable

In late October 2013, Numericable, Completel and NC Numericable received a letter from Bouygues Télécom claiming damages with respect to the white label contract entered into on May 14, 2009, initially for a period of five years and extended once for an additional five years, among these companies and Bouygues Télécom, for the supply to Bouygues Télécom of double and triple-play high speed services. In this letter, Bouygues Télécom claims damages in a total amount of €53 million including (i) € 17.3 million for pre-contractual fraud (provision of erroneous information prior to the signature of the contract), (ii) €33.3 million for breaches by the Company in the performance of the contract and (iii) €2.4 million for harm to Bouygues Télécom's image. Numericable Group considers Bouygues Télécom's claims unfounded, both factually and contractually, and contests both Bouygues Télécom's allegations as well as the amount of damages claimed. However, Numericable intends to continue operational discussions that occur regularly between the parties relating to the performance of the contract. In this respect, Bouygues Telecom has also requested certain modifications to the contract as part of its claims. Notwithstanding the above, the diary collaboration between the parties remains similar to the pre-October 2013 schedule. This contract, which runs until 2019, generated €37.3 million of revenues in 2012, representing 49.6% of total B2C white label revenues in France of € 75.3 million and 2.8% of total Numericable revenues.

Investigation by the Regional Chamber accounts of Ile -de- France DSP 92

In November 2013, a number of articles reported that the Regional Chamber Accounts of Ile-de-France has opened an investigation into the management of the Hauts-de-Seine region between 2004 and 2007. The articles reported that the investigation would focus primarily on project DSP 92 granted to Numericable and in particular a grant of €59 million to Numericable in compensation for public service costs for the establishment and operation of an electronic communications network at very high speed in the region. We have no information about the object or the timing of this investigation, its exact nature or its potential impact on the Group. However, we note that the DSP 92 project has been validated by the French administrative court, the European Commission and the Court of the European Union to which the DSP 92 has been referred to for review and in addition, the Regional Chamber Accounts of Ile-de-France has no power to act against non-governmental entities.

Certain class action suits in Israel

In March 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court regarding an alleged breach of provisions of the Communications Law regarding the disconnection of subscribers from its services. The applicant has claimed damages of NIS 105 million. As of the date of the 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. On September 1, 2013, the Court decided to appoint an auditor to examine the settlement agreement. On January 1, 2014, the Court decided that HOT will be a respondent in the claim and the counterclaim. The matter is still pending.

In October 2010, a suit seeking certification as a class action was filed against HOT in the Central District Court relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees in respect of the month in which the company's services were provided to subscribers, rather than charging at the following month. The applicant has estimated damages in the suit of NIS 433 million. The matter is still pending.

On December 11, 2011, HOT received a claim and request to certify a class action, filed with the Central District Court. The applicant claims that HOT violated its license and was unjustly enriched because it collected from subscribers "handling fees" in connection with the collection of debts higher than allowed by law. The Applicant asked the court to approve the class action and to rule in favor of the group in which the reliefs sought, including compensation totaling 27.3 million NIS or any other amount at the discretion of the court. On September 2, 2012, the Court filed its reply to the request and on October 22, 2012, held a preliminary hearing request, and stated that there is no need to process evidence, and that the parties submit their summations.

In February 2011, a suit seeking certification as a class action was filed against HOT by two applicants to the Central District Court, relating to alleged breaches of certain subscribers' agreements by increasing the price of services to subscribers, including alleged misleading of subscribers when increasing the prices of services. The applicants estimated damages in the suit of NIS 666 million. Following preliminary proceedings, on January 14, 2013, the Court decided that the hearing of the case will be delayed until a decision is reached the class action which was filed on December 11, 2011 and is detailed above.

In March 2012, a suit seeking certification as a class action was filed against HOT to the Haifa District Court. The applicant claims, *inter alia*, that HOT acted unlawfully when it did not pay CPI linkage differentials and interest to disconnecting subscribers with respect to the period beginning on the disconnection date until the refund date. The applicants estimate damages of approximately NIS 112.4 million. The matter is still pending.

In April 2012, a suit seeking certification as a class action was filed against HOT and against HOT Telecom in the Tel Aviv District Court regarding alleged breach of certain provisions of the law regarding the supply of frontal services. The applicant has claimed damages in the suit of NIS 186 million. On January 16, 2014, the Court was asked to approve the settlement agreement.

On November 20, 2012, a purported shareholder of HOT filed a suit seeking certification as a class action against Cool Holding, the HOT Minority Shareholders, HOT and members of the board of directors of HOT in the Economic Division of the Tel Aviv District Court. The suit claims that, among other things, the consideration for the Take-Private Transaction has been allocated in a manner that prejudices the public shareholders of HOT, by providing the HOT Minority Shareholders with consideration in excess of the consideration received by the other public shareholders and that certain conflicts of interest existed. The suit calls for the parties other than HOT to reallocate the consideration, in a manner that would result in the public shareholders (other than the HOT Minority Shareholders) whose shares of HOT will be acquired in the Take-Private Transaction receiving an additional aggregate amount in excess of NIS 54 million. A similar claim, also seeking certification as a class action, was filed on behalf of another purported shareholder on November 26, 2012 challenging the allocation of consideration in the Take-Private Transaction, alleging that the share price in the transaction is unfair and asking the court to appoint an expert to determine a fair price; this claim seeks total damages of up to NIS 195 million. The matter is still pending.

In November 2013, a class action suit was filed against HOT and certain other telecommunications operators by Roli Kleiman and certain others, alleging breach by HOT and the other defendants of certain Israeli laws including the Equality Law, the Regulations of Equality for People with Disabilities, the Torts Ordinance and the Consumer Protection Law by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. The plaintiffs are representing all people with disabilities who were customers of HOT and the other defendants during the period at issue. The compensation being sought from HOT is NIS 97 million. The proceedings are still pending.

On November 2013, HOT received notice of an application for a class action suit, whereby the applicant is seeking to represent every customer who received telephone calls from HOT representatives that amounted to harassment during the 7 period years preceding the date of the claim. According to the applicant, HOT's sales representatives harass potential customers through the volume of telephone calls it places, which allegedly resulted in a breach of HOT's obligation stipulated in the Communications Act (Telecommunications & Transmissions), 5742-1982. The applicant is also claiming invasion of privacy and a breach by HOT of its good faith duty at the pre-contract stage. The applicant estimates the damage to each member of the class action suit to be no less than NIS 250. In addition, the applicant has requested an injunction, prohibiting HOT from continuing to make telephone calls that amount as harassment. HOT is studying the details of the claim and application for a class action.

On December 12, 2013, HOT received notice of an application for a class action suit, filed by two of its customers ("the application" and "the applicants", respectively), in the Tel Aviv District Court. The applicants wish to represent all of HOT's customers who do not benefit from the monthly discount on VOD services, "the monthly television discount" or a discount on certain channels. According to the applicants, HOT offers various benefits selectively to some of its customers, in order to retain them or incentivize them to subscribe to more of its services, contrary to HOT's obligation pursuant to the provisions of the license for cable broadcasts granted to HOT, to offer its services on equal and non-discriminatory terms. In addition, the applicants allege that HOT is misleading its customers regarding the accepted price by not revealing the existence of the aforesaid benefits. The amount of the claim is NIS 100 million. The applicants are seeking to obtain a declarative junction. HOT is studying the details of the claim and the application for this class action suit.

On January 16, 2014, HOT received notice of a claim filed in the Jerusalem District Court by B-Point Systems Ltd against HOT, HOT Telecom, HOT Net, Tel Aviv Telecom Ltd and their respective officers and controlling shareholders. According to B-Point Systems Ltd, under an agreement to supply HOT and its associated companies with installation and maintenance services, HOT, its associated companies and its and their respective officers breached the agreement by acting in bad faith and negligently, and unlawfully enriching themselves. The amount of the claim was estimated at approximately NIS 45 million. Pursuant to such claim being filed, both parties agreed to resolve the matter through mediation.

PART XVII
DESCRIPTION OF SFR'S BUSINESS

In this section, references to "SFR," "it," and other similar terms are generally used to refer to the business of SFR and references to "Company," "we," "our" and other similar terms refer to the Numericable Group.

Overview of SFR's Business

SFR is a leading alternative telecommunications operator in France, with a combined revenue of €10.2 billion and an EBITDA of almost € 2.8 billion for the year ended December 31, 2013. Created in 1987, SFR has expanded progressively to become an integrated operator ("Integrated Alternative Operator"), with diversified services in fixed, mobile internet and telephony sectors distributed over the following markets: residential market ("B2C"), business market ("B2B") and wholesale market and other ("Wholesale and Other"). The B2C market corresponds to offerings and services marketed to consumers and professionals (with fewer than three employees) in metropolitan France. The B2B market includes services offered to large accounts, SMEs/VSEs and public administrations in metropolitan France. The Wholesale market and Other includes (i) services offered to virtual mobile operators, MVNOs, or to foreign mobile operators whose customers use SFR's network; (ii) voice and data transmission services; (iii) wholesale services that rely on the fiber network infrastructure; and (iv) white label DSL services offered to telecommunications operators and Internet access providers that are customers of SFR.

As of December 31, 2013, SFR had more than 21 million mobile customers and more than 5.2 million broadband Internet customers.

In the B2C market for the year ended December 31, 2013, SFR generated revenue of €6.9 billion (67% of its total revenue). SFR provides its customers with a full range of plans and services, both in mobile services (mobile subscription packages with and without contract, prepaid plans and data-only mobile internet plans) and in fixed services (fixed internet plans and associated services). SFR has also developed a range of convergent quadruple play offers integrating both fixed and mobile telephone services, broadband internet access and television access. It also offers additional services such as home automation and cloud computing through SFR cloud. This diversity of products has enabled SFR to develop a substantial customer base (almost 15 million mobile customers and more than 5.2 million broadband internet customers, including almost 200,000 FTTH customers).

In the B2B market for the year ended December 31, 2013, SFR generated revenue of €1.8 billion (18% of total revenue). Similarly to the B2C market, SFR draws on an enhanced range of mobile connectivity (voice, data, MtoM, management services) and fixed connectivity (internet, switched telephony, VoIP) services. SFR has also developed a catalogue of additional services which, integrated into the traditional plans, allows SFR to meet the increasing digital requirements of companies, notably in terms of unified communications, security, business line applications via the cloud and consideration of mobility requirements. This broad offering makes it possible to cover the different customer segments (corporate, SME/microbusiness and public administrations in Metropolitan France) more efficiently and has enabled SFR to have a base of over 160,000 business customers at of December 31, 2013.

The revenue generated for the year ended December 31, 2013 by the Wholesale market and Other(1) represented €1.5 billion (15% of total revenue). The extent and the quality of the networks of SFR, together with its experience of over 15 years working with wholesale, has enabled it to benefit from a significant position on this market with more than 200 operator customers (both French and international). SFR offers operator customers services for routing traffic (fixed and mobile data and voice), infrastructure (hosting, bandwidth), call terminations in France and internationally and MVNO "white label" products. These offers enable SFR to optimise the use of its fixed and mobile network infrastructures via the resale of traffic to third party operators, while benefiting from the economies of scale.

---

(1) The Wholesale market and other revenue covers the revenue generated by the operators division of SFR, generated by SRR, which exercises its operations in La Réunion and Mayotte, and by SFR Collectivités and its subsidiaries with local authorities, and lastly covers inter-segment eliminations.

Strengths and Assets of SFR

We believe that SFR has a number of assets and strengths. SFR has a substantial customer base in France in the B2C, B2B and Wholesale markets, both in the mobile and in fixed sectors. It has demonstrated its ability to adapt to the changes in the market: historically with a gradual change in its economic model, and more recently in response to the changing competitive landscape through a transformation plan launched in 2012. SFR intends to demonstrate the same ability to adapt to future market changes by establishing selective partnerships to launch innovative products and solutions. In addition, SFR draws on a considerable number of valuable assets: its own network infrastructure, which also benefits from network sharing agreements with other principal operators (both on fixed and on mobile), a sizeable physical distribution network accompanied by adapted multi-channel tools, a strong and recognized brand associated with quality and reliability, and lastly a strategic partnership with Vodafone, with significant commercial benefits on the B2B market through a capacity to offer international plans. These various assets are supported by an experienced managerial team, accompanied by an organisation dedicated to the transformation of the company.

Moreover, we believe SFR is well-positioned to benefit from future changes in the French market and affirm its position as the largest Integrated Alternative Operator in the fixed and mobile segments. In the B2C market, SFR seeks to grow its revenues through a differentiation strategy which will reinforce its position in the market. This differentiation will be effected both in mobile and fixed services, and will facilitate responding to the convergence (fixed/mobile) requirements of users. In the B2B segment, SFR may attempt to gain market share on the SME/microbusiness segment notably through an adapted commercial coverage. SFR seeks to accelerate the development of convergent fixed/mobile offers in order to address the growing need for unified "all-in-one" packages. Lastly, SFR aims to continue to seize growth opportunities adjacent to its core business, notably in the strongly growing sectors (cloud, MtoM). In the Wholesale market, SFR intends to strengthen its presence among all its customers, notably through maintaining an important position among MVNOs, strengthening its position with international operators, in particular via the rollout of fiber, and concentrating commercial efforts on high potential opportunities with the development of custom plans.

SFR is implementing the necessary initiatives to support this strategy, through the continuation of its transformation plan initiated in 2012. This plan focuses on the rollout of quality very high speed mobile and fixed networks, the improvement in commercial performance, the reinforcement of the multi-channel strategy and operational effectiveness through optimisation and simplification of its processes and tools.

As of December 31, 2013, SFR had approximately 21.4 million mobile customers and more than 5.2 million broadband Internet customers. The table below shows the changes in the mobile customer base and the broadband internet customer base of SFR between 2011 and 2013 (data is as of December 31, 2011, 2012 and 2013, respectively):

	2013	2012	2011
	Customer base (in thousands)		
Mobile	21,354	20,690	21,463
Broadband Internet[(a)]	5,257	5,075	5,019

(a) Broadband Internet base at December 31, 2011 was restated for 23,000 customers following the deconsolidation of the Akeo 1P and 2P customers.

The table below shows SFR's revenue in each of its markets. Wholesale and Other revenue also includes revenue generated by SRR, a subsidiary of SFR that offers services in La Réunion and Mayotte to B2C and B2B customers; SFR Collectivités and its subsidiaries; and inter-segment eliminations.

The table below shows the evolution of changes in each segment between 2011 and 2013:

	2013		2012		2011	
	Revenue	Share of revenue	Revenue	Share of revenue	Revenue	Share of Revenue
			(in millions of euros)			
B2C	6,873	67%	7,974	71%	8,982	74%
B2B	1,789	18%	1,871	17%	1,868	15%
Wholesale and Other	1,536	15%	1,442	13%	1,333	11%
Total combined revenue	**10,199**	**100%**	**11,288**	**100%**	**12,183**	**100%**

SFR's Products and Services

The B2C Market

As of December 31, 2013, through its mobile and fixed B2C customers, SFR had approximately 14.6 million mobile customers and more than 5.2 million Broadband Internet customers in metropolitan areas of France, including approximately 5 million ADSL customers and close to 200,000 fiber customers. SFR also offers converging quadruple play fixed/mobile services as well as related services to B2C customers, in particular cloud-based and automation services. Finally, in order to attract and serve its residential customers, SFR has developed a multi-channel distribution and customer-relations approach.

The table below shows the changes in revenue in the B2C market:

	2013	2012	2011	% change 2013 compared with 2012	% change 2012 compared with 2011
			(in millions of €)		
Revenue—B2C[1]	6,873	7,974	8,982	−13.8%	−11.2%

---

(1) The prices discussed in this section are correct as of March 25, 2014.

Mobile Offerings

SFR is active primarily in the post-paid subscriptions segment (78% of its mobile customer base as of the end of 2013, versus 22% for prepaid offers). Recent changes in the market have led it to differentiate its offerings, and, in particular, to enrich its premium offerings. However, as the largest Integrated Alternative Operator, SFR nevertheless serves the entire B2C market, including the no-frills segment.

Premium post-paid offers—"Formules Carrées"

The "Formules Carrées" consist of SFR's premium post-paid mobile telephony offers. The offers are divided into eight plans. The price of these plans varies from €9.99 per month (including VAT) (the price for a SIM-only device for Carré 2H+50 MB with a 12-month commitment) to €149.99 per month (including VAT) (Carré International Premium with a new device and a 24-month commitment). These offers all include unlimited SMS and MMS texting, but include voice and data limits that vary depending on the plan chosen. Subscribers of these plans all benefit from the very high-speed Internet network (Dual Carrier and 4G). The "Formules Carrées" enable a customer to obtain a subsidized device and a suite of services: exclusive "Extra" content of their choice for eligible packages (iCoyote, Napster, CanalPlay, Gameloft or SFR Press), and access to SFR cloud (with storage capacity of 10 or 100 GB, depending on the plan), and some of the offers include SFR TV (access to direct or on-demand television from a mobile phone) or MultiSurf (additional SIM cards enable data sharing with other devices). The "Services Carrés" (Silver, Gold or Platinum) cover a collection of services or benefits such as loaned mobile phones or attractive renewal terms, to a greater or lesser extent depending on the plan chosen. Some of these offers are also available with capped call plans. Lastly, "Formules Carrées" customers receive "Multi-Pack" discounts if they also subscribe to an SFR box offer.

“No frills” post-paid offers—”RED”

SFR offers customers four post-paid RED plans with no commitments, no device, and for which subscription and support are available primarily via a website. These plans are offered at between €4.99 and €25.99 per month, including taxes. RED plan customers have access to the same network technologies as the “Formules Carrées” customers. In particular, they may opt for the RED 5 GB plan, which offers access to the 4G network and unlimited access to YouTube videos. On the other hand, RED plan customers do not receive the services associated with the “Formules Carrées” and are not eligible for the “Multi-Pack” discounts. As of December 31, 2013, approximately 16% of SFR’s post-paid customer base used no frills offers.

Pre-paid offers—“SFR La Carte”

SFR offers prepaid packages at attractive prices under the “SFR La Carte” brand. The customer purchases a SIM card at a price of €9.99, including tax, and can then recharge the card by telephone, on the Internet, by purchase of recharge coupons or tickets at a physical point of sale, or at ATM machines of SFR’s partner banks. Several lines of prepaid recharges are available to clients: they include voice, SMS and MMS as well as data plans. These cost between €5 and €95, depending on their type and on the duration of validity of the credits (from one week to five months).

Remote access offers—“Connecté Partout (Connected Everywhere)”

SFR offers two plans for tablets giving customers access to its very high-speed mobile network (Dual Carrier and 4G), as well as unlimited use of the SFR WiFi service. These offers include a selection of tablets at reduced prices (with a 24-month commitment and including the SFR TV option). Without a commitment and no access to a tablet, they are sold at €14.99 per month for 3 GB of data use (€24.99, including tax, for 6 GB). With a 24-month commitment and access to a reduced-price tablet, they are sold for €24.99, including tax, for 3 GB of data use (€ 34.99 including tax for 6 GB).

SFR also offers a prepaid package for tablets intended for occasional use. The user buys a SIM card at a price of €9.90 including tax, and receives a 200-MB credit that can be used for two weeks and recharged thereafter.

Finally, SFR offers Internet keys and prepaid “ready to surf” kits (SFR Connecté Partout recharges).

Fixed telephony offers

As of December 31, 2013, approximately 827,000 of SFR’s customers were households in metropolitan areas of France receiving fixed telephony services without associated internet access. SFR offers two types of services:

Pre-selection offers (call-by-call selection or automatic pre-selection), in which the customer keeps his subscription with the historic operator; and

Offers that include the subscription for the telephone line, in which the customer obtains his telephone subscription from SFR rather than from Orange.

SFR’s fixed telephony offerings include options such as voicemail, conference calls with three participants, portability of the customer’s current number, call forwarding, a call answering system and the blocking of anonymous calls.

Stand-Alone Internet (single-play)

SFR offers stand-alone fixed internet, which provides high-speed internet access with pre-selection telephony service.

Bundled offers (double-play)

In addition, SFR offers Internet access services as part of grouped offers, called double-play, which also include unlimited telephony services to fixed-line telephones in metropolitan France, in a number of France's overseas departments(2) and to more than 100 destinations internationally, including mobile services in China, the United States and Canada. Customers may also subscribe for an option of unlimited telephone calls to mobiles in metropolitan France and in the overseas departments (not including Mayotte) for €5 per month, without any commitment period.

---

(2) French Guyana, Guadeloupe, Martinique, La Réunion, Saint Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon

IP Television service in connection with triple-play offers

An IP television service may be added to the Internet and telephony services in connection with two triple-play offers. The "La Box de SFR" offer costs €29.99 per month including tax for unbundled customers and € 34.99 per month including tax for customers that are not unbundled. Customers can add the television option for an extra fee (€2 or €3 per month depending on the option). The triple-play offer "La Fibre de SFR" is offered for €35.99 per month including tax (of which €3 is for the television offer). There are four television options at €2 or €3 including tax per month for customers subscribing for this triple-play offer:

- the Evolution television offer, at €3 per month including 170 channels (including 32 in HD), enabling the television to be used as a Media-center platform, and which includes an intuitive 3D navigation interface, a set-top box that enables remote digital recording on a 250 GB hard drive, and a direct control option;
- the classic television offer is intended for customers who have subscribed online for SFR's box offers, for a set-top box rental fee of €2 per month. This offer does not permit direct control or recording;
- the satellite television offer, available for €2 per month, includes more than 80 channels; and
- the Google Play television offer is intended in particular for customers who cannot benefit from the enriched television service services due to the technical characteristics of their line. Due to a dedicated SFR with Google Play set-top box, offered for €3, they have access to 25 channels through TNT, as well as to premium television services such as television and video on demand and a radio and television program guide. This offer also enables use of Google Play, YouTube, Google Chrome, Google Photos and Google research, as well as to applications in the Google Play store.

In addition, customers may subscribe for additional premium television services, as an option (more than 200 additional channels, television on demand/replay, video on demand, program guide, radio, games on demand).

All of these packages also permit access to television from a computer and access to the application SFR TV, through which the customer can access television services from his mobile device. The majority of clients of SFR's internet offers have opted for triple play offers.

Fixed/Mobile convergence

SFR delivers converged offerings to residential customers, through a catalogue of flexible offers for customers who wish to have both fixed and mobile premium subscriptions. These offers are competitively priced through the "Multi-Pack" discounts.

Additional services

SFR cloud: with all of its mobile “Formules Carrées” and fixed Internet packages, SFR offers an online storage service called “SFR cloud”. SFR’s customers can store their multimedia content in this way (including music, photos and videos), and retrieve it on their connected devices (such as computers, smartphones and tablets) as well as share it. We believe that SFR’s online storage space, which is hosted in France, is secure and confidential.

Home by SFR: SFR was the first telecommunications operator to offer automation to residential customers, with its innovative Home by SFR offering. Home by SFR functions with all internet boxes, including those from other operators, and includes two subscription packages: the Home Security package, at €9.99 including tax per month, and the Premium Home Security pack at €19.99 including tax per month, which offers additional services such as video in real time or 24-hour on-site services, in addition to the services included in the basic package (such as break-in prevention, unlimited alerts, remote operation).

SFR PayCard: SFR offers a rechargeable MasterCard, for €14.90 including tax per month, which allows customers to make purchases on the Internet without using their bank account information, to withdraw cash from MasterCard ATMs in France and abroad, to send money to other SFR PayCard holders, and to receive wire transfers. The payment card is valid throughout in the MasterCard network in France and abroad.

Sales and Marketing

SFR markets its products through several distribution channels. SFR has developed a variety of different channels so as to meet its different customer needs and expectations.

Espaces SFR

At year-end 2013 SFR managed a retail network of approximately 770 physical stores called “Espaces SFR” (SFR Spaces) owned by different partners in France. In 2013, more than 77 million visitors visited “Espaces SFR”. SFR continually invests in this network in order to modernize it and maintain the quality of the in-store customer experience.

Points of sale through partnerships with large French retailers

SFR also relies on a distribution network of points of sale through other partnerships with the large French retailers (specialized stores, retail and convenience stores).

In particular, SFR has entered into a partnership with Fnac to distribute its products in a dedicated space inside Fnac’s 24 largest stores.

Website

SFR offers its products on its website (www.sfr.fr), which receives more than 120 million visits per month. This website presents all of SFR’s B2C offerings and offers exclusive promotions, both for subscription offers and on a line of mobile devices and accessories. We believe that this website is an effective tool, enabling it to respond to its customers’ needs, both for premium offers (the “Formules Carrées”) and for its no-frills offers (“RED”).

Telephony

Some offers are sold through call centers.

B2B Market

The evolution of practices shows new trends in the B2B market which strengthen performance, reliability and, more generally, security challenges.

Increases in travel and telecommuting as well as the growth of the group work has led to a growth in data use in the B2B Market, in particular mobile data use, over all customer devices, and it creates new needs with respect to the virtualization of applications and data. SFR has responded to these needs through a catalogue of standardized solutions available to all of its business customers.

The following table shows the changes in SFR's revenue in the B2B Market:

	2013	**2012**	**2011**	**% change 2013 compared with 2012**	**% change 2012 compared with 2011**
			(in millions of €)		
Revenue—B2B	1,789	1,871	1,868	−4.4%	0.2%

While certain trends are present throughout the B2B Market, the different customer segments also have different needs. SFR uses the following segmentation for its business customers: large accounts, SMEs/VSEs (with VSEs including businesses with between 3 and 19 employees) and pubic administrations in metropolitan areas of France:

> For large accounts through its internal sales force, SFR offers customized, reliable and secure solutions, based on a combination of standardized products and more specific additional services. Similarly, reliability and security solutions are offered within standardized products in the business sector through partner distribution networks; and
>
> The high-potential SME/VSE segment is addressed through standardized, effective and reliable solutions offering predictability in terms of cost.

The nature of the activities of business customers and the growth in the complexity of their usage are leading to simplification of supplier offerings. SFR has responded fully to these needs through its unified "all-in-one" communications offerings.

Finally, SFR has developed a series of additional services to complement its traditional offerings, which are part of the future development of high-growth segments such as cloud and MtoM.

Voice and data offers

SFR's mobile offers for all segments of the B2B Market include five mobile voice and data packages and follow the same pattern as the B2C market offers, with additional options including, in particular, unlimited SMS/MMS texting as well as different levels of data use, as well as four data access packages for tablets and computers offering Internet access from 2 MB to 8 MB depending on the offer.

Management and telecommunication monitoring offerings

SFR offers telecommunication monitoring services to businesses. These provide simple tools including a dashboard showing expenses and telecommunications use, enabling businesses to effectively manage their fleet of devices.

Device management and security are offered to all customers. Mobile Device Management ("MDM") enables customers to manage and secure their smartphone and tablet fleets remotely, in particular by erasing business information in the event of theft. Devices are configured centrally through a cloud platform.

Fixed voice offerings

SFR offers fixed telephone packages in the SFR Office line. They include calls to fixed telephones and mobiles in the business's internal SFR fleet, with special support including a dedicated customer service, guarantee of repair within less than four hours, including an onsite technician if necessary, and a choice of single, consolidated, or separate invoicing.

Fixed data offerings

SFR offers all of its clients two fixed data packages:

SFR DSL, an adapted high-speed Internet solution that includes mono-site ADSL Internet access up to 20Mbps, as well as supply of a WiFi router; and

SFR Connect, which offers access to dedicated fiber or mono-site SDSL, with symmetric speeds guaranteed up to 1 Gbps in fiber or 16 Mbps in SDSL, and a primary router.

Voice and data specific to SMEs/VSEs

For professionals and VSEs, SFR offers packages that follow the same pattern as the B2C market packages. The “Formules Carrées” also include specific additional benefits adapted to professionals and VSEs, such as reimbursement offers, priority appointments at SFR stores, dedicated customer service, Femto technology, or free second SIM card.

Mobile offers for SMEs also provide professional telephony service (such as business directory services, fleet management customer areas, consumption alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service.

Fixed services specific to SMEs/VSEs

SFR offers a Pro version of its internet box for small businesses, which includes services adapted to this segment. SFR also offers SMEs/VSEs high-speed and very high-speed Internet access solutions, with security services adapted to the needs of businesses (connection security and filtering rules, availability of access with emergency access, application visibility). Finally, the Cloud Business Store enables its customers to access a catalogue of applications corresponding to their sector of activity.

Solutions specifically adapted to the large account segments

The SFR Ipnet offer for large accounts and businesses includes multi-site access in France and internationally (a virtual private network with guaranteed routing and prioritized data traffic). It enables businesses to transfer and secure data among all of the business’ sites in France and abroad, thus improving the performance of its applications.

The SFR Ethernet offer, designed specifically for large accounts, includes access to a LAN enabling companies to link their local networks through a very high-speed medium. As such, it permits business customers to divide and share network resources (such as through LAN and servers) and to connect their primary sites (such as offices and data centers) through flexible point-to-point architecture, with an exhaustive line of speeds and access.

Unified communications offers (“all-in-one”)

Three unified communications solutions are offered in the form of packages, guaranteeing a solution entirely hosted by SFR, with a centralized mono-site or multi-site telephone switchboard and fixed/mobile convergence services.

Corporate Business Package

The Corporate Business Package is offered specifically to large accounts. This package is a unified telephony and communications services in Cloud mode, which can be adapted for each business and relies on three main principles: rich functionality of unified communications, payment for usage, and the guarantee of a single contact person for the simplest possible management. This package is a global offer including a platform of services in the core network and centralized-operator voice access, build on the customer's SFR Ipnet network. It offers personalized end-to-end support (design, deployment and operation), advanced business telephone functionalities, a unified message system, a fixed or mobile number, and softphone service. This package also gives access to high value-added functionalities: unified message service and continuity of service regardless of what device is used (fixed or mobile). It all permits remote or mobile access.

Enterprise Business Package

The Enterprise Business Package includes availability of a dedicated project head during on-site placement and installation by licensed technicians. In addition to the advantages offered by a telephone switchboard (call transfer, call forwarding, conference calls, etc.), a series of innovative services relating to IP telephony are offered. SFR offers a single fixed and mobile message service, a single number to be used for both fixed and mobile, as well as a complete convergence service at a price of €59 excluding tax per month (including a telephone), and €36 excluding tax per month per additional line.

Entrepreneurs Business Package

The Entrepreneurs Business Package, offered to VSEs, is based on telecommunications and Cloud solutions. It is dedicated to businesses of fewer than 20 employees and offered at a price of €159 excluding tax per month with a 36-month commitment. Each fixed-line user beyond the first line costs €36 excluding tax per month, while each additional mobile user costs €59 excluding tax per month.

Conference and call-sharing offerings

SFR offers a collection of conferencing and sharing solutions, adapted to the needs of its customers of all sizes:

(i) SFR Business Audioweb Offer

The SFR Business Audioweb offer is an audio-conference service that also enables sharing and transfer of documents. It may also be augmented by SFR Business Conferencing Visio, which includes unlimited "visio" communications, sharing and transfer of documents, high-definition equipment (screen, camera, microphone), and equipment operation and maintenance.

(ii) SFR Business Sfere Offer

SFR Business Sfere is offered to large customer accounts. It includes Internet hosting and professional messaging. A business client may thus access the site-visit statistics, and has a complete business messaging environment available anywhere, including email box, calendar, contacts and personalization of email addresses.

Machine-to-Machine offers

Machine-to-Machine offers ("MtoM") permit a group of fixed or mobile machines to exchange information using a central server. Geolocalization (GPS) or payment by credit card is an example of this.

(i) MtoM connectivity solutions

SFR offers standard connectivity. To respond to specific needs tied to critical, sensitive and/or high-volume projects, SFR has developed an industrial management system of MtoM SIM cards, enabling it to offer different rates and functionalities for each phase of the customer project and thus to optimise its changes of success.

(ii) MtoM business solutions

SFR offers packaged solutions for credit card payment.

The “Money Store” package offers fixed-location businesses a complete fixed or mobile solution including an electronic payment device. It offers an unlimited number of transactions, a monthly communications fee as well as maintenance service including 24 hour replacement of the device. These services are available for €34.90 excluding tax per month with a device or €15 excluding tax per month without a device.

The “Money-n-Go” package for out-of-store payments is also available at the same rate of €34.99 excluding tax per month.

(iii) m-Alert Absolu Solution

SFR also offers security services for property and individuals. The “m-Alert Absolu” solution is a geolocalized pocket alert system using a mini-GPS and intelligent networks installed by SFR. This innovative device is intended for all professionals in risky professions, for isolated professionals (such as travelling professionals, travelling technicians, doctors and/or nurses) and for dependent persons, who can be located if necessary.

Cloud: Infrastructure and IaaS offers

SFR is present on the Cloud market through its own offerings and its investment in the Numergy sovereign Cloud project, in which it holds a 47% stake alongside Bull and the Caisse des Dépôts et Consignations.

An on-demand Infrastructure offering of the IaaS type (“Infrastructure as a Service”), called a cloud Infrastructure Suite, is offered to clients, in particular to large accounts. The offering is composed of a hosting service on virtual servers in a shared environment. It enables a business to manage, optimise and evolve a portion or even all of its information system structures on demand and as a function of its needs. Thus, it is a structure for externalization of computing resources in a secure environment. This IaaS solution covers Public cloud and Private cloud needs. Public cloud refers to application and/or website hosting in a secure environment intended for third-part use, while the Private cloud refers to an infrastructure reserved for the exclusive use of a single organisation in a secured and cloistered environment.

SFR offers a turnkey hosting service and content-acceleration and managed services. In addition, through its partnership with Hewlett-Packard, SFR is the largest French supplier of overflow services (when internal capacity is saturated) in the cloud for its customers using Hewlett-Packard technology.

SFR offers a cloud Storage Suite that responds to business needs for secure storage, sharing and data safeguarding. This all-in-one solution, invoiced according to usage, includes three complementary services:

SFR storage: data storage service respecting the ergonomics of business applications to which the business is accustomed.

SFR Sync: an automatic data-synchronization service for businesses, made available at all workstations and employee work tools. Files are backed up and access to files is secured.

SFR Backup: an automatic data-backup service for businesses, which makes data available from any device. Data security is ensured by an encryption service for access and storage, for optimum confidentiality.

Among its cloud-collaboration solutions, SFR also offers Collaboration Office 365, which regroups the Microsoft Office tools (professional email, conference and instant messaging, online document-sharing, and office management applications) and makes them available online at any time.

The cloud Business Store is a sales portal for Saas (Software as a Service) solutions intended for companies, microenterprises and professionals. It gives them access to an on-line catalogue of innovative and effective software solutions. In addition to office technology solutions (Microsoft Office 365), businesses and professionals can find client relationship management solutions, accounting, archiving, marketing, e-mailing, security solutions or even solutions for translating phone conversations. These solutions can be deployed flexibly, on all handsets and as mobile applications. These solutions include a system for sending 100% electronic registered letters (e-velop by SFR), an Internet browsing security system (SFR Proxy cloud), a multichannel message broadcasting service (SFR Push Contact), a simplified web site publication tool (SFR Mon Site Business), and a cloud virtual office (SFR Explorateur de cloud).

Cybersecurity offers

Computer security is a core business of telecommunications and cloud operators. Bolstered by its experience in this field, SFR has constructed a security services catalogue.

(i) Internet access protection and security

SFR launched its first managed Internet access protection and security services in 2005. It now offers integrated and managed services and SaaS Internet security solutions such as Internet filtering (Proxy SaaS). It works in close collaboration with security specialists to meet the security requirements of its clients. SFR also offers secured device and remote access management solutions with virtual private networks (VPN) and secured authentication services, particularly in the cloud solutions.

(ii) Reinforcement of the levels of protection for corporate information

SFR offers data synchronization, storage and backup solutions. SFR also provides responses to evolved threats such as attempted system intrusions and denial of service attacks.

The “packaged” computer data security service offers are structured around four themes: Devices, Network, Internet and cloud. SFR offers support and assistance with engineers certified by the publishers of partner solutions.

Client relationship offers

(i) Special numbers

SFR has been a special numbers collection operator for approximately 15 years via the Cegetel companies, then Neuf Cegetel. Some 6,000 companies are special numbers clients of SFR (No. 08AB, No. 09, No. 3BPQ, Proxinum). In all, over 150,000 numbers, totaling over 2 billion minutes, have been activated in the SFR network.

(ii) Telephone answering: Voice Portal range

The Voice Portal product range was designed to support and assist businesses in their effort to optimise and automate their telephone answering operations. It includes a set of packaged solutions adapted to the needs of each client that is available through numerous offers (Pack Contact, Pack Interactif, Pack VXML and Pack Vocal Premium).

(iii) Contact centers: “Genesys by SFR” solutions and “Cross-Channel Contracts Centre”

The “Genesys by SFR” and Centre de Contacts Cross-Canal” solutions cover respectively the call centers for very large accounts (over 1,000 call center agents) and middle market segment (50 to 500 call center agents). These hosted solutions allow businesses to manage their incoming contacts consistently whatever the channel used by the client (particularly telephone, e-mail, mail, fax, chat, social networks or avatars). Offering a 360° client view, these solutions require strong integration with the client’s information system. These are thus highly personalized, on-demand solutions.

The Cross-Channel Contacts Centre solution also exists in a packaged, non-customizable version for SMEs (fewer than 20 call center agents).

(iv) Marketing campaign management

SFR offers three solutions for managing multi-channel outgoing marketing campaigns: the Diffusion MultiCanal offer, intended for large corporations, Pack Diffusion, for SME and SFR Push Contact, marketed to professionals and microenterprises. These three offers make it possible to send messages (unitary or in direct marketing mode) via the channel most suited to the target: SMS, MMS, e-mail, fax or voice ads. These campaigns are managed by means of an on-line extranet or application programming interface.

The E-velop offer provides all clients a 100% electronic registered letter service with acknowledgement of receipt that facilitates the administrative management of the company. This solution has the legal force associated with sending a traditional registered letter for the signing or performance of a contract. Registered letters are sealed and identified by a unique identifier.

Wholesale and Other

SFR is active in the Wholesale market. The company provides operators with service offers (fixed and mobile voice and data) for routing traffic or for providing "white label" products for the operators' own clients. In addition to service offers, SFR provides infrastructure offers (hosting, sheathing and fiber).

The table below shows the changes in the Wholesale and Other market:

	2013	**2012**	**2011**	**% change in 2013 compared to 2012**	**% change in 2012 compared to 2011**
	(in millions of €)				
Sales Wholesale and Other	1,536	1,442	1,333	6.5%	8.2%

We believe that the scope and the quality of SFR's networks, combined with its 15 years of experience in the market, make it a leading operator both for its solutions for fixed devices and for offers in the virtual mobile operator market. A wide range of offers has been designed to meet operator needs: voice and data transfer and collection, termination of calls in France and to other countries, fiber network, DSL access, IP and Ethernet services, bandwidth and hosting.

Fixed voice solutions

SFR meets national and international voice transfer needs through transit, collection and call termination offers. These solutions allow third-party operators in France or abroad to use SFR's network to connect to networks of other operators to which their client is not connected directly.

SFR also offers turnkey options to innovative local players ("switchless" in particular) for pre-selection, fixed voice unbundling, reselling of subscriptions and value added services (08xx numbers) that allow them to be the sole points of contact for their client while managing its entire voice bill. SFR rounds out its proposal to these operators with VoIP offers (Voice over IP—telephone calls over the Internet) and Internet access that allow them to offer a comprehensive solution that meets the telecommunication needs of their corporate end clients.

Solutions for mobile operators

SFR provides solutions in the mobile virtual network operators ("MVNO") market intended for operators who do not have a network and who want to market a mobile offer. SFR has offers for "Full MVNOs" (mobile voice, SMS and data collection), for "Light MVNOs" (end-to-end mobile services: national, international calls, roaming, etc.), and for MVNO integrators who supply turnkey solutions. SFR currently has 15 contracting MVNOs including three Full MVNOs (Virgin Mobile, NRJ Mobile and Mundio).

MVNOs and foreign operators: roaming

In its mobile network, SFR accommodates the customers of foreign operators in order to offer them continuity of voice and data service in France through roaming. The agreements that SFR has signed with the foreign mobile operators allow such operators to cover 275 destinations and to offer an equivalent service to their customers when they are in a foreign country.

Data, bandwidth, hosting and infrastructure solutions

To meet internet connectivity needs, SFR offers end-to-end internet access (residential and business customers). These solutions allow the operator to take advantage of the SFR network and support. SFR also offers IP transit/Peering options.

SFR responds to the connectivity needs of international operators when the international clients of these international operators want to connect their points of presence in France. It thus allows international operators to construct seamless offers integrating France in their proposal (International VPN IP).

Finally, SFR has computer equipment and telecommunications hosting capabilities that it markets, particularly to international players, in addition to its connectivity and data transfer services. Its infrastructures offer also includes the marketing of access to its sheaths or the availability of fiber.

Based on its deployment of local FTTH loops, SFR plans to develop its wholesale services based on its fiber infrastructure via the sale of IRU offers in less dense populated areas. In very densely populated areas, SFR is active as a building operator, deploying fiber vertically in buildings and allowing other operators to have access to this infrastructure.

Activities of Société réunionnaise du radiotéléphone (SRR)

Société réunionnaise du radiotéléphone, a subsidiary of SFR, operates on the Réunion Island and in Mayotte in the B2C and B2B markets. In mobile, this subsidiary holds a GSM license (second generation) and a UMTS license (third generation) and covers around 99% of the 2G population and 96% of the 3G population on La Réunion Island.

In the B2C market, SRR has fixed and mobile offers. The mobile offers include eight Carrées plans, five limited Carrés plans, and a prepaid card.

The Carrées plans are available with or without commitment, and with or without a device. Their rates (with a 12-month commitment and device) range from €19 to €99, taxes included, per month, depending on the voice, SMS/MMS and data package.

SFR also offers four capped Carrés plans, also available with or without commitment and with or without device, at rates ranging from € 14.90 to €35, taxes included, and a limited plan primarily intended for youths.

The no-commitment Carré La Carte prepaid card is available for the price of €15.

Finally, SFR has remote access offers: the Carré tablet and key and SFR La Carte Internet.

The fixed offers intended for the B2C market include a triple play offer at the rate of €49.90, taxes included, per month, as well as an offer that includes a telephone subscription and Internet access for € 24.90, taxes included, per month (with calls to landlines in metropolitan France and La Réunion Island billed at €0.09 per minute).

In the B2B Market, SRR markets voice offers: the Carrées plans, ranging from €20 to €120, excluding tax, per month (with mobile and commitment), the Evidence meter for fleets of devices of twenty or more lines and the

Unlimited Business offers. SRR also offers data options, which include MtoM solutions as well as Carrées plans for tablets and USB 3G keys. Seven of its boutiques ("SRR Spaces") also have specific facilities dedicated to businesses.

Furthermore, via the Internet site redbysfr.re, SRR offers no-frills offers through a customizable plan and a 1 Gb all-inclusive plan. It also hosts the MVNO NRJ Mobile, which proposes a limited account or a prepaid card primarily for youths.

In Mayotte, SRR also covers the B2C and B2B markets. In mobile, it covers more than 99% of the territory (more than 95% of the population) for 2G service, and more than 72% of the territory (more than 87% of the population) for 3G+ service. In the Consumer market, under the SFR Mayotte brand, SRR has mobile (Yangou limited or unlimited plans, limited 976 Mobile plan, prepaid Yangou La Carte cards and 976 Mobile cards, 3G+ Internet key) and fixed offers (Neufbox offers including a triple play offer). In the B2B market, SRR offers voice (Yangou Pro) and data solutions (3G+ mobile Internet, MtoM Internet) under the same brand as the one used in the Consumer market.

Activities of SFR Collectivités

SFR Collectivités, a subsidiary dedicated to local authorities, was created to support and assist the deployment strategy of the networks and services of SFR in connection with the needs of the local authorities. Beyond the relationship of cooperation between SFR and these local authorities, SFR Collectivités also manages major long-term partnerships such as the Public Initiative Networks. These physical networks built by the territorial entities with the participation of the private sector are for the most part managed as Public Service Delegations ("DSP"). SFR Collectivités handles the deployment of fixed and mobile infrastructure networks in order to expand the attractiveness and the coverage of the territories and can support and assist communities from design through operation of these telecommunication networks. As of the date of the Prospectus, SFR is the leading operator in the field of public initiative networks, with a market share of over 50% (source: AVICCA 2012).

SFR Network

Through its network, SFR's objective is to provide a quality high-speed and very high speed experience to all of its individual, professional or business clients for both fixed and mobile services, whatever the device used.

To this end, SFR has invested in its own network infrastructures in order to be able to develop quality innovative and convergent services, while at the same time controlling its costs. We believe that this progressive deployment has made it possible to set up one of the most complete, extensive and advanced infrastructures among the operators in France. These networks make it possible to route fixed and mobile voice and data traffic over the entire French territory, but are also interconnected to the networks of the rest of the world through interconnection agreements or via forwarders.

SFR intends to continue to invest in cutting-edge technologies that make it possible to anticipate market developments and cover future needs in terms of traffic.

This strategy can be seen in mobile, particularly via the deployment of 4G, and also in fixed services through the development of very high speed fiber networks, in particular. In order to continue to control its costs while improving the coverage and the quality of its networks, SFR relies on network sharing partnerships signed for very high speed fixed networks (particularly with the Incumbent) and more recently for mobile networks (with Bouygues Telecom).

General presentation of SFR network

To offer its customers the best experience and high quality, SFR has developed its own long-distance network making it possible to route all of its fixed and mobile traffic. This network is based on a modern backbone infrastructure and best-in-class mobile and fixed access network and was made possible by SFR's investment in the deployment and maintenance of its networks over many years.

SFR owns one of the three major backbones in France (alongside Orange and Numericable-Completel). This backbone includes a long-distance network of nearly 50,000 km of fiber, making it possible to connect more than 160 metropolitan loops in France. It is accompanied by a dense network of more than one hundred datacenters distributed over the entire territory.

Regarding its mobile access network, SFR has close to 18,500 radio sites each consisting of broadcasting/receiving equipment (base station), transmission equipment and environment infrastructures (e.g.: pylons, service rooms, power supply units, antennas) These radio sites are connected to the fiber backbone via radio relay systems, through links leased to Orange or through links owned by SFR.

To operate in this mobile network, SFR has made considerable investments in purchasing mobile frequencies during the various auctions organised by the regulatory authorities in the past. As a result, SFR has a comprehensive catalogue of frequencies (2G/3G/4G) and a sufficient spectrum allocation to cover its current and anticipated needs.

Frequencies	**800 MHz**	**900 MHz**	**1800 MHz**	**2.1 GHz**	**2.6 GHz**
Allocation of SFR spectrum (MHz)	2x10	2x10	(a) : 2x23.8 (b) : 2x20	(a) : 2x19.8 + 5 (b) : 2x5	2x15
Expiration dates	17/01/2032	31/01/2021	(a) : 25/05/2016 (b) : 25/03/2021	(a) : 21/08/2021 (b) : 08/06/2030	11/10/2031
Current technologies[(a)]	4G (LTE)	2G (GSM), 3G (UMTS)	2G (GSM)	3G (UMTS)	4G (LTE)

(a) After the 1800 MHz refarming

On its fixed access network, SFR relies on the largest unbundled DSL network among the alternative operators (around 6,200 Subscriber Access Nodes “NRA” unbundled at the end of 2013). This unbundled network allows it to establish an Internet access provider business using the copper local loop connections of the incumbent.

Since 2007, SFR has also deployed its own subscriber access nodes through fiber (Fiber to the Home—FTTH), which allows the supply of speeds up to 1 Gbps. This deployment relies on a 200 Optical Connection Nodes (“NRO”) network. SFR is also developing final links in order to offer its individual and business clients fiber links (from the shared access point to the building), allowing it to free itself from the cooper local loop of Orange.

Mobile coverage

Through a significant roll-out of its radio sites involving the different 2G and 3G technologies, SFR estimates that it now covers all of the mobile connectivity needs of metropolitan areas of France. At the end of 2013, the GSM / GPRS (2G) network of SFR covered more than 99.7% of the French population. In order to support the new mobile Internet uses (3G data traffic up 40% between 2012 and 2013 in SFR’s network), SFR also continues to expand the coverage and the capacity of its 3G network. SFR estimates that it has the most extensive coverage for the UMTS / HSPA (3G / 3G+) technologies covering more than 99% of the population at the end of 2013. Similarly, the SFR 4G network covers more than 40% of the population of metropolitan areas of France with a presence in 1,200 cities.

In order to ensure the very high speed coverage, SFR continues to expand the Dual Carrier technology (DC-HSDPA+ network, latest evolution of 3G), thus covering more than 70% of the population and making it possible to double download speeds up to 42 Mbps.

Demonstrating its commitment to adopt to new usage and improve the experience of its users, SFR consistently looks to expand the possibilities offered by its network infrastructure and its choice of technologies. In 2013 it was the first operator to have deployed 4G service on Line A of the Paris RER, due to its partnership with the RATP. SFR also plans to extend it to other Paris metro and RER lines.

Fixed Coverage

At the end of 2013, the fixed network of SFR connected approximately 6,200 Subscriber Access Nodes (“NRA”) and covered more than 23 million households eligible to unbundling by SFR for its IP voice, Internet or TV services based on the eligibility of the lines for these services (source: Ariase). This constitutes the first unbundled network in France among the alternative operators, with close to 86% of the population covered on this date. Furthermore, SFR has constructed 11,600 km of optical network to connect its 200 Optical Connection Nodes (“NRO”) thus making around 1.5 million households in Metropolitan France eligible for fiber at the end of 2013.

SFR’s fixed very high speed coverage is reinforced by a WiFi network providing additional coverage to digital customers with 4 million hotspots transmitted by the boxes of fixed service clients in France as well as the 9 million hotspots in 100 countries abroad due to an agreement with the international operator Fon. The SFR hotspots system is a community system that allows SFR clients to connect wirelessly to WiFi devices due to access to WiFi networks independent of the individual networks, emitted by the devices of SFR clients.

DSL Coverage

Fiber Network in 2013

Mobile and fixed network performance meets users’ principal needs

SFR has designed, developed and deployed its network to respond to its users’ needs, both concerning mobile and fixed telecommunications.

For the mobile network, where quality and failure rates are particularly important for the client experience and satisfaction, SFR has focused on its capacity to deploy a network allowing sufficient speeds to address the usage specific to each of its users. For example, it has been the main mobile operator in France to rely on its “golden frequencies” (800 MHz) to optimise the coverage and the quality of its network while at the same time relying on its high frequencies to provide speeds high enough to absorb the demand for voice and data traffic. These different choices allowed SFR to have the second most reliable mobile network in 2012 alongside Orange in terms of failure rates for smartphones (source: most recent ARCEP study) or to have the lowest latency times on its 4G network at the end of 2013 (source: DegroupTest, fourth quarter 2013).

For the fixed network, connectivity and equipment reliability (particularly the box) are key for user satisfaction over the long-term. SFR therefore intends to offer high performance for all fixed services (Internet, telephone and TV). Thus, SFR’s DSL network benefits in particular from the lower ADSL failure rates after 30 days (source: ARCEP, third quarter 2013 study).

Mobile Network

SFR’s mobile access network consists of close to 18,500 radio sites equipped with one or more items of transmitting/receiving equipment (base station) each dedicated to a single technology (2G or 3G) or latest generation

"Single-RAN" equipment allowing the management of 2G, 3G and 4G technologies through a single and same item of equipment.

SFR takes advantage of its deployment of the 4G technology to routinely replace its old antennas with Single-RAN technology, thus allowing SFR clients to benefit from a quality, ultra-fast network while making the most of the technical and financial advantages of this technology.

Single-RAN technology offers a certain number of technical advantages. First, it benefits from enhanced performance (quality of 4G or 3G coverage, increased 3G capacity) due to its ability to use optimal (3G/4G) technologies and frequencies (900MHz in particular). The effectiveness and the reliability of connectivity are also optimised, due to the use of a single transmission technology (compared to the use of several technologies on alternating equipment called "Overlay"). Finally, it facilitates technological developments (introduction of 3G 900 or 4G 1,800, for example) due to a simple software development, without any intervention on the physical components. It also has the prerequisites for evolving toward the LTE-Advanced technologies that are expected to follow 4G in the future.

The use of the Single-RAN technology also makes it possible to generate a certain number of economic benefits due in particular to the reduction of the number of items of equipment. Thus, the reduction of maintenance operations allow operating cost savings, while the facilitation of technological developments and the reduction of the number of sites required make it possible to reduce capital expenditures in the medium term.

Finally, this technology improves client experience due to better network fluidity (because of better coverage and availability) and increased capabilities over all frequencies covered by this technology (2G/3G/4G). This additional performance is also strengthened by SFR's intention to develop fiber links ("backhaul link").

In 2012, SFR was the first operator to offer 4G to B2C and B2B customers following the acquisition in 2011 of 800 MHz frequencies, called "golden frequencies", with an objective to meet clients' coverage expectations. These frequencies offer better transmission properties (particularly inside buildings) than the higher frequencies like 1,800 MHz and 2,600 MHz, and also require fewer antennas to cover the same area.

For these 800 MHz frequencies, on January 1, 2014, SFR had 1,034 authorised antennas, compared to 1,678 for the Incumbent, and 473 for Bouygues Telecom (source: ANFR). Free was not granted any golden frequencies (800 Mhz) during the last auction held by the regulatory authority in 2011.

This focus on "golden frequencies" allowed SFR to accelerate its geographic coverage for 4G technology, while at the same time meeting the current capacity needs. During a second phase, SFR will focus on progressive investments in capacity in order to meet the needs of its clients. This increase in capacity will be facilitated by Single-RAN technology, which allows the interchangeability of frequencies, and by the activation of so-called "high" frequencies (1,800 MHz and 2,600 MHz), which will allow SFR to offer download speeds of up to 115 Mbps. The Group is also already deploying "golden frequencies" in certain densely populated areas. At the end of 2013, SFR had 1,032 4G authorised antennas on the 2,600 MHz band (source: ANFR).

Fixed network

SFR benefits from good historical coverage for DSL technology and plans to develop very high speed (speeds greater than 30 Mbps) in order to respond to the gradual growth in usage. Current ADSL technology will not be able to cover the future needs in terms of capacity (defined by both the speeds necessary for use and the increase in the number of devices in homes).

To do this, SFR chose to develop and deploy fiber technology, making it possible to address these needs due to superior performance, particularly in terms of bandwidth.

Fiber technology benefits from a longer service life than other new generation technologies, and has significant development potential (for example, since 2012, SFR has been deploying equipment capable of evolving toward the XGPON technology, which will make it possible to offer speeds up to 10 Gbps, i.e., 10 times more than the GPON technology currently used). Furthermore, the symmetry of the upload and download streams of fiber, combined with the enhanced performance in terms of speed allow the development of advanced applications like telemedicine. Finally, it is not technically limited by the distances to the connection nodes, contrary to other technologies like VDSL where the actual speed decreases as the distance increases.

In order to respond even faster to users' growing needs, SFR has set out a pragmatic strategy that is intended to allow it to accelerate the deployment of ultra-fast offers.

First, SFR intends to focus on the deployment of the fiber technology in very dense areas in order to maximize the coverage of the French territory, as part of the agreement signed with Bouygues Telecom; the less dense areas being addressed via the deployment agreement signed with the Incumbent. In the B2B market, the deployment of fiber access networks will also focus on high potential areas, thus making it possible to share client connections and reduce connection costs. This optimisation will be facilitated by the systematic use of a geomarketing approach.

Simultaneously with the deployment of fiber, SFR also intends to develop alternative technologies selectively. For example, it estimates that deployment of the VDSL technology (lower deployment costs compared to fiber) may allow it to accelerate its high-speed coverage and it therefore intends to offer it to households that can take advantage of the full potential of this technology (>30Mpbs). In this regard, SFR enriched its "box" offer with the VDSL option in 2013. The number of eligible households will, however, be limited by the operational constraints (distance to the connection nodes) and represents only approximately 20% of all households in terms of full potential.

In order to optimise the quality and the coverage of its networks and with an aim toward optimal allocation of its investments, SFR has been one of the most active operators in developing partnerships dedicated to network sharing, both for mobile infrastructures and fixed infrastructures.

Mobile network sharing agreement

On January 31, 2014, SFR and Bouygues Telecom entered into an agreement to share part of their mobile networks. This agreement aims to enable both operators to offer their respective customers better geographical coverage and better quality service, while optimising the costs and investments undertaken in connection therewith.

SFR and Bouygues Telecom will roll out a new shared network in an area corresponding to 57% of the population (i.e. all of France excluding the 32 largest towns with more than 200,000 inhabitants and zones blanches (blank signal reception areas)).

Two principles underpin the agreement:

- firstly, the creation of an ad hoc joint company, which manages shared radio site assets, namely passive infrastructure and geographical locations in which the infrastructure and telecoms equipment are deployed. SFR and Bouygues Telecom will retain full ownership of their telecoms equipment assets and their frequencies;

- secondly, the provision of RAN-sharing services that the operators mutually provide in 2G, 3G and 4G on shared territory. Each operator is responsible for a percentage of the shared territory, in which it ensures the design, deployment, operation and maintenance of the RAN- sharing service.

SFR and Bouygues Telecom retain autonomous innovation capabilities, remain independent both commercially and with regard to pricing, and continue to offer differentiated services by managing their own network core and frequencies.

The provisions under this agreement are likely to benefit SFR's customers in numerous ways, in particular in relation to network coverage which will be extended through the optimisation of the deployment of antennas and to the reduction of dead spots. Moreover, the quality of its network is also likely to be strengthened through the systematic use of 800 MHz frequencies benefiting from better coverage outside and inside buildings.

SFR will retain complete control of its commercial strategy (in terms of both pricing strategy, content and innovation) and direct management of approximately 75% of its new national network (sites in densely populated areas and pooled sites operated by SFR under the sharing agreement) and also retains full ownership of its frequency spectrum.

Furthermore, this agreement should enable to generate significant savings in terms of deployment and operating costs, primarily due to the rationalisation of the number of sites.

Bouygues Telecom and SFR's agreement to share part of their mobile networks falls in line with a number of similar initiatives that have already been implemented in other European countries. The sharing agreement is expected to result in the completion of the target network by the end of 2017.

Fixed network sharing agreements

In 2010, SFR signed a co-investment agreement with Bouygues Telecom concerning the deployment of fiber optics in certain towns in very densely populated areas. This agreement provides for the pooling of the horizontal fiber optic networks between their points of presence and each building in the towns selected. It must allow both operators to accelerate and extend the deployment of their FTTH infrastructures to the benefit of their respective clients in the towns concerned, while at the same time reducing their deployment costs.

In 2011, SFR also signed a co-investment agreement with the Incumbent for the deployment of fiber for the more sparsely populated areas of metropolitan France, involving 9.8 million households. This agreement provides that by the year 2020, the SFR Group will deploy FTTH in 2.3 million homes, and the Incumbent in 7.5 million homes. Each will become client of the other by signing IRUs in areas where it will not deploy fiber itself. The other operators will have access to these infrastructures through Wholesale market agreements.

Suppliers

SFR has implemented a multi-sourcing procurement policy for some technologies and continually monitors the role of suppliers in the chain.

The breakdown of the main suppliers by major categories is as follows:

- five main suppliers for mobile handsets;
- five main suppliers for telecommunications equipment;
- six main suppliers for the deployment and maintenance of this equipment;
- nine main suppliers for information technology systems; and
- five main suppliers for call centers.

As far as mobile handsets are concerned, SFR works with the major brands on the market, as well as with original design manufacturers (ODMs) for which SFR uses its own brand. It is very important for SFR to have access to all leading brands on the market for its supply needs.

In the case of telecommunications equipment, SFR has a dual sourcing policy with leading companies in these sectors for the main SFR network equipment, and especially for radio equipment. As a result, we believe that there is no critical dependence on a single supplier. As far as the core network is concerned, SFR has a single source policy for certain types of equipment for reasons of simplicity and due to the lower investment involved. The companies concerned are leaders in their respective sectors.

As far as information technology systems are concerned, SFR uses both solutions recognized on the market (Oracle, SAP), as well as more specific solutions for which specific provisions are provided contractually to protect access to the source code. We believe that there is no critical dependence in this regard. Furthermore, the partnership entered into with Vodafone covers the procurement area and is active in terms of mobile handsets.

SFR has developed and maintains relations with different suppliers that contribute to innovation, quality of service and operational excellence. The procurement process consists of five stages which describe the whole life cycle of the relationship between SFR and its suppliers.

Supplier selection is one of the most important stages for the deployment and maintenance of the network, as well as for SFR's offerings (handsets, etc.). It is based on objective criteria including the quality of products and services, delivery times and conditions, as well as their cost in the sense of total cost of ownership.

This assessment also takes into account commitments concerning:

- the observance of the applicable laws and regulations;
- the observance of the rules of confidentiality and fairness; and
- the existence and application of a SER (Social and Environmental Responsibility) policy suitable to the nature of the products and services provided.

These criteria are expressly mentioned in the contracts governing SFR's relations with its suppliers.

SFR aims to have a lasting and balanced relationship with its main suppliers. This effort involves monitoring performance, sharing and monitoring objectives, as well as exchanging information on market and technological trends.

For many years, SFR has implemented a procurement policy that takes into account the principles of social and environmental responsibility in its relations with its suppliers in order to better control risks.

The main principles are the following:

- give preference to suppliers who meet these challenges;
- take these criteria into account in supplier evaluations; and
- promote and ensure observance of the code of commitment and ethics issued by SFR.

For the past two years, all purchasing contracts entered into include a clause on "observance of laws and regulations—Corporate Responsibility." SFR engages a specialized company to evaluate its main suppliers regularly. This evaluation is performed on a documentary basis and is subjected to a concerted procedure with the French Telecommunications Federation. As of 31 December 31, 2013, 146 suppliers had been evaluated.

Recourse to companies in the designated disability sector (equipment recycling, telephone contacts, etc.) is part of the procurement policy and is subject to regular monitoring. In 2013, SFR had more than €3 million in business with companies in the designated disability sector.

Material Contracts

The material contracts to which SFR is a party are set out below.

Partnership agreement between SFR and Vodafone Sales and Services Limited

SFR's position was recently enhanced by the signing of an exclusive partnership agreement with the Vodafone Sales and Services Limited ("Vodafone") effective on April 1, 2014, which will allow SFR to continue to benefit from commercial, economic, technological and information sharing advantages according to the same terms and conditions as the local operators controlled by Vodafone. This agreement may be terminated by Vodafone with 60-day prior notice if (i) there is a change of control of SFR as result of SFR having been acquired by a direct competitor of Vodafone or (ii) SFR acquires a share in a mobile telephony operator in a country where Vodafone is also active.

Mobile network sharing agreement between Bouygues Telecom and SFR

For a description of this contract, see "*—SFR Network—General presentation of SFR Network—Mobile network sharing agreement*".

Mobile device supply contract

SFR has entered into different supplier contracts through which it is supplied with mobile devices and accessories. SFR also considers itself commercially dependent on one supplier of mobile devices, whose well-known products are not substitutable in the eyes of customers.

Legal Proceedings

Free against SFR

On May 21, 2012, Free filed a complaint against SFR with the Paris Commercial Court. Free is challenging SFR's model of subsidizing mobile phone purchases through what Free calls "concealed" consumer loans and claims this constitutes an unfair and deceptive trade practice. On January 15, 2013, the Court dismissed Free's claims and ordered it to pay to SFR €300,000 in damages for defamation and €100,000 for costs. Free appealed this decision.

Orange against SFR

On August 10, 2011, Orange filed a claim against SFR before the Paris Commercial Court. Orange asked the Court to compel SFR to stop the overflow traffic at the point of interconnection of their respective networks. On December 10, 2013, SFR was ordered to pay €22,133,512 to Orange. On January 10, 2014, SFR appealed this decision.

Complaint against Orange before the French Competition Authority

On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market. This case is under investigation.

SFR against Orange

On April 24, 2012, SFR filed a complaint against Orange before the Paris Commercial Court for practices constituting an abuse of its dominant position in the secondary residence market. On February 12, 2014, the Paris Commercial Court ordered Orange to pay €51 million in damages.

Complaint lodged with the French Competition Authority by Orange Réunion, Orange Mayotte, and Outremer Télécom against Société Réunionnaise du Radiotéléphone (SRR)

Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged unfair price discrimination practices implemented by SRR. On September 16, 2009, the French Competition Authority imposed protective measures on SRR, pending its decision on the merits.

SRR was required to end price differences that exceed the costs borne by SRR based on the network called (off-net/on-net). The French Competition Authority found that SRR had not fully complied with the order it had imposed and, on January 24, 2012, ordered SRR to pay a fine of €2 million. With regard to the proceedings on the merits, on July 31, 2013, SRR signed a statement of no contest to grievances and a letter of commitments. Accordingly, the Deputy Reporter General will propose to the College of the French Competition Authority that the fine incurred by SRR be reduced.

Following the French Competition Authority's decision of September 16, 2009, Outremer Télécom sued SRR on June 17, 2013, before the Paris Commercial Court for damages it claims to have suffered as a result of SRR's practices. On November 13, 2013, the Court stayed the proceedings until the French Competition Authority issues its decision on the merits of the case.

Complaint of Bouygues Telecom against SFR and Orange in connection with the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices in the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Authority fined SFR approximately €66 million. SFR has appealed this decision. The case will be argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the French Competition Authority on December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and the amount, which Vivendi believes cannot, in any case, exceed €250 million in total, of these claims. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and SFR has been suspended.

UFC against SFR

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint against SFR before the Paris Court of First Instance (*Tribunal de Grande Instance de Paris*). It alleges that the general conditions of use of SFR's *La Carte* offering contain abusive clauses, which it is seeking to have removed.

CLCV against SFR and others

On January 7, 2013, the French consumer protection association, CLCV (consumption, housing and quality of life) sued several French telecom operators, including SFR, before the Paris Tribunal of First Instance. It is seeking the removal of certain clauses that it considers abusive from subscription contracts.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon, and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils de Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Court of Appeal of Toulouse sanctioned the SFR and Teleperformance groups in half of the cases while the courts of Poitiers and Lyon rendered judgments which were favorable to SFR. The cases are at different stages of the appeal process.

Disputes with independent distributors

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors and, almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependence and/or requests for reclassification of a distributor as a commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points of sale as employment contracts with SFR. The French Court of Cassation rendered three judgments against SFR on the status of branch managers but the various Courts of Appeal have decided in favor of SFR. On the issue of abrupt termination of contractual relationships and the request for reclassification of employees of the distributor as employees of SFR, apart from a few rare exceptions the various courts have ruled in favor of SFR.

PART XVIII
OVERVIEW OF GENERAL INFORMATION

Annex I
R 5.1.1
R 5.1.2
R 5.1.3
R 5.1.4
R 5.1.5
R. 5.2.1
R 7.1
R 20.1
R 20.2
R 20.3
R 20.4.1
R 20.4.2
R 20.4.3
R 20.5.1
R 20.6.1
R 20.6.2

1. The Company

The Company is a public limited liability company (*société anonyme*) governed by the 1915 Law. 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 B 183.391.

2. History and Group Structure

Since our inception, we have made significant investments in a number of cable and telecommunications businesses in Israel, Western Europe, the French Overseas Territories and the Dominican Republic. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

In March 2005, Ypso France ("Ypso"), an entity controlled by our Group together with Cinven, acquired the cable businesses of France Telecom Cable, TDF Cable and NC Numericable, making Ypso the largest French cable operator. In 2007, all cable activities of Ypso were brought together under a single brand name, Numericable. In September 2007, together with Cinven, we acquired all of the outstanding shares of Completel, which added DSL and fiber metropolitan area networks, a corporate sector business and a nationwide backbone. In March 2008, the investment fund Carlyle acquired a 38% stake in Ypso and Completel. By the end of 2008, we had fully integrated the historical Numericable business and the historical Completel business. In November 2013, Numericable Group, the holding company of Numericable and Completel, completed its initial public offering of shares and listing of such shares on Euronext Paris. In January 2014, Altice France acquired additional shares in Numericable Group as a result of which Altice France held 40% of the shares in Numericable (including shares of Numericable subject to call options granted to Altice France by certain existing shareholders) and has the majority of votes in the board of directors. In June 2014, Altice France acquired 2.6% of the share capital of Numericable after exercising the call options granted by the funds and now holds directly 40% of the share capital of Numericable. As part of the Transactions, Altice France will acquire additional shares in Numericable and is expected to hold 59.7% of the total share capital of Numericable following the consummation of the Transactions.

In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, well established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe, respectively, since 1994.

In May 2010, we acquired MIRS Communications Ltd. ("MIRS"), an Israeli company providing iDEN based mobile services. In July 2009, we began acquiring equity interests in HOT Telecommunications Systems Ltd. and its subsidiaries, the sole cable operator in Israel, and in March 2011 acquired a controlling interest. In November 2011, HOT acquired MIRS from us and renamed the company as HOT Mobile Ltd. In May 2012, we began marketing our UMTS based 3G mobile services in Israel under our "HOT" brand. In December 2012, we completed the take private transaction of the HOT group whereby we acquired substantially all of the equity interests in HOT Telecommunication Systems Ltd. we did not previously own.

In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of B2B solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter and launched a greenfield project to build out a 11,000 square meter datacenter in the Zurich region. We began providing datacenter services in 2011. We have completed the construction of 3,600 square meters and a new build out phase is currently in progress.

In 2006, Ypso acquired Coditel Belgium and Coditel Luxembourg, cable operators in Belgium and Luxembourg, from an entity affiliated to the Group. In 2011, Ypso sold Coditel Belgium and Coditel Luxembourg to the Altice International Group (which acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg) and certain other minority shareholders. We entered into an agreement to buy out the 40%

stake in Coditel Holding Lux II held by one of the minority shareholders. This transaction was consummated on November 29, 2013.

In February 2012, we acquired a controlling interest in the Portuguese cable provider Cabovisão and in February 2013, we completed the acquisition of substantially all of the equity interests in Cabovisão that we did not already own.

In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda.

In July 2013, we expanded our presence in the French Overseas Territories by acquiring approximately 77% of the equity interests in Outremer, a leading mobile services provider and xDSL provider of telecommunications services, the remaining 23% of the company's equity being held by local management.

In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group.

In October 2013, we acquired Ma Chaîne Sport (a producer of sports related content) and Sportv (a producer of sport related content).

On November 1, 2013, the Numericable Group, through Altice B2B France SAS, acquired 100% of the share capital of LTI Télécom SA ("LTI Télécom") and its parent and holding company Invescom SAS.

On January 15, 2014, we completed (through our subsidiary Altice Blue Two), the acquisition of the Mobius Group, a telecommunications operator in the Overseas Territory of La Reunion.

On March 12, 2014, we completed the acquisition of Tricom, a provider of telecommunications services operating in the Dominican Republic.

On April 5, 2014, Numericable submitted an offer (the "Offer") to acquire 100% of the capital of SFR, other than 10 shares in SFR not held by Vivendi (and all of the shares of another subsidiary of Vivendi, SIG 50) (the "SFR Acquisition"). Also on April 5, 2014, Vivendi's supervisory board selected this Offer and resolved at the same time to counter sign the Offer to confirm Vivendi's acceptance of its terms and to extend the exclusivity period in order to allow for the consultation of the works council of the various relevant parties, allow for the satisfaction of the conditions precedent specified in the acquisition documentation and, more generally, finalise and complete the SFR Acquisition. This exclusivity period will terminate under certain circumstances. The completion of the SFR Acquisition is subject to certain conditions, including the approval by the competent regulatory authorities in France, as applicable.

On April 9, 2014, we acquired ODO, a provider of telecommunications services operating in the Dominican Republic.

On June 20, 2014, Numericable, the Company, Altice France and Vivendi entered into the Master Agreement to acquire 100% of the capital of SFR, other than the 10 shares in SFR not held by Vivendi. The completion of the SFR Acquisition is subject to certain conditions including regulatory antitrust approval in France.

On June 27, 2014, Numericable and the shareholders of OMER Telecom (the holding company of the entity operating as telecom operator under the Virgin Mobile brand in France) entered into the share purchase agreement for the acquisition by Numericable of 100% of the capital of Omer Telecom. The completion of the Virgin Mobile Acquisition is subject to certain conditions, including regulatory antitrust approval in France.

3. Summary of Financial Information

Basis of Presentation

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

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

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

In the year ended December 31, 2010, Altice International's most significant assets consisted of its ownership of (i) equity interests in HOT Telecommunication Systems Ltd. and its subsidiaries (when excluding HOT Mobile Ltd., the "HOT Telecom Group"), an Israeli cable telecommunications company (which amounted to approximately 44.8% of the equity interests in HOT Telecommunication Systems Ltd. at the end of 2010 and has been accounted for in the historical combined financial statements of the 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, Altice International made the following acquisitions that fundamentally changed the business undertaking: (i) in the first quarter of 2011, Altice International increased its ownership in HOT-Telecommunication Systems Ltd. thereby acquiring a majority equity ownership in the HOT Telecom Group (as a result of which the financial information of the HOT Telecom Group is consolidated in the historical consolidated financial statements of the Company with effect from March 16, 2011). In addition, in the fourth quarter of 2011, MIRS Communications Ltd. was acquired by the HOT Telecom Group from a subsidiary of Altice International and renamed HOT Mobile Ltd. The HOT Telecom Group and HOT Mobile Ltd. are collectively referred to herein as the "HOT Group"; and (ii) in the second quarter of 2011, Altice International acquired a controlling equity interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium and Coditel S.à r.l., a company with cable television operations in Luxembourg, in each case, through an intermediate holding company, Coditel Holding S.A. (the financial information of which is consolidated in the historical consolidated financial statements of the Company with effect from July 1, 2011). In addition, Altice International sold 5% of its equity interest in MIRS Communications Limited during the course of 2011.

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

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

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

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

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

(iii) summary selected Post-Transaction Pro Forma Financial Information derived from the Pro Forma Financial Information of the Company, giving effect to each such significant acquisition as well as the ODO Acquisition, the Numericable Acquisition and the SFR Debt (but not the Mobius Acquisition, the Tricom Acquisition, the Virgin Mobile Acquisition or the SFR Acquisition) as if such acquisitions had occurred on January 1, 2013 as of and for the year ended December 31, 2013.
For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information, the Pre-Transaction Pro Forma Financial Information and the Post-Transaction Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information and Note 2 to the Pro Forma Financial Information of the Company included elsewhere in the Prospectus.

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

Income Statement Data

	Historical Consolidated Financial Information
	For the year ended December 31,

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

---

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

(2) Further referred to as EBITDA.

	Illustrative Aggregated Selected Financial Information(1)		**Pre Transaction Pro-Forma Financial Information(2)**
	For the year ended December 31,		**For the year ended December 31,**
Statement of Income Items	**2011**	**2012**	**2013**
	€ in millions		
Revenue			
Cable based services	941.2	945.7	954.7
Mobile services	306.5	304.4	322.8
B2B and others	178.5	191.6	183.1
Total revenue	**1,426.2**	**1,441.8**	**1,460.7**
Purchasing and subcontracting services	(399.6)	(444.4)	(433.6)
Gross profit	**1,026.6**	**997.4**	**1,027.0**
Other operating expenses(3)	(319.5)	(315.3)	(293.2)
General and administrative expenses	(101.0)	(85.2)	(75.3)
Other sales and marketing expenses	(108.9)	(102.8)	(87.9)
Operating income before depreciation and amortisation(4)	**497.2**	**494.1**	**570.7**
Depreciation and amortisation	—	—	(426.7)
Goodwill impairment	—	—	—
Other expenses, net	—	—	(18.8)

Management fees	—	—	(1.5)
Restructuring and other non-recurring costs	—	—	(74.7)
Operating (loss)/profit	—	—	**49.1**
Gain on de-recognition of asset	—	—	**255.7**
Finance income	—	—	121.1
Finance costs	—	—	(427.2)
Share in profit of associates			15.5
Profit before taxes on revenue	—	—	**14.3**
Income tax expenses	—	—	(14.5)
Loss for the year	—	—	**(0.2)**

---

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of ODO, Tricom, Mobius, the Numericable Group, Virgin Mobile or SFR. For details, see "*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*". We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortisation, or EBITDA.

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, the Numericable Group, Virgin Mobile or SFR. For details, see "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

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

(4) Further referred to as EBITDA.

Statement of Income Items	**Post-Transaction Pro Forma Financial Information(1)For the year ended December 31, 2013**
	€ in millions
Revenue	
Total revenue	3,221.2
Purchasing and subcontracting services	(1,166.2)
Other operating income	86.3
Other operating expenses(2)	(785.2)
Operating income before depreciation and amortisation(3)	**1,356.2**
Depreciation and amortisation	(795.0)
Goodwill impairment	—
Management fees	(24.2)
Restructuring, non-recurring costs and other expenses	(134.4)
Operating profit	**402.5**
Gain on de-recognition of assets	255.7
Share of profit of associates	(0.5)
Finance income	131.3
Finance costs	(1,762.8)
Profit before taxes on revenue	**(973.8)**
Income tax expenses	92.9
Loss for the year	**(881.7)**

---

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the ODO Acquisition, the Numericable Acquisition and the SFR Debt. Following the Transactions, we will own 74.6% of the share capital of Numericable Group and (indirectly through Numericable) SFR. It does not give pro forma effect to the acquisitions of Tricom or Mobius, SFR or Virgin Mobile. For details, see "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

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

(3) Further referred to as EBITDA.

Revenue and EBITDA

Pre-Transaction

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

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

---

(1) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of ODO, Tricom, Mobius, the Numericable Group, Virgin Mobile or SFR. For details, see “*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*”. We do not present any Illustrative Aggregated Selected Financial Information below the line item operating income before depreciation and amortisation, or EBITDA.

(2) The Pre-Transaction Pro Forma Financial Information does not give pro forma effect to the acquisition of ODO, Tricom, Mobius, the Numericable Group, Virgin Mobile or SFR. For details, see “*Presentation of Financial and Other Information—Pro Forma Financial Information*”.

(3) EBITDA is defined as operating profit before depreciation and amortisation, goodwill impairment, other expenses, net, management fees and restructuring and other non-recurring costs. We believe that this measure is useful to readers of our financial information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or

that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. EBITDA should not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group).

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

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

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

ODO

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

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

Pro Forma Adjusted EBITDA

	Illustrative Aggregated Selected Financial Information[1]		**Pro Forma Financial Information[2]**
	For the year ended December 31,		**For the year ended December 31,**
	2011	**2012**	**2013**
	€ in millions		
Revenue			
France (Numericable)	—	—	1,314.2
Total France Revenue	**—**	**—**	**1,314.2**
Israel	845.5	850.4	881.9
Belgium and Luxembourg	67.3	71.3	70.5
Portugal	238.8	235.3	209.6
French Overseas Territories	217.9	219.6	223.5
Dominican Republic[3]	—	—	446.3
Others[4]	56.7	65.2	75.2
Total International Revenue	**1,426.2**	**1,441.8**	**1,906.9**
Intercompany Adjustments	—	—	—
Total Revenue	**1,426.2**	**1,441.8**	**3,221.2**
EBITDA[5]			
France (Numericable)	—	—	612.3

Intercompany Adjustments	—	—	—
Total France EBITDA	—	—	**612.3**
Equity based compensation[6]			3.6
			-
Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)[12]			**615.9**
Israel	327.2	305.2	363.0
Belgium and Luxembourg	41.0	45.6	45.0
Portugal	39.0	48.0	58.3
French Overseas Territories	72.4	75.1	84.6
Dominican Republic[3]	—	—	173.0
Others[4]	17.7	20.2	19.8
Total International EBITDA	**497.2**	**494.1**	**743.7**
Equity based compensation[6]	6.0	3.8	—
Total Adjusted EBITDA International	**503.2**	**497.9**	**743.7**
Pro Forma Synergies for 2013 June Transactions[7]			12.5
HOT Mobile Network Sharing Savings[8]			41.0
Tricom EBITDA[9]			51.0
Pro Forma Synergies for ODO/Tricom[10]			20.0
Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)[12]			**868.2**
Intercompany adjustments (net)			-
Total Adjusted EBITDA[11]	**503.2**	**497.9**	**868.2**
Pro Forma Adjusted EBITDA (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)[11]	**—**	**—**	**1,484.2**
of which Pro Forma Adjusted EBITDA (France) (including Pro Forma Synergies)[6]	—	—	615.9
of which Pro Forma Adjusted EBITDA (International) (including Pro Forma Synergies, HOT Mobile Networking Savings and Tricom EBITDA)	—	—	868.2
of which Intercompany Adjustments	—	—	-

---

(1) The Illustrative Aggregated Selected Financial Information does not aggregate or incorporate any financial information of ODO, Tricom, Mobius the Numericable Group, Virgin Mobile or SFR. For details, see "*Illustrative Aggregated Selected Financial Information of the Group*".

(2) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the acquisition of ODO (which is included under "Dominican Republic"), the Numericable Group (which is included under France (Numericable)) and SFR Debt. Following the Transactions, we will own 74.6% of the share capital of the Numericable Group. It does not give pro forma effect to the acquisitions of Tricom or Mobius. For details, see "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

(3) Includes ODO but excludes Tricom.

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

(5) EBITDA is defined as operating profit before depreciation and amortisation, other expenses, net, management fees and restructuring and other non-recurring costs. We believe that this measure is useful to readers of our financial information as it provides them with a measure of the operating results which excludes certain items we consider outside of our recurring operating activities or that are non-cash, making trends more easily observable and providing information regarding our operating results and cash flow generation that allows investors to better identify trends in its financial performance. EBITDA should

not be considered as a substitute measure for operating income and may not be comparable to similarly titled measures used by other companies (including the Numericable Group and SFR).

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

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

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

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

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

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

Certain As Adjusted Information**

Key Subsidiary Restricted Payment Covenant Exceptions and Carve-outs

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

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

Capital Expenditures

Pre-Transaction

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

	Illustrative Aggregated Selected Financial Information[1]										
	For the year ended December 31, 2011						For the year ended December 31, 20				
	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	Others	Total	Israel	Belgium and Luxembourg	Portugal	French Overseas Territories	C
						€ 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	
Cable network and constructions...	36.9	2.8	5.4	13.0	—	58.1	55.7	6.4	7.1	7.7	
Other cable	32.7	2.6	1.6	8.7	—	45.6	57.8	6.2	2.4	0.9	
Cable based services	**126.8**	**10.6**	**19.4**	**28.1**	**—**	**185.0**	**211.6**	**17.0**	**18.1**	**16.1**	
Mobile services...........	47.1	—	—	17.2	—	64.3	83.8	—	—	9.2	
B2B and others.............	—	—	15.0	8.1	21.5	44.6	—	—	12.7	10.5	
Total capital expenditures..	**173.9**	**10.6**	**34.4**	**53.5**	**21.5**	**293.8**	**295.4**	**17.0**	**30.8**	**35.7**	
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) The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of ODO, Tricom, Mobius, the Numericable Group or SFR. For details, see “*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*”.

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

---

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

ODO

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

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

---

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

Cash Flow Data

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

Balance Sheet Data

	Historical Consolidated Financial Information**	Post Transaction Pro Forma Financial Information(1)

	As of December 31,			As of December 31,
	2011	2012	2013	2013
	€ in millions			
Total current assets	165.1	334.7	1,562.2	10,688.9
Total non-current assets	2,531.7	2,602.9	3,614.4	8,585.4
Total assets	**2,696.8**	**2,937.6**	**5,176.6**	**19,274.4**
Total current liabilities	569.5	583.3	737.0	1,652.3
Total non-current liabilities	1,409.1	2,076.1	4,344.2	20,721.1
Total liabilities	**1,978.6**	**2,659.4**	**5,081.2**	**22,373.4**
Total equity	**718.3**	**278.1**	**95.3**	**(3,099.1)**

** Prior to the Numericable Acquisition which was completed in February 2014, primarily reflects the operating results of Altice International excluding Tricom, Mobius and ODO. For further details, see "*Presentation of Financial and Other Information*".

(1) The Post-Transaction Pro Forma Financial Information, among other things, gives pro forma effect to the ODO Acquisition, Numericable Acquisition and SFR Debt. Following the Transactions, we will own 74.6% of the share capital of the Numericable Group. It does not give pro forma effect to the acquisitions of Tricom or Mobius. For details, see "*Presentation of Financial and Other Information—Pro Forma Financial Information*".

Combined Key Operating Measures

Pre- Operating Data

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

As of and for the year ended December 31, 2013
in thousands except percentages and as otherwise indicated

	Numericable	Israel	Dominican Republic(8)	Other(13)	Total(14)
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	9,940	2,282(7)	456(9)	1,295	13,973
Docsis 3.0 Upgraded	53%	100%	100%	94%	66%
Unique Customers					
Cable Customer Relationships(1)	1,264	1,127	103	391	2,885
Triple-Play Cable Customer Relationships	1,041	452	45	202	1,740
RGUs & Penetration(2)(3)					
Total RGUs	3,218	2,295	165	916	6,594
Pay Television RGUs	1,140	875	108(2)	393	2,516
Pay Television Penetration	11%	38%	24%	30%	18%
Broadband Internet RGUs	1,054	744	30	230	2,058

Broadband Internet Penetration	11%	33%	7%	18%	15%
Fixed-Line Telephony RGUs	1,024	676	26	293	2,019
Fixed-Line Telephony Penetration	10%	30%	6%	23%	14%
RGUs Per Cable Customer Relationship[4]	2.5x	2.0x	1.6x	2.3x	2.3x
ARPU[5]					
Cable ARPU(€)	41.5	47.6	19.7	—	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	—	61%	—	—	—
Subscribers					
Total Mobile Subscribers[6]	186	810	3,615[10]	378	4,989
Postpaid	—	801	648[10][11]	200	—
Prepaid	—	9	2,968[10][12]	178	—
ARPU[5]					
Mobile ARPU(€)	12.5	16.8	—	—	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	484	133	617
Broadband Internet RGUs	—	—	236	56	292
Fixed-Line Telephony RGUs	—	—	248	78	326

	As of and for the year ended December 31, 2012 in thousands except percentages and as otherwise indicated				
	Numericable	**Israel**	**Dominican Republic[8]**	**Other[13]**	**Total[14]**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	9,875	2,243[7]	372[9]	1,293	13,783
Docsis 3.0 Upgraded	48%	100%	33%	88%	60%
Unique Customers					
Cable Customer Relationships[1]	1,331	1,198	136	414	3,079
Triple-Play Cable Customer Relationships	—	413	—	209	622
RGUs & Penetration[2][3]					
Total RGUs	3,095	2,343	169	954	6,561
Pay Television RGUs	1,163	896	136[2]	420	2,615
Pay Television Penetration	12%	40%	37%	32%	19%

Broadband Internet RGUs	985	771	22	226	2,004
Broadband Internet Penetration	10%	34%	6%	17%	15%
Fixed-Line Telephony RGUs	946	676	12	308	1,942
Fixed-Line Telephony Penetration	10%	30%	3%	24%	14%
RGUs Per Cable Customer Relationship(4)	2.3x	2.0x	1.2x	2.3x	2.1x
ARPU(5)					
Cable ARPU(€)	40.7	44.4	21.5	—	—
MOBILE-BASED SERVICES					
Market and Network					
UMTS Mobile Coverage of Territory	—	41%	—	—	—
Subscribers					
Total Mobile Subscribers(6)	113	766	3,372(10)	387	4,638
Postpaid	—	738	608(10)(11)	185	—
Prepaid	—	28	2,764(10)(12)	203	—
ARPU(5)					
Mobile ARPU(€)	—	19.4	—	—	—
xDSL/NON-CABLE BASED SERVICES					
RGUs					
Total RGUs	—	—	351	140	491
Broadband Internet RGUs	—	—	96	57	153
Fixed-Line Telephony RGUs	—	—	255	83	338

	As of and for the year ended December 31, 2011 in thousands except percentages and as otherwise indicated				
	Numericable	**Israel**	**Dominican Republic(8)**	**Other(13)**	**Total(14)**
CABLE-BASED SERVICES					
Market and Network					
Homes Passed	9,883	2,204(7)	258(9)	1,273	13,618
Docsis 3.0 Upgraded	48%	100%	NA	79%	—
Unique Customers					
Cable Customer Relationships(1)	1,371	1,245	117	422	3,155
Triple-Play Cable Customer Relationships	—	348	—	212	560
RGUs & Penetration(2)(3)					
Total RGUs	3,064	2,294	132	969	6,459

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

---

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

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

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

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

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

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

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

---

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

(8) Includes Tricom and ODO.

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

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

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

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

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

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

SFR Operating Data

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

	As of, or for the year ended, December 31,		
	2011	2012	2013
	(Unaudited) (in thousands except number of RGUs per individual user and ARPU or unless otherwise indicated)		
B2C Operating Data:			
Footprint(1)			
SFR Operating Data:			
Total Mobile customers(2)	16,578	15,057	14,555
Total Mobile subscribers(3)	11,961	11,194	11,381
Smartphone penetration rate(4)	42.1%	51.2%	64.1%
12-month rolling Mobile ARPU(5) (€)	31.4	28.3	24.1
Number of broadband Internet customers(6)	4,994	5,039	5,209
FTTH customers	97	126	197
Quadruple-play customers ("MultiPack") (as % of customer base)	24%	35%	45%
Broadband Internet ARPU(5) (€)	34.1	33.3	32.5

---

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

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

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

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

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

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

4.Related Party Transactions

Annex I
R 19

During the year ended December 31, 2011, 2012 and 2013 we incurred an aggregate of €3.6 million, €6.2 million and €0.6 million in management fees to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks. In addition, we pay a fee to broadcast the news channel i-24 over our networks. I-24 is majority-held by our principal shareholder, Next L.P. Also, except as disclosed in the notes to the historical consolidated financial statements of the Company included in the Prospectus, we did not have any material transactions with related parties during 2011, 2012 and 2013.

Recent developments

The following constitutes a description of the recent transactions undertaken by the Company or members of the Group (the "Transactions").

Initial Public Offering of the Company

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

As of July 21, 2014, the Company had, following the share capital increases set out in Part XXII "*General Information – Share Capital of the Company*", a market capitalisation of approximately €10.1 billion, excluding an additional issuance of approximately €1.1 billion in value of shares to Cinven and Carlyle in exchange for certain of their shares held by them in Numericable.

Dominican Republic Acquisitions

ODO Acquisition

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

Tricom Acquisition

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

Change in minority interests of Altice Blue Two

On March 13, 2014, the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, exchanged their existing shares in Altice Blue Two S.A.S. for shares in the Company with a base value of €55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Virgin Mobile Acquisition

On May 16, 2014 Numericable Group and the shareholders of Omer Telecom (the holding company of the entity operating as telecom operator under the Virgin Mobile brand in France), have agreed to enter into exclusive negotiations for the acquisition by Numericable Group of 100% of Omer Telecom subject to works council procedures and antitrust approval. The exclusivity period shall allow for the consultation of the works council of the parties and preparation of the antitrust filing and more generally finalise and complete the Virgin Mobile Acquisition. On June 27, 2014, Numericable Group and the shareholders of Omer Telecom entered into the share purchase agreement for the acquisition by Numericable Group of 100% of the capital of Omer Telecom. The completion of the Virgin Mobile acquisition is subject to certain conditions, including regulatory antitrust approval in France

Completion of Numericable Acquisition

On June 6, 2014, Altice France completed the acquisition of the entirety of the stakes of the Funds in the share capital of Numericable (2,643,405 shares from the Pechel Funds and 604,207 shares from the Five Arrows Funds, i.e. approx. 2.6% of the share capital of Numericable) after exercising the call options granted by the Pechel Funds and the Five Arrows Funds on November 7, 2013.

As a result of this acquisition, Altice France holds directly 40% of shares in Numericable Group and the shareholders' agreement entered into between Altice France, and the Funds, in place since the Numericable IPO in November 2013, was terminated.

Company Transactions

The Company issued €4,172 million (equivalent) of notes on the Issue Date and will use the net proceeds, together with the proceeds of the Altice S.A. Equity Financing, to Completion Date, directly or indirectly to (i) exercise all preferential subscription rights to be allocated to it pursuant to the Numericable Rights Issue (as defined below) (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle), amounting to €3,530 million, (ii) repay the 2013 Margin Loan, amounting to €331 million in financing of the Numericable Group Transactions, (iii) pay fees and expenses related thereto and to the Cinven Carlyle Roll Over. In addition, the Company will effect the Cinven Carlyle Roll Over.

Carlyle Cinven Roll Over

On April 5, 2014, the Company and Altice France entered into an agreement with Carlyle and Cinven, according to which the Company and Altice France shall acquire the entirety of shares of common stock of Numericable Group held by Carlyle and Cinven (representing stakes of 21.32% from Carlyle and 13.27% from Cinven). The Board approved the entry by the Company into the agreement and the Roll Over on April 3, 2014 and April 5, 2014.

Annex I
R 22
Annex III
R 7.3

The aforementioned agreement provides that: (i) Altice France shall purchase approximately 14% of the shares of common stock of Numericable Group. from Carlyle and Cinven (7.50% from Carlyle and 6.50% from Cinven) at a price of €30.50 per share, payment being made at the earliest of (a) January 31, 2015 and (b) 6 months after the acquisition by Numericable Group of 100% of the capital of SFR (other than the 10 shares in SFR not held by Vivendi S.A.); and (ii) Carlyle and Cinven shall contribute all of their remaining shares in Numericable Group (representing approximately 20.6% of the Numericable Group's shares of common stock) to the Company, in exchange for the issuance of the New Shares of the Company on the basis of a share exchange ratio of 0.97 New Shares for each Contributed Share.

Pursuant to the Roll Over Agreement, one Contributed Share will give right to 0.97 ordinary shares of the Company. As consideration for the Contribution, the Company will issue 24,751,873 ordinary shares of the

Company. As a result of the Contribution, Carlyle and Cinven will hold respectively 6,71% and 3,28% of the issued share capital of the Company.

Upon completion of the Roll Over and on the Completion Date, the Company will contribute the Contributed Shares to Altice France against shares of common stock of Altice France. As a result of the Contribution to Altice France, Altice France will hold approximately 74.6% of the shares of common stock of Numericable Group.

On May 27, 2014, a waiver was granted by the French *Autorité des Marchés Financiers* to Altice France from the obligation to launch a tender offer on all of the Numericable Group's shares of common stock in relation to the Roll Over.

The completion of the Roll Over will terminate the shareholders' agreement entered into between Altice France, Carlyle and Cinven, in place since the initial public offering of Numericable Group on the Euronext Paris market of NYSE Euronext in November 2013.

Pursuant to the Roll Over Agreement, Carlyle may, at its own discretion, nominate for appointment by the General Meeting an Executive Director to the Company's Board as long as Carlyle continues to hold more than 5% of the share capital and voting rights of the Company.

The New Shares are subject to the Lock-Up (please refer to element E.5 of the summary under Part I on page 21 for more details). The Lock-Up will only apply as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the shares of the Company in that respect.

Numericable Group Transactions

The SFR Acquisition

On April 5, 2014, Numericable submitted an offer (the "Offer") to acquire 100% of the capital of SFR, other than 10 shares in SFR not held by Vivendi (and all of the shares of another subsidiary of Vivendi, SIG 50) (the "SFR Acquisition"). Also on April 5, 2014, Vivendi's Supervisory Board selected this Offer and resolved at the same time to counter-sign the Offer to confirm Vivendi's acceptance of its terms and to extend the exclusivity period in order to allow for the consultation of the works council of the various relevant parties, allow for the satisfaction of the conditions precedent specified in the acquisition documentation and, more generally, finalise and complete the SFR Acquisition. This exclusivity period will terminate under certain circumstances.

The Offer included drafts of the underlying transaction documentation including, *inter alia*, a master agreement establishing the overall contractual framework for the SFR Acquisition and describing the various steps to its completion (the "Master Agreement") to be entered into as soon as the works council consultation processes have been completed, which shall have annexed to it as drafts, to be entered into in due course, (i) the share purchase agreement for the acquisition of SFR and SIG 50 (the "Acquisition Agreement"), (ii) the contribution agreement pursuant to which Vivendi is to contribute a portion of SFR's stock to Numericable (as further described below) in exchange for shares representing 20% of Numericable's share capital and (iii) the shareholders' agreement between Vivendi, Altice France and the Company governing the relationship between Vivendi and Altice France as shareholders of Numericable (the "Altice Vivendi Shareholders' Agreement").

On June 20, 2014, further to the completion of the works council consultation processes, Numericable, the Company, Altice France and Vivendi entered into the Master Agreement.

The Master Agreement provides that, upon the date of completion of the SFR Acquisition (the "SFR Acquisition Completion Date"), (i) Vivendi will sell to Numericable a portion of the shares it holds in SFR, as well as all its outstanding shares in SIG 50 for a price of €13.5 billion on a cash-free/debt-free basis, (ii) Numericable will acquire the shareholder loan of Vivendi to SFR, for a price corresponding to the principal amount of such shareholder loan at the SFR Acquisition Completion Date and any interest accrued until such SFR Acquisition

Completion Date and (iii) Vivendi will contribute the rest of the shares it holds in SFR to Numericable in exchange for new shares of common stock to be issued by Numericable representing 20% of its capital (after completion of the Numericable Rights Issue but not taking into account the potential dilution resulting from the exercise of certain stock options granted or to be granted by Numericable) (the "Contribution"). The acquisition price of the SFR shares above will be subject to certain adjustments depending, in particular, on SFR's and SIG 50's net cash or net debt positions on the SFR Acquisition Completion Date. Further, Vivendi is entitled to an earn-out of €750 million, payable in cash if the operational cash flow of the Numericable Group resulting from the SFR Acquisition reaches certain predefined targets.

The Offer also references a March 25, 2014 letter from the Company and Numericable to Vivendi and SFR pursuant to which the Company and Numericable commit not to reduce employment within SFR and the Numericable Group for a 36-month period as from April 2014, except under specific circumstances.

As a result of the Contribution, the capital of Numericable upon completion of the SFR Acquisition will be owned as follows: (i) Vivendi: 20%, (ii) Altice France: approximately 59.7% including the shares of Numericable to be acquired by Altice France from Cinven and Carlyle) and (iii) free float: approximately 20.3%, including the shares held by the Numericable's management through the Fiberman vehicle.

The Master Agreement also provides that from the purchaser of Maroc Telecom (a Moroccan telecommunication business sold by SFR on May 14, 2014), including in particular under any representations and warranties. Numericable has agreed that it will refinance the full amount of its and its subsidiaries existing indebtedness no later than on the SFR Acquisition Completion Date.

The Altice Vivendi Shareholders' Agreement when entered into will provide, in particular, that (i) Altice France will have the majority of seats on the Board of Directors of the Company, (ii) Vivendi will have limited veto rights as long as it holds a certain minimum percentage of Numericable's shares and (iii) while Altice France holds the majority of the share capital in Numericable, Vivendi will vote as directed by Altice France on dividend distributions. The Altice Vivendi Shareholders' Agreement shall provide that (subject to certain conditions being met) the parties will cause Numericable to distribute each year after the SFR Acquisition Completion Date a minimum level of dividends.

The Altice Vivendi Shareholders' Agreement will also contain certain restrictions on the sale of shares to be held by Vivendi in Numericable after the SFR Acquisition Completion Date ("Vivendi's Numericable Group Shares") including (i) a lock-up period expiring 12 months after the SFR Acquisition Completion Date and (ii) preemption rights for Altice France to purchase Vivendi's Numericable Group Shares for a specified period, these preemption rights being governed by specific arrangements in the event of block trades (such as accelerated book-building processes) or distributions of Vivendi's Numericable Group Shares to Vivendi's shareholders. In addition, Altice France will be granted a call option over Vivendi's Numericable Group Shares, exercisable within specified windows over a period of 43 months (it being specified that Vivendi will not be prohibited from selling shares outside the call option exercise windows, but subject to Altice France's preemption rights as mentioned above). The call option price will be based on the market price of the Company's stock, subject to certain specific arrangements (including certain minimum price provisions). Should Altice France not exercise any of the options, it shall nonetheless retain a right of first refusal exercise upon Vivendi selling any Vivendi's Numericable Group Shares.

The Altice Vivendi Shareholders' Agreement shall grant Vivendi (i) a proportional tag-along right and (ii) a full tag-along right exercisable in particular if Altice no longer controls Numericable. Further, until the expiration of the call options and preemption rights mentioned above, Altice may not acquire for cash shares in Numericable's stock from other shareholders. The SFR Acquisition is subject to certain conditions precedent including antitrust approval, the grant of certain exemptions and the issuance of certain clearances or authorisations by French market authorities. The parties are to initiate the process for informing and consulting their respective workers' councils and other applicable employee representative bodies with respect to the SFR Acquisition, which process, pursuant to applicable regulations, must be completed before the above transaction documents and related documentation may be executed.

Numericable Refinancing Transactions

Annex I
R 10.5

As at May 21, 2014, Numericable and its subsidiaries had €2,638 million of indebtedness outstanding under the Ypso France Senior Facility Agreement, including the Numericable February 2012 Notes and the Numericable October 2012 Notes (collectively, the "Existing Numericable Indebtedness"). On May 21, 2014, Numericable has refinanced such Existing Numericable Indebtedness (the "Numericable Refinancing Transactions"). The finance leases and the perpetual subordinated notes remain on the balance sheet of Numericable.

Financing of the Numericable Group Transactions

The SFR Acquisition and the Numericable Refinancing Transactions, together with related fees and expenses, will be financed as follows:

On the Issue Date, Numericable issued €7,873 million (equivalent) of New Numericable Senior Secured Notes. The initial purchasers of the New Numericable Senior Secured Notes deposited the gross proceeds from the offering of the New Numericable Senior Secured Notes into segregated escrow accounts (the "Senior Secured Escrow Accounts") for the benefit of the holders of the New Numericable Senior Secured Notes. The Senior Secured Escrow Accounts will be controlled by the Escrow Agent, and pledged on a first ranking basis in favor of, the Trustee on behalf of the holders of the New Numericable Senior Secured Notes. The proceeds of the New Numericable Senior Secured Notes will be released to Numericable upon delivery of an officer's certificate to the Escrow Agent to the effect that, among other things, the SFR Acquisition will be consummated promptly upon such release. If the conditions for the release of escrow proceeds are not satisfied prior to April 30, 2015 or upon the occurrence of certain other events, the New Numericable Senior Secured Notes are subject to a special mandatory redemption at 100% of the principal amount plus accrued and unpaid interest and additional amounts, if any.

On or around the Issue Date, Numericable will enter into the €3,780 million (equivalent) New Numericable Term Loan. It is expected that all or substantially all of the New Numericable Term Loan will be drawn on or about the date of the completion of the Numericable Refinancing Transactions and any portion of the New Numericable Term Loan drawn at that time but not used to complete the Numericable Refinancing Transactions and pay related fees and expenses will be deposited into an escrow account pending consummation of the SFR Acquisition. The release of the proceeds from such escrow account will be subject to substantially the same conditions as applicable to the release of the Notes from the Escrow Accounts.

On or prior to the SFR Acquisition Completion Date, Numericable will undertake a rights issue comprising of the issuance of ordinary shares with preferential subscription rights to its existing shareholders in an aggregate amount of €4,732 million (the "Numericable Rights Issue"). Altice France has entered into a binding commitment to exercise all preferential subscription rights to be allocated to it pursuant to the Numericable Rights Issue (including the rights relating to the ordinary shares to be acquired from Cinven and Carlyle), amounting to €3,530 million. The Initial Purchasers (other than ING Branch N.V., London Branch, Natixis and Société Générale) or their affiliates have agreed to underwrite, on a several and not a joint or joint and several basis, up to the remaining amount of €1,202 million to be raised in the Numericable Right Issue. The completion of the Numericable Rights Issue will be subject to certain conditions and, subject to the satisfaction of these conditions, will be completed prior to the SFR Acquisition Completion Date.

In addition, Numericable will issue shares to Vivendi S.A. representing 20% of the shares of Numericable (after giving effect to the SFR Acquisition).

Revolving Credit Facilities

On or around the Issue Date, Numericable and certain of its subsidiaries entered into the Numericable Group Revolving Credit Facilities Agreement. The Numericable Group Revolving Credit Facilities Agreement will allow borrowings by Numericable of €750 million, of which €300 million will be available to be drawn on or after the date of the Numericable Refinancing Transactions and the remaining €450 million will be available on or after the closing of the SFR Acquisition.

PART XIX
REGULATORY OVERVIEW

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 Israel, Portugal, Belgium, Luxembourg, the French Overseas Territories and the Dominican Republic as at the date 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.

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 authorise 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.

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 authorised to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorised 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 authorises 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 authorised 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 authorised 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.
- On February 20, 2014, HOT and the satellite company began to offer new basic packages to their subscribers at a tariff of NIS 120 that include a range of channels including DTT channels and the designated channels, as well as additional channels. In addition the companies will permit every customer to add, at his choice, single channels, at the list price.
- As part of the new basic packages, HOT began to offer 2 plans: one aimed at children and the other intended for sports fans.
- HOT estimates that the basic packages offered by it are likely to lead to a significant increase in the number of subscribers to the basic package, in a way that may harm HOT's business results. HOT's estimate, is by its nature forward looking information, and may differ significantly from actual results due to factors outside HOT's control.

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 companies merger 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.

We are also subject to the decision of the Commissioner approving the cable merger 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 which were not broadcasted in the cable infrastructure as of January 2005, or a similar channel to these 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 installments, 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 2014. 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 "*General Information—Material Agreements—Agreement with the State of Israel relating to ownership of our cable network*".

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 may be 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 Labor, 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.

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 Internet 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 Internet 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 authorised 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.

Following publication of the policy document, on May 28, 2012, the Ministry of Communications initiated the setting up of an engineering forum regarding the wholesale services, with the participation of the relevant telecommunications operators, which held a number of meetings. In parallel, the company has conducted negotiations with various operators. Since in the opinion of the Ministry of Communications the relevant time for conducting negotiations between the operators has elapsed, the subject has returned to the Ministry of Communications for formulation of policy.

On June 9, 2013, the Ministry of Communications published a hearing on the subject of the list of wholesale services for the shelf offer. HOT Telecom has submitted its position as part of the hearing. Furthermore, on June 19, 2013, the Ministry of Communications published a survey of retail costs in the form of a report defined by the Ministry. HOT Telecom has submitted its comments regarding the survey and the reporting format required, as aforesaid.

On January 15, 2014, HOT Telecom received the decision of the Ministry of Communications regarding the list of wholesale services that the infrastructure owners (HOT Telecom and Bezeq) shall be obligated to offer to the suppliers of the services. In accordance with the decision of the Ministry, the list of services currently includes the following services:

- Managed bitstream access at the national connection level and at the regional or local connection level on the broadband Internet route of the infrastructure owners.

- Dismantling into segments from the optical fibers/metal cable interface, as the case may be, and until the first socket in the end user's home (sub- loop unbundling). At this stage the service shall be offered in the Bezeq network only and not in the HOT Telecom network.

- Leasing dark fibers in the access network, the collection network, and the core network.

- Leasing optical wavelengths (virtual dark fiber) in the core network.

- Access to the physical infrastructure of ducts, micro ducts, manholes, boxes and poles in the access network, the collection network, and the core network.

- Retail telephony services.

In addition, the Ministry of Communications published a hearing regarding the service file for bitstream access at the national, regional, and local level, and regarding the maximum tariffs for wholesale services in the Bezeq network. HOT Telecom has submitted its comments regarding the hearing. In addition, on February 26, 2014, the Ministry of Communications published a hearing in the subject of the wholesale services file for use in passive infrastructures (dark fibers, manholes, ducts, and above ground network). To the service file was attached an accompanying document that stated, *inter alia*, that the obligation applying to Bezeq and HOT Telecom, regarding the supply of a service for the use of passive infrastructures for the suppliers of the services, shall apply, in addition, mutually, so as to permit HOT Telecom to make use of passive wholesale services of Bezeq, and vice versa. The Ministry wished to receive the comments of the license holders regarding the hearing by April 22, 2014.

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 and the Israeli Antitrust Authority, the Israeli Antitrust Commissioner has published on March 26, 2014, the new conditions for the approval of the merger between Bezeq and YES. The main conditions are as follows:

1. Bezeq will not set any limitation on Internet services consumption, based on the customer’s volume usage, including setting the price or quality of service in accordance with the customer’s volume usage;

2. Bezeq will deduct from ISPs payments for GIGA connections, the charges that stem from IPTV usage. For that purpose, the IPTV usage will be calculated by the number of TV subscribers reported by the IPTV provider, multiplied by a 2Mbps bandwidth;

3. Bezeq will not limit or block the customer’s ability to use any service or application on the Internet at any time, directly or in directly, including by way of pricing or by technological means;

4. Bezeq’s TV services will be sold and provided under equal terms to all Bezeq customers, whether they purchase additional services from it, or not. The TV price in the bundle will be presented separately from the other services. Bezeq’s Internet services will be also provided under equal terms to all its customers, whether they purchase additional services from it, or not; and

5. Bezeq and YES will cancel all exclusivity agreements except original local productions, and shall not be parties to such agreements anymore. Furthermore, from the merger approval date and for a period of 2 years, Bezeq shall not prevent any party, except broadcasting license holders at the date of the decision, to purchase rights in original local productions. This provision shall not apply to news productions.

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.

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 fiber 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 fiber 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 by its nature is forward looking information and may differ significantly from actual results due to factors which are not under the control of HOT.

Telephony Services over Broadband Internet

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 Internet 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.

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.

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.

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 creation 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 utilise 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.

Pursuant to a decision dated April 2011 of the frequencies Committee regarding the evacuation of frequency bands in a total of 90 MHz in the 2500 MHz frequency band, in favor of the activity of 4G mobile services, and as such frequencies have not yet been cleared, it was decided in the draft economic plan for 2013-2014, among other things, to impose on the Minister of Defense to take all necessary actions for eviction of the tracks discussed, starting from 14 days after the decision until October 1, 2015, and to determine a payments arrangement to the Ministry of Defense, depending on the amount to be received within the tender for 2500 MHz frequency.

Construction of Network Sites

The regulation of network site construction and operation are primarily set forth in the Israeli National Zoning Plan 36A 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 36A

National Zoning Plan 36A 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 36A 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 36A 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. The Supreme Court has given an order nici in the petitions. The State replied to the petitions and argued that a perpetual injunction should be given by the court that will prevent the erection of access devices until the completion of legislation of the regulation by MOI & MOC. The State also replied that the exemption for the erection of access devices for Hot Mobile and Golan should last until June 30, 2014. A discussion was set by the Supreme Court to September 15, 2014.

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 neighboring 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 authorised 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 authorised 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 date the Ministry of Communications has granted nine 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 have 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 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. See "*Description of Group's Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

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 standalone 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 December 9, 2013, the Knesset Finance Committee approved the bill for promoting competition and reducing concentration. 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. 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.

French Overseas Territories

Our business activities in the French Overseas Territories 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 nondiscriminatory 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;

- 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;

- 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.

French Regulatory Framework Applicable to Electronic Communications

Authority of the ARCEP

In France, the national regulatory authority (NRA) for electronic communications is the ARCEP.

We must declare our activities and register with the ARCEP. In addition, pursuant to individual authorisations granted to SFR as a declared mobile telephony operator, SFR has been allocated frequencies in various bands used for mobile services.

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 registration, as well as suspending or even fully withdrawing such 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 in case of a serious and immediate infringement of the rules, 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 invalidated the power of sanction of the ARCEP set forth in Article L. 36-11, paragraphs 1 through 12, of the CPCE. An ordinance dated 12 March 2014 has restored the power of sanction of the ARCEP and henceforth complies with the principle of separation of investigative and sanctioning powers.

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 Internet 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, L.38-2 (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 (ARCEP decision 2010-1149 dated November 2, 2010). 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 €0.008.

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 fiber 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 fiber suppliers. SFR has also entered into interconnection agreements on call termination on its fixed and mobile networks with the principal national carriers as well as the networks of other carriers. SFR has established reciprocal SMS and MMS interconnection agreements with France’s three historic mobile carriers. MMS tariffs are not regulated. Exchange flows amongst carriers are generally quasi-symmetrical.

Specific Regulatory Framework Applicable to the Access to New-Generation Optical Fiber Networks

The French Economy Modernization Law dated August 4, 2008 introduced several provisions aimed at setting up a regulatory framework for the roll-out of very-high-speed optical fiber 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 fiber networks in their buildings; (ii) rules for sharing optical fiber 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.

Individual requirements under SFR mobile telephony licenses

In addition to the general requirements, there are individual requirements associated with the commitments made by SFR when the different authorisations were granted for use of the frequencies of which it is the licensee. These individual commitments mainly relate to 3G coverage, very high speed mobile and MVNO (Mobile Virtual Network Carriers) hosting.

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 categorized 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 in return for 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. In accordance with the law applicable to these agreements, upon expiration of long-term leases, the network reverts to the local authorities.

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.

An order published in the Journal official on November 1, 2013 confirmed ARCEP Decision No. 2013-0830 of 25 June 2013 specifying the new methods for allowing customers to keep fixed numbers. This decision establishes new requirements for mass market carriers to be implemented gradually until October 1, 2015.

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 detail in 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 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 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 (as amended by laws 2011-901 dated July 28, 2011 or 2009-258 dated March 5, 2009, as applicable).

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 programs and embedding of special 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. This commission issued its report on May 17, 2013 and 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 the near future, as was the case pursuant to decree 2013-596 dated July 8, 2013 mentioned above and recently by law 1014-315 dated March 11, 2014 reinforcing means to fight against infringement. It is also anticipated that the powers of the HADOPI may be transferred to the CSA.

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 an obligation to report to the French authorities 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 be 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 $33^1/_3$% 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.

Luxembourg

Legislative framework applicable to the provision of telecommunications services and networks

The Luxembourg legislature implemented parts of the European 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 has been repealed by the law of May 30, 2005 on electronic communications networks and services which in its turn has been repealed by the law of February 27, 2011 on the networks and electronic communications services which constitutes one of the four main laws forming the telecom reform package (the "Telecom Reform Package").

The Telecom Reform Package is effectively composed of four Acts:

- The law of February 27, 2011 on the networks and electronic communications services (the "Telecom Act");
- The law of May 30, 2005 on the organisation of the management of radio frequency spectrum, as amended (the "Spectrum Act");
- The law of May 30, 2005 on the organisation of the Luxembourg Institute of Regulation amended on several occasions and;
- The law 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, as amended (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 Telecom Act. 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 LRI which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI may propose a standard notification form to the concerned undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardised certificate, confirming that the entity has duly filed a notification with the aim at facilitating the exercise of the other rights by the undertaking either with the public administrations or with other undertakings.

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 €1,000,000. Such maximum fine may be doubled in case of a repeat offence. 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.

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 the undertaking).

The LRI is entitled to suspend temporarily or definitely, without giving rise to any right to compensation, the services provided by an undertaking after having notified such undertaking of its infringement of the law or regulation.

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.

Any contravention to the above-mentioned provisions leads to an imprisonment from 8 days to 12 months and/or a fine from €251 up to €125,000.

Radio Spectrum

The use of radio spectrum is regulated by the Spectrum Act and the Grand Ducal regulation of February 21, 2013 establishing the amount and modalities of payment of administrative taxes applicable to radioelectronic frequencies.

The frequencies licenses are granted by the minister responsible for communications based on objective criteria and transparent, non-discriminatory and proportionate in accordance with the frequencies plan, and after consultation of the register 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.

Frequencies licenses 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 Minister decides on a case-by-case basis on the mode of selection and publishes the decision in the Luxembourg Official Gazette and the Official Journal of the European Union at least one month before launching the procedure.

The Grand Ducal regulation of February 21, 2013 establishing the amount and modalities of payment of administrative taxes applicable to radioelectronic frequencies sets out the fees and levies that have to be paid. Generally, the fees are linked to the used amount of the spectrum.

Since theamendment of the Spectrum Act in February 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 law of July 27, 1991 on electronic media as amended by the law of April 2, 2001 on electronic media and implementing Directive 97/36/EC of June 30,1997, the law of December 17, 2010 on electronic media, the law of April 8, 2011 introducing a Consumer Code and the law of August 27, 2013 (as rectified in November 2013) creating the Luxembourg Independent Audiovisual Authority (*autorité luxembourgeoise indépendante de l'audiovisuel*) and amending, among others, the law of July 27, 1991 (the "Electronic Media Act"), as well as the law of April 11, 2010 on freedom of expression in electronic media which amended the law of June 8, 2004 on the freedom of expression in the media sector.

A certain number of Grand ducal regulations also regulate the media sector.

Besides, two laws govern the audiovisual production:

- the law of December 21, 1998 establishing a temporary special tax regime for audiovisual investment certificates; and

- the law of April 23, 1990 creating a national support fund for audiovisual production, as amended and its Grand ducal regulation dated March 16, 1999.

The Electronic Media Act provides that the main responsibilities of the Luxembourg Independent Audiovisual Authority are to:

- assign and withdraw the authorisations referred to in articles 15 to 18 of the Electronic Media Act;

- develop proposals to ensure greater choice and balanced program elements for public lives;

- encourage, under its jurisdiction, providers of audiovisual media services to ensure that their services are gradually made accessible to people with visual or auditory disability;

- encourage providers of audiovisual media services to develop codes of conduct regarding inappropriate audiovisual commercial communication accompanying programs for children or included in these programs, for food or beverages containing nutrients and substances with a nutritional or physiological effect, in particular those such as fat, transfatty acids, salt/sodium and sugars, of which excessive intakes in the overall diet are not recommended;

- encourage providers of audiovisual media services to ensure that on-demand services they offer promote, where practicable and by appropriate means, production of European works as well as acess thereto;

- exercise the powers conferred upon it by section 6 of the law dated 20 April 2009 relating to access to public film showings;

- monitor, verify and ensure compliance with the legal and regulatory requirements as well as the provisions on specifications of audiovisual media services or audio that are under its responsibility.

The Luxembourg Independent Audiovisual Authority shall be consulted by the Minister having in his duties the communication and media, before the granting of a concession or license required under the provisions of the Electronic Media Act as well as before the withdrawal of a concession or a license.

Legal regime

The Electronic Media Act amendment provides for rules which enhance the protection for children, non-discriminatory content and the form and the content of commercials advertising are now more regulated.

Licenses for distribution of audi-visual media

Pursuant to the provisions of the Electronic Media Act, Luxembourg program means any non-broadcast cable program that is transmitted to the public through a wired network, without being transmitted via satellite, particularly any program produced on live, using recording media or conveyed by a telecommunication line. It includes either a television program or a 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 license granted by the Prime Minister – Department of Media and Communication.

License 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 Luxembourg Independent Audiovisual Authority for advice. The final decision is taken by the government on the advice of the Prime Minister, and the license is granted by the Prime Minister on behalf of the government.

License for Luxembourg cable program (TV and Radio)

The same process as described above in relation with the application for a license for a Luxembourg satellite program shall apply for a license 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 Luxembourg Independent Audiovisual Authority 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.

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 facts and 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 within the framework of the adoption of the Telecom Package.

Legal regime

Pursuant to article 8 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 the LRI.

Concerning Internet service providers, the law of August 14, 2000 on electronic commerce, as amended, provides for 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 as well as the law of May 22, 2009 implementing the European Directive 2004/48/EC of 29 April 2004;
- the law of August 2, 2002 as amended regarding the protection of individuals as to the processing of personal data;
- the law of May 16, 2006 approving the Benelux Convention on intellectual property, as amended;
- 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 LRI) have been adopted in relation to the implementation of various laws.

Portugal

Liberalisation of the Portuguese telecommunications market

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 August 28,1997 (the "1997 Telecommunications Law"). The adoption of a "full liberalization" principle accelerated the progressive opening of the Portuguese telecommunications market to new entrants, and was completed on January 1, 2000 with the end of the Portugal Telecom's legal monopoly over fixed telephony services.

Legal framework

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 August 18, 2004.

Supervision by ICP-ANACOM

Powers

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 behavior and impose fines or other sanctions under the 2004 Communications Law.

The statues of ICP-ANACOM were approved by Decree-Law 309/2001, of 7 December 2001. Pursuant to Law 67/2013, of 28 August 2013, which establishes a general framework for regulatory authorities, ICP-ANACOM is expected to undergo statutory changes in 2014.

Authorisations and licenses

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.

Regulatory obligations

For both mobile and fixed telephony services, 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 pursuant to ICP-ANACOM Regulation 114/2012 on number portability.

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

Universal service obligations are still provided by the PT Group. However following an auction in 2013 the universal service provision for the next five years (starting 1 June 2014 pursuant to Decree-Law 35/2014, of 7 March 2014) was awarded to (i) ZON and Optimus (later on 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.

Consumer protection

The Consumer Protection Law establishes that debts of consumers to electronic communications services providers are subject to a six-month expiration 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.

Fees and contributions

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 (the "MFRW") established in the 2004 Communications Law, based on the provider's turnover concerning end users in each municipality.

Under Law 55/2012, of September 6, 2012 (the "Cinema Law"), 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 and 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. Following the challenging of the contributions by the providers on the grounds that they were contrary to Portuguese constitution and EU law, the Government disclosed draft legislation aimed at amending the Cinema Law and reducing the providers' direct contribution from €3.50 to €1.75, with ICP-ANACOM contributing to the fund with an amount equal to 75% of the amount received from the providers.

The Cinema Law also establishes a compulsory investment obligation pending on video-on-demand services ("VoD").

Key legislation

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;

- Law 67/2013, of 28 August 2013, which establishes a general framework for regulatory authorities;
- Law 42/2013, of 3 July 2013, which sets out rules on selective communication barring, namely regarding value-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 (the "Cinema Law");
- 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 10 July 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;
- 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 statutes of ICP-ANACOM; and
- The 2001 Radio Communications Law.

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 in the Brussels Capital region that due to their content cannot be linked exclusively to the Flemish Community, nor to the French Community).

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 recognized 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 Neighboring 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.

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 ("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 favor 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); and

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 defense 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 authorisation 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 authorisation 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 authorisation of the regulating authority, which authorisation 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 Organisation (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 optimise 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, authorise, 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 authorisation of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, related to requirements for the authorisation 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 authorisation 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 authorisation 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 (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 XX
DESCRIPTION OF CERTAIN INDEBTEDNESS

The following contains a summary of the terms of our key items of indebtedness. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalised terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the underlying debt documents, as applicable.

Annex I
R 10.3

Indebtedness of the Company

The 2014 Notes

On May 8, 2014, the Company issued €4,172 million (equivalent) in aggregate principal amount of senior notes, comprised of the following tranches: (i) $2,900 million aggregate principal amount of its Senior Notes due 2022 denominated in U.S. dollars (the "Dollar Notes") and (ii) €2,075 million aggregate principal amount of its Senior Notes due 2022 denominated in euro (the "Euro Notes" and, together with the Dollar Notes, the "*Notes*"). The Notes will mature on May 15, 2022. Interest on Notes is payable semi-annually in cash in arrears on each February 15 and August 15, commencing on August 15, 2014. The Notes are governed by an indenture entered into on or about the Issue Date (the "Indenture").

The Notes are general obligations of the Company and (i) rank pari passu in right of payment with all existing and future indebtedness of the Company that is not subordinated in right of payment to the Notes (ii) rank senior in right of payment to all existing and future indebtedness of the Company that is expressly subordinated in right of payment to the Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of the Company that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness.

On the Issue Date, the Initial Purchasers deposited the gross proceeds from the offering of the Notes into segregated escrow accounts in the name of the Company for the benefit of the holders of the relevant series of Notes.

Prior to the date on which the proceeds of the Notes are released from escrow (the "Notes Completion Date"), the Notes will not be guaranteed. On the Notes Completion Date, the Notes will be guaranteed by Altice France.

The Notes are senior obligations of the Company. Prior to the release of all of the proceeds of the offering of the Notes from the Escrow Accounts, the Notes are secured by a first ranking pledge over the Company's rights under the Escrow Agreement and the assets in the Escrow Accounts as applicable. Following the release of the proceeds of the offering of the Notes from the Escrow Accounts, the Notes will benefit from first ranking pledges (the "Collateral") over all of the share capital of Altice International and Altice France.

The Collateral will also secure the obligations of the Company under the Altice S.A. Revolving Credit Facility Agreement and certain hedging agreements expected to be entered into by the Company in connection with the Transactions. Under the terms of the Altice S.A. Intercreditor Agreement, in the event of an enforcement of the Collateral, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the Altice S.A. Revolving Credit Facility Agreement and the counterparties to the aforementioned hedging agreements have been repaid in full

At any time prior to May 15, 2017, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a "make whole" premium. At any time on or after May 15, 2017, the Company may redeem some or all of the Notes at the redemption prices set forth herein. In addition, prior to November 15, 2015, the Company may redeem up to 40% of the aggregate principal amount of each series of the Notes with the proceeds of certain public or private equity or equity-linked offerings at a redemption price equal to 103% of the principal amount of the Dollar Notes and 103% of the principal amount of the Euro Notes, and on or after November 15, 2015 and prior to May 15, 2017, the Company may redeem up to 40% of the aggregate principal amount of each series of the Notes (less the percentage of each series of Notes redeemed pursuant to this provision prior to November 15, 2015) with the proceeds of certain public or private equity offerings at a redemption price equal to 107.750% of the principal amount of the Dollar Notes and 107.250% of the principal amount of the Euro 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 Notes remains outstanding after the redemption. Further, the Company may redeem all of the 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 Company and its restricted subsidiaries sell certain of their assets or, if the Company experiences specific kinds of changes of control, the Company may be required to make an offer to repurchase the Notes at the prices set forth herein.

The Indenture, among other things, further limits the ability of the Company and the ability of the Restricted Subsidiaries to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The Indenture provides for certain events of default, including, among 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 €50 million or more.

The Indenture is governed by the laws of the State of New York.

Indebtedness of the Altice International Group

The 2012 Notes

On December 12, 2012 and December 20, 2012, Altice Financing issued $460 million aggregate principal amount of its $7^{7}/_{8}$% 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 2012 Dollar Senior Secured Notes, the “2012 Senior Secured Notes”), and Altice Finco issued $425 million aggregate principal amount of its $9^{7}/_{8}$% senior notes due 2020 (the “2012 Senior Notes”, and together with the 2012 Senior Secured Notes, the “2012 Notes”).

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 Notes Guarantees”) by Altice International and certain of subsidiaries, including Cool Holding and SPV1, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom, and Knewon (the “2012 Senior Secured Notes Guarantors”). Each 2012 Senior Secured Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Secured Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Secured Notes Guarantor's 2012 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Secured Notes. The 2012 Senior Secured Notes Guarantees are subject to the terms of the Existing Intercreditor Agreement. The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Secured Notes are expected to benefit from the Senior Secured Guarantees provided by the Existing Senior Secured Guarantors pending the ODO Acquisition.

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 2012 Senior Secured Notes Guarantors (other than Winreason) (subject to the non-pledged shares of Green's minority shareholders), (ii) a pledge over the bank accounts and all receivables of Altice Financing, including Altice Financing Pledged Proceeds Notes, (iii) subject to certain exceptions, a pledge over all of the material assets of each of the 2012 Senior Secured Notes Guarantors, including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Senior Notes Proceeds Loans, and (v) a pledge over the Cool Shareholder Loan. The 2012 Senior Secured Notes benefit from the Existing Senior Secured Collateral.

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 a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. 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 2012 Dollar Senior Secured Notes and 108.000% of the principal amount of the 2012 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 certain Minority Shareholder Option Exercises (as defined in the 2012 Senior Secured Notes Indenture), Altice Financing must offer to repurchase the 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 Minority Shareholder Option Exercises. 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 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 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 Notes.

The 2012 Senior Secured Notes Indenture, among other things, limits the ability of Altice Financing, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) 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 permit the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding, the 2012 Senior Secured Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2012 Senior Secured Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2012 Senior Secured 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 Secured Notes Indenture, the 2012 Senior Secured Notes and the 2012 Senior Secured Notes Guarantees are governed by the laws of the State of New York.

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 International and certain of its subsidiaries, including Cool Holding, SPV1, Altice Financing, Altice Holdings, Altice West Europe, Altice Caribbean, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon (the “2012 Senior Notes Guarantors”). Each 2012 Senior Notes Guarantee is a general obligation of the relevant 2012 Senior Secured Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is not subordinated in right of payment to such 2012 Senior Notes Guarantor’s 2012 Senior Notes Guarantee; (ii) ranks *pari passu* in right of payment to all existing and future senior subordinated indebtedness of the relevant 2012 Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is expressly subordinated in right of payment to such 2012 Senior Notes Guarantor’s 2012 Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant 2012 Senior Notes Guarantor that is secured by property or assets that do not secure such 2012 Senior Notes Guarantor’s 2012 Senior Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (v) is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the 2012 Senior Notes. The 2012 Senior Notes Guarantees are subject to the terms of the Existing Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. The 2012 Senior Notes Guarantees are subject to release under certain circumstances. The 2012 Senior Notes benefit from the Existing Senior Notes Guarantees provided by the Existing Senior Notes Guarantors.

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 the 2012 Senior Secured Notes Company and Cool Holding, (iii) a second-ranking pledge over the Cool Shareholder Loan, and (iv) a second-ranking pledge over the 2012 Senior Notes Proceeds Loan.

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 a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. 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 2012 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.

The 2012 Senior Notes Indenture, among other things, limits the ability of Altice Finco, the ability of certain other Group entities designated as Covenant Parties and the ability of the Restricted Subsidiaries (as defined therein) 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 permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2012 Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2012 Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

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 2012 Senior Notes Guarantees are governed by the laws of the State of New York.

The 2013 Senior Notes

On June 14, 2013, Altice Finco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 Senior Notes").

The 2013 Senior Notes mature on June 15, 2023. Interest on the 2013 Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 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 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 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 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 Senior Notes benefit from guarantees from the 2013 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 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 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.

In addition, prior to June 15, 2016, Altice Finco may redeem up to 40% of the aggregate principal amount of the 2013 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 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 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 International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 Senior Notes at specified redemption prices.

The indenture governing the 2013 Senior Notes (the "2013 Indenture"), among other things, limits the ability of Altice Finco, the ability of certain other Group entities and the ability of the Restricted Subsidiaries (as defined therein) 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 Notes permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

The 2013 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 provided, 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 Notes Indenture, the 2013 Senior Notes and the 2013 Senior Notes Guarantees are governed by the laws of the State of New York.

The December 2013 Notes

On December 12, 2013, Altice Financing issued $900 million aggregate principal amount of its $6^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 Dollar Senior Secured Notes") and €300 million aggregate principal amount of its $6^{1}/_{6}\%$ senior secured notes due 2022 (the "2013 Euro Senior Secured Notes" and together with the

2013 Dollar Senior Secured Notes, the “2013 Senior Secured Notes”), and Altice Finco issued $400 million aggregate principal amount of its $8^{1}/_{8}$ senior notes due 2022 (the “2013 Dollar Senior Notes”, and together with the 2013 Senior Secured Notes, the “December 2013 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. The 2013 Senior Secured Notes are guaranteed on a senior basis by the 2012 Senior Secured Notes 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 ODO Acquisition, the 2013 Senior Secured Notes will be secured by (i) first-ranking pledges over all of the share capital of Altice Financing, all the 2012 Senior Secured Notes Guarantor (other than Altice International, ABO, Green, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon), 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 2012 Senior Secured Notes Guarantor (other than ABO, Altice Portugal, Cabovisão, Winreason, ONI S.G.P.S., Onitelecom and Knewon) and ODO, (iv) a first- ranking pledge over the Senior Notes Proceeds Loans, (v) a first-ranking pledge over the Cool Shareholder Loan and, (vi) a first-ranking pledge over the Covenant Party Pledged Proceeds Loan (other than the Cabovisão Proceeds Notes and the Onitelecom Proceeds Notes) (collectively, the “2013 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.

In addition, prior to December 15, 2016, Altice Financing may 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 Dollar Senior Secured Note and 106.500% of the principal amount of the 2013 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 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 Minority Shareholder Option Exercises (as defined in the 2013 Senior Secured Notes Indenture) 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 Minority Shareholder Call Options Exercises. 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 Dollar 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 International and its respective subsidiaries sell certain of their assets, or if Altice Financing or Altice International 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 indenture governing the 2013 Senior Secured Notes (the "2013 Senior Secured Notes Indenture") among other things, limits the ability of Altice Financing and the ability of the other subsidiaries of Altice International (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 permit the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 Senior Secured Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 Senior Secured Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0.

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 guarantees are governed by the laws of the State of New York.

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 benefit from the 2012 Senior Notes Guarantors (except ABO) on a senior subordinated basis and are secured by the same security applicable to the 2012 Senior Notes.

Prior to December 15, 2018, Altice Finco 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.

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 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. Further, Altice Finco may redeem all of the 2013 Dollar Senior Notes at a price equal to their principal amount plus accrued and unpaid interest and any additional amount. If Altice International and its restricted subsidiaries sell certain of their assets or if Altice Finco or Altice International experience specific kinds of changes in control, Altice Finco may be required to make an offer to repurchase the 2013 Dollar Senior Notes at specified redemption prices.

The indenture governing the 2013 Dollar Senior Notes (the “2013 Dollar Senior Notes Indenture”), among other things, limits the ability of Altice International and its subsidiaries 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 Dollar Senior Notes permit the incurrence of indebtedness by Altice Finco so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 Dollar Senior Notes permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 Dollar Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0.

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.

The 2013 Term Loan

On June 24, 2013 a senior secured term loan credit facility (as amended from time to time, the “2013 Term Loan Facility”) which 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 entire amount available under the 2013 Term Loan has been drawn.

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.

Mandatory Prepayments

The 2013 Term Loan Agreement requires Altice Financing to prepay outstanding term loans thereunder, 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 the annual excess cash flow, which percentage will be reduced to 0% if the Consolidated Leverage Ratio is less than 4.0:1.0; and (iii) 100% of the net cash proceeds in excess of a specified threshold amount of certain HOT Minority Shareholder Option Exercises (as defined in the 2013 Term Loan Agreement) at, in the case of such HOT Minority Shareholder Option Exercise 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 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 July 2, 2013 but on or prior to the second anniversary of the completion 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 July 2, 2013 but on or prior to the third anniversary of July 2, 2013 are subject to a call premium of 1.00%. Otherwise, the Senior Secured Notes Guarantors are 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.

Amortisation 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 July 2, 2013.

Guarantees

Each of the 2012 Senior Secured Notes Guarantors of the 2012 Senior Secured Notes 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 Existing Senior Secured Notes.

Certain Covenants and Events of Default

The 2013 Term Loan Agreement includes negative covenants that, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries 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. The 2013 Term Loan permits the incurrence of senior secured indebtedness by Altice Financing so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding , the 2013 Term Loan permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on October 1, 2012 until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the 2013 Term Loan are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 2.75 to 1.0.

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.

The Existing Coditel Mezzanine Facility Agreement

The Facility

The Existing 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 capitalised 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 106.875% which is payable if the loan is prepaid after the third anniversary (November 2014) of the refinancing but prior to the fourth anniversary of the Refinancing (November 2015). A prepayment fee of 103.4375% is payable on if the loan is prepaid after the fourth anniversary of the refinancing 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 Existing 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. The leverage ratio is currently 5.64:1 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.

The Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility

The Existing Altice Financing 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 (as amended from time to time, 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 "Existing Altice Financing 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 Existing Altice Financing Revolving Credit Facility Agreements in that capacity.

Structure of the Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing Revolving Credit Facility Agreement. Drawdowns under the Existing Altice Financing 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 Existing Altice Financing 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 Group (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.

The 2013 Guarantee Facility

A new 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 as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch and ING Bank N.V. 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. The creditors under the 2013 Guarantee Facility will be Senior Bank Creditors and not Super Priority Creditors, each as defined in the Existing Intercreditor Agreement.

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 Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing 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 (as defined in the 2012 Revolving Credit Facility Agreement) 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 Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing Revolving Credit Facility Agreement until one month prior the final maturity date of the relevant Existing Altice Financing 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 of the 2012 Senior Secured Notes Guarantor guarantees, on a senior basis, the obligations of each other obligor under the Existing Altice Financing Revolving Credit Facility Agreements and related finance documents.

Security

The Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Existing Altice Financing Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as applicable), 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 Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing 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 (as defined in the 2012 Revolving Credit Facility Agreement) 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 (as defined in each of the 2013 Revolving Credit Facility Agreement and the 2013 Guarantee Facility), tested as of the end of each fiscal quarter of no more than 4.5:1.

The Existing Altice Financing 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 Existing Intercreditor Agreement, the proceeds of any enforcement of collateral will be applied towards repayment of the Existing Altice Financing Revolving Credit Facilities and certain hedging obligations prior to repayment of the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Senior Note, the 2013 Senior Notes and the 2013 Guarantee Facility.

Representations and Warranties

The Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing 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 Existing Altice Financing 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 center of main interest from its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice International, Cool Holding, SPV1 and Altice Financing; and (xiv) restricting the making of proceeds drawn under the Existing Altice Financing Revolving Credit Facility Agreements available to any sanctioned person or sanctioned country.

New Altice Financing Revolving Credit Facility Commitment

Certain lenders have signed a commitment letter pursuant to which they have agreed to provide Altice Financing with a €450 million revolving credit facility (the "New Altice Financing Revolving Credit Facility Commitment") subject to the satisfaction of certain conditions, including the negotiation and execution of a revolving facility agreement on substantially consistent terms as the 2013 Revolving Credit Facility. The New Altice Financing Revolving Credit Facility Commitment will be for general corporate and working capital purposes and will be secured on a *pari passu* basis.

The Existing HOT Unsecured Notes

On February 27, 2011, HOT entered into a trust deed between HOT and Ziv Haft Trust Co. Ltd with respect to the unsecured notes ("Existing 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 "Existing Series A HOT Notes") and (ii) in a nominal value equal to NIS 675 million or €141 million (based on the exchange rate as of September 30, 2013) pursuant to a debenture dated March 30, 2011 (the "Existing Series B HOT Notes"). The Existing 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 Existing 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 Existing Series B HOT Notes outstanding was NIS 591 million or €124 million (based on the exchange rate as of September 30, 2013).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The amortisation schedule for each of the Existing 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 amortisation schedule, which includes estimated future increases in CPI of three points per year, under the Existing 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 amortsation schedule for the Existing 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 Existing HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing Series A HOT Notes bear interest at a rate of 3.9% per annum, payable semi-annually. The Existing Series B HOT Notes bear interest at a rate of 6.9% per annum, payable semi-annually.

The Existing 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 Existing 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 Existing HOT Unsecured Notes.

The Existing 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 Existing HOT Unsecured Notes are not secured by any assets of HOT or its subsidiaries.

The Existing HOT Unsecured Notes are not redeemable by HOT prior to maturity.

The Existing HOT Unsecured Notes will be:

a. effectively subordinated to the HOT Refinancing Notes and the guarantees thereof granted by the HOT Refinancing Note Guarantors to the extent of the lesser of (x) the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes and the guarantees thereof and (y) the amount owing under the HOT Refinancing Notes;

b. *pari passu* with the HOT Refinancing Notes to the extent the amount of the HOT Refinancing Notes exceeds the value of the assets of HOT and the HOT Refinancing Note Guarantors securing the HOT Refinancing Notes; and

c. structurally senior to the 2012 Senior Notes, the 2012 Senior Secured Notes, the 2013 Senior Notes, the Notes, the New Numericable Senior Secured Notes, the 2012 Senior Secured Notes Guarantees and the 2013 Senior Notes Guarantees granted by the 2012 Senior Secured Notes Guarantors, the 2012 Senior Notes Guarantors and the 2013 Senior Notes Guarantors.

The Existing HOT Unsecured Notes will not be subject to the Intercreditor Agreement 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 Existing HOT Unsecured Notes are not required to be released or otherwise transferred.

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 the HOT Mobile's 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 "*Description of Group's Business—Material Agreements—Provision of certain bank guarantees to the State of Israel relating to performance of certain license terms*".

HOT Mobile Earnout

In connection with the acquisition by HOT of HOT Mobile from Altice Securities S.à r.l. ("Altice Securities"), a subsidiary of Altice and affiliate of HOT, HOT agreed to pay to the managers of HOT Mobile and an unrelated third party ("Migad", and, together with the managers of HOT Mobile and Altice Securities, the "Earnout Recipients") additional consideration, in an amount of NIS 450 million, which is subject to future performance targets with respect to HOT Mobile (the "Earnout"). The Earnout includes (i) a contingent future payment of NIS 225 million, paid in four equal installments 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 HOT Mobile's mobile license, in the mobile 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 September 30, 2013, we estimate that the fair value of the Earnout is NIS 244 million and Altice Securities 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 (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 received NIS 86.4 million. Furthermore, in the months of August and September 2013, HOT transferred amounts of NIS 4.5 million and NIS 1.5 million to Migad Communications Ltd. and to the other parties, respectively on behalf their share of the above consideration.

HOT Refinancing Note

The following contains a summary of the terms of the HOT Proceeds Term Note and the HOT Refinancing RCF Note. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

HOT Proceeds Term Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an NIS 1,900 million (€408 million equivalent) intercompany term note (the "HOT Proceeds Term Note") issued by HOT.

Interest

The HOT Proceeds Term Note bears interest at a rate of 6.3% per annum, which is payable semi-annually in cash in arrears on the date which is two business days prior to each June 15 and December 15, commencing on the date which is two business days prior to June 15, 2013 and shall be calculated on the basis of a three hundred and sixty (360) day year composed of twelve (12) months of thirty (30) days each. Interest accrues from 2012 Transaction Completion Date. The maturity date of the HOT Proceeds Term Note is the same as the maturity date of the 2012 Senior Secured Notes.

Guarantees and Security

The HOT Proceeds Term Note is a senior obligation of HOT and is guaranteed on a senior basis by the HOT Refinancing Note Guarantors. The HOT Proceeds Term Note is secured by a pledge over substantially all of the assets of the HOT and the HOT Refinancing Note Guarantors (including all of the share capital of HOT Mobile) but, in each case, excluding (a) licenses issued by the Israeli Ministry of Communications, which are not assignable as a matter of law, and (b) certain end-user equipment (the "HOT Refinancing Note Collateral").

Repayment

HOT may not prepay the HOT Proceeds Term Note except (i) in the event of a Change of Control, as defined in the HOT Proceeds Term Note, (ii) upon certain asset sales and (iii) if duly approved by HOT and required in order to facilitate or accommodate a repayment of the 2012 Senior Secured Notes by Altice Financing.

Change of Control

If a change of control occurs, Altice Financing will have the right to require HOT to prepay all or any part of the HOT Proceeds Term Note, together with a premium of 1% of the principal amount of the HOT Proceeds Term Note prepaid, plus accrued and unpaid interest, to the date of prepayment.

Change of Control is defined as:

(a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (as defined in the HOT Proceeds Term Note, including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (as defined in the HOT Proceeds Term Note) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of HOT, measured by voting power rather than number of shares; or

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of HOT and its restricted subsidiaries taken as a whole to a Person (including any "person" as defined above), other than a Permitted Holder.

Covenants and Events of Default

HOT has agreed, and has agreed to cause each of its subsidiaries, for the sole benefit of Altice Financing, (i) to be bound by the covenants in Article 4 (*Covenants*) and Article 5 (*Merger and Consolidation*) of the 2012 Senior Secured Notes Indenture that are applicable to HOT and its subsidiaries as Restricted Subsidiaries (as defined in the 2012 Senior Secured Notes Indenture), (ii) if duly appointed as Paying Agent under the 2012 Senior Secured

Notes Indenture, to be bound by the obligations in the 2012 Senior Secured Notes Indenture relating thereto and (iii) to comply with the obligations set forth in the section to be titled “Collateral and Security Documents” in the 2012 Senior Secured Notes Indenture.

The HOT Proceeds Term Note contains events of default, substantially similar to those contained in the 2012 Senior Secured Notes Indenture which, if such event of default occurs, permits Altice Financing to declare the HOT Proceeds Term Note due and payable immediately. However, upon an event of default under the Notes (or any other senior secured debt), HOT and its subsidiaries shall not be liable in any way, including by way of cross-default, and shall not be required to repay any amounts outstanding, including any repayment premiums and accrued and unpaid interest thereon, under the Notes (or any other senior secured debt). Further, the HOT Refinancing Note Guarantors will only guarantee HOT’s obligations under the HOT Refinancing Notes (the “HOT Refinancing Note Guarantees”). The HOT Refinancing Note Guarantees will be limited to an aggregate amount equal to the amount outstanding under the HOT Refinancing Notes which may vary from time to time in accordance with the terms of the HOT Refinancing Notes. HOT and the HOT Refinancing Note Guarantors will only have liability to the holders of the Senior Secured Notes in the event of an event of default under the HOT Refinancing Notes, in each case, indirectly as a result of an assignment of the HOT Refinancing Notes and/or the ability of the holders of the 2012 Senior Secured Notes to direct the actions of Altice Financing in connection with the HOT Refinancing Notes in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The 2012 Senior Notes, the 2013 Senior Notes and the New Senior Notes will not benefit from any assignment of the HOT Refinancing Notes.

Limitation of Liability

For the avoidance of doubt and without in any way limiting HOT’s and the HOT Refinancing Note Guarantors’ obligations to Altice Financing pursuant to the HOT Proceeds Term Note, in any event, including in the event of a default by HOT and/or the HOT Refinancing Note Guarantors under the HOT Proceeds Term Note, or by Altice Financing under the 2012 Senior Secured Notes or the 2012 Revolving Credit Facility or the relevant borrower under the Cool Proceeds Note, the Acquisition Proceeds Note or any documents related to any of the foregoing, HOT and the HOT Refinancing Note Guarantors shall not be liable in any way, including by way of cross default, and shall not be required to repay any amounts outstanding, any repayment premiums and accrued and unpaid interest thereon, under the 2012 Senior Secured Notes, the 2012 Revolving Credit Facility, the Cool Proceeds Note and the Acquisition Proceeds Note or any documents related to any of the foregoing. It is further clarified that the HOT Refinancing Note Guarantors serve as guarantors only with respect to the HOT’s debt obligation under the HOT Proceeds Term Note.

Conflicts

For the avoidance of doubt, and despite HOT not being party to such agreements, other than with respect to the covenants described above, in the event that any of the other terms or provisions of this HOT Proceeds Term Note conflict with any terms or provisions of the 2012 Senior Secured Notes Indenture, Intercreditor Agreement or related agreements that are applicable to HOT and the HOT Proceeds Term Note, Altice Financing has agreed and acknowledged that (as between HOT and Altice Financing only) the terms or provisions of the HOT Proceeds Term Note shall prevail.

HOT Refinancing RCF Note

On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Financing purchased an intercompany revolving credit facility note (the “HOT Refinancing RCF Note” and, together with the HOT Proceeds Term Note, the “HOT Refinancing Notes”) issued by HOT pursuant to which Altice Financing may make available to HOT amounts borrowed by Altice Financing under the 2012 Revolving Credit Facility Agreement. The HOT Refinancing RCF Note contains substantially similar terms as the HOT Proceeds Term Note except that, in addition to the covenants contained in the HOT Proceeds Term Note, the HOT Refinancing RCF Note contains one leverage based maintenance covenant. The HOT Refinancing RCF Note is guaranteed by the HOT Refinancing Note Guarantors and secured by the same HOT Refinancing Note Collateral that secures the HOT Refinancing Term Note.

Senior Notes Proceeds Loans

The Senior Notes Proceeds Loans comprise of the following:

(i) On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Altice Finco made an intercompany loan (the “2012 Senior Notes Proceeds Loan”) in aggregate principal amount of approximately $425 million pursuant to which it loaned the proceeds of the offering of the 2012 Senior Notes to Altice Financing.

(ii) On July 2, 2013 Altice Finco made an intercompany loan of €250 million pursuant to which the proceeds of the 2013 Senior Notes were loaned to Altice Financing (the “2013 Senior Notes Proceeds Loan”, and, together with the 2012 Senior Notes Proceeds Loan (the “Existing Senior Notes Proceeds Loans”)).

(iii) Upon release of the proceeds of the 2013 Dollar Senior Notes from escrow, Altice Finco will make an intercompany loan to Altice Financing pursuant to which it will loan such proceeds to Altice Financing (the “2013 Dollar Senior Notes Proceeds Loan” and, together with the Existing Senior Notes Proceeds Loans, the “Senior Notes Proceeds Loans”). The terms of the Senior Notes Proceeds Loans are customary for intercompany proceeds loans. The 2012 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2012 Senior Notes. The maturity date of the 2012 Senior Notes Proceeds Loan is the same as the maturity date of the 2012 Senior Notes. The 2013 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 Senior Notes. The maturity date of the 2013 Senior Notes Proceeds Loan is the same as the maturity date of the 2013 Senior Notes. The 2013 Dollar Senior Notes Proceeds Loan will accrue interest at a rate equal to the interest rate of the 2013 Dollar Senior Notes. The maturity date of the 2013 Dollar Senior Notes Proceeds Loan will be the same as the maturity date of the 2013 Dollar Senior Notes. Payments on the Senior Notes Proceeds Loans are subject to the Existing Intercreditor Agreement.

Additional Intercompany Proceeds Loans

On the 2012 Transaction Completion Date, Altice Financing made intercompany proceeds loans, in addition to the HOT Refinancing Note, to certain entities in the Group with the proceeds of the 2012 Senior Secured Notes and the 2012 Senior Notes Proceeds Loan.

On July 2, 2013 Altice Financing made an intercompany loan to Altice Holdings with the proceeds of the 2013 Senior Notes and the 2013 Term Loan. Altice Holdings made additional intercompany proceed loans (or subscribe to bonds), including the ABO Proceeds Loan, the New Cabovisão Proceeds Notes, the Altice West Groupe Proceeds Loan, the Outremer Proceeds Loans, the Le Cable Proceeds Loans and the Onitelecom Proceeds Notes (the “Covenant Party Pledged Proceeds Loans”) to certain entities in the Group in connection with consummation of the 2013 June Transactions.

In connection with the Transactions, Altice Financing will use amounts borrowed under the New Senior Notes Proceeds Loan and the proceeds of the offering of the New Numericable Senior Secured Notes to make a proceeds loan (the “2013 December AH Proceeds Loan”) to Altice Holdings. Altice Holdings will use the proceeds under the 2013 December AH Proceeds Loan to subscribe to common shares and subordinated preferred equity certificates issued by Altice Bahamas and its subsidiaries, which in turn used such proceeds to consummate the ODO Acquisition and the Tricom Acquisition.

These loans (other than the New Cabovisão Proceeds Notes and the Onitelecom Proceeds Notes) are pledged as security for the senior secured debt. The securities account of Altice Holdings where the New Cabovisão Proceeds Notes and the Onitelecom Proceeds Notes are registered is pledged as security for the senior secured debt (other than the 2013 Senior Secured Notes).

The 2013 Senior Notes and 2012 Senior Notes do not benefit from any security over the intercompany proceeds loans granted by Altice Financing.

Indebtedness of the Numericable Group

New Numericable Term Loan

Overview

On May 8, 2014, Numericable entered into a senior secured term loan credit facility (the "New Numericable Term Loan") which is expected to provide euro and U.S. dollar term loans in an aggregate principal amount equivalent to €3780 million, with Numericable, Ypso France S.A.S and Numericable U.S. LLC as borrowers (the "Term Loan Borrowers"), certain lenders party thereto and Deutsche Bank AG, London Branch as the Administrative Agent and as the security agent (the "New Numericable Term Loan Agreement"). The New Numericable Term Loan Agreement permits the Term Loan Borrowers, upon prior notice to the lenders thereunder, to draw term loans up to the committed principal amount on a single occasion prior to April 30, 2015. Availability of the New Numericable Term Loan on such date is subject to specified conditions precedent.

Numericable may draw under the New Numericable Term Loan on a single occasion at any time on or prior to the earlier of (a) the date on which the portion of the lenders' commitments under the New Numericable Term Loan not related to the Numericable Refinancing Transactions cease to exist by virtue of the SFR Acquisition being abandoned or funded by other means, (b) July 31, 2014 unless the exclusivity granted to Numericable in respect of the SFR Acquisition has been extended, and (c) April 30, 2015 (the "Commitment Termination Date"). Amounts drawn but not used on the Numericable Refinancing Transactions will be deposited into an escrow account and used on the Completion Date.

Interest Rate and Fees

Borrowings under the New Numericable Term Loan bear interest at a rate per annum equal to an applicable margin plus (i) in the case of U.S. dollar denominated loans, at our option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds rate plus 0.5%, (2) the prime rate determined from time to tome by Deutsche Bank AG, New York Branch as the prime rate, (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 1.75% or (b) a LIBOR rate equal to the greater of (A) a 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, and (B) 0.75%, and (ii) in the case of euro-denominated loans, a EURIBOR rate determined by reference to the costs of funds for euro deposits for the interest period relevant to such borrowing adjusted for certain additional costs, provided that such EURIBOR rate shall not be less than 0.75%.

The applicable margin shall mean, for any day, (a) with respect to any alternative base rate loan, 2.75% per annum, (b) with respect to any Eurodollar loan, 3.75% per annum and (c) with respect to any Euro denominated loan, 3.75% per annum.

In addition to paying interest on outstanding principal under the New Numericable Term Loan, we are required to pay a ticking 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 New Numericable Term Loan Agreement requires us to prepay outstanding term loans, subject to certain exceptions, with (i) 100% of the net cash proceeds of certain asset sales, subject to thereunder reinvestment rights and certain other exceptions; and (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 our Consolidated Net Leverage Ratio is less than 4.0:1.0. We will not be required to make any such prepayments from the proceeds of asset sales made as a consequence of competition laws to the extent that such proceeds do not exceed 2% of the pro forma total assets of Numericable and its Restricted Subsidiaries.

Voluntary Prepayments

Prepayments of the New Numericable Term Loan on or prior to the six month anniversary of the closing date of the New Numericable Term Loan which are either (x) in connection with a Repricing Transaction (as defined in the New Numericable Term Loan) or (y) effects any amendment of the New Numericable Term Loan resulting in a Repricing Transaction, are subject to a call premium payable to the Administrative Agent on behalf of the lenders of, in the case of (x) 1% of the principal amount of the New Numericable Term Loan so repaid and in the case of (y) a payment equal to 1% of the aggregate amount of the New Numericable Term Loan subject to such Repricing Transaction.

Amortisation and Final Maturity

Beginning with the first full fiscal quarter of Numericable after the Commitment Termination Date or, if earlier, the first date after the occurrence of both the Numericable Refinancing Transactions and the SFR Acquisition, we 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 New Numericable Term Loan, with the balance expected to be due on the sixth anniversary of the completion date.

Guarantees

Each Guarantor of the New Numericable Senior Secured Notes and Numericable guarantees, on a senior basis, the obligations of each other obligor under the New Numericable Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein.

Security

The New Numericable Term Loan is secured by the same collateral securing, *inter alia*, the New Numericable Senior Secured Notes (other than any security over the proceeds of the New Numericable Senior Secured Notes in any escrow accounts).

Certain Covenants and Events of Default

The New Numericable Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the indenture governing the Numericable Group Senior Secured Notes, and, among other things and subject to certain significant exceptions and qualifications, limit our ability and the ability of our restricted subsidiaries to: (i) incur or guarantee additional Indebtedness, subject to an incurrence based Consolidated Net 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.

The New Numericable 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 trigger event). If an event of default occurs, the lenders under the New Numericable Term Loan will be entitled to take various actions, including the acceleration of amounts due under the New Numericable Term Loan and all actions permitted to be taken by a secured creditor, subject to the Numericable Group Intercreditor Agreement.

Following the Transactions, the New Numerciable Term Loan will permit the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transactions) and so long as there is not default or event of default outstanding, the New Numericable Term Loan Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Numerciable Group Term Loan Agreement are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The New Numericable Term Loan will also provide that, for so long as no payment block events have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by the Company for the payment of regularly scheduled interest as such amounts come due under the Notes and the Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalisation of Numericable at the time of its initial public offering and 5% of market capitalisation at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less.

The Numericable Group Senior Secured Notes

New Numericable Senior Secured Notes

On May 8, 2014, Numericable issued €7,873 million (equivalent) in aggregate principal amount of senior secured notes, comprised of the following tranches: (i) $2,400 million aggregate principal amount of its Senior Secured Notes due 2019 denominated in U.S. dollars (the "*2019 Dollar Notes*"), (ii) $4,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in U.S. dollars (the "*2022 Dollar Notes*"), (iii) €1,000 million aggregate principal amount of its Senior Secured Notes due 2022 denominated in euro (the "*2022 Euro Notes*" and, together with the 2022 Dollar Notes, the "*2022 Notes*"), (iv) $1,375 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in U.S. dollars (the "*2024 Dollar Notes*") and (v) €1,250 million aggregate principal amount of its Senior Secured Notes due 2024 denominated in euro (the "*2024 Euro Notes*" and, together with the 2024 Dollar Notes, "*2024 Notes*" and the 2019 Notes, the 2022 Notes and the 2024 Notes collectively, the "*New Numericable Senior Secured Notes*"). The 2019 Notes will mature on May 15, 2019, the 2022 Notes will mature on May 15, 2022 and the 2024 Notes will mature on May 15, 2024. Interest on the New Numericable Senior Secured Notes is payable semi-annually in cash in arrears on each February 15 and August 15, commencing on August 15, 2014. Each of the 2019 Notes, the 2022 Notes and the 2024 Notes will be governed by an indenture to be entered into on or about the Issue Date (collectively, the "*New Numericable Senior Secured Notes Indentures*").

The New Numericable Senior Secured Notes are general obligations of Numericable and (i) rank pari passu in right of payment with all existing and future indebtedness of Numericable that is not subordinated in right of payment to the New Numericable Senior Secured Notes, including indebtedness under the New Numericable Term Loan, the Numericable Group Revolving Credit Facilities Agreement and certain hedging obligations; (ii) rank senior in right of payment to all existing and future indebtedness of Numericable that is expressly subordinated in right of payment to the New Numericable Senior Secured Notes; and (iii) will be effectively subordinated to any existing and future indebtedness of Numericable that is secured by property or assets that do not secure the New Numericable Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

On the Issue Date, the Initial Purchasers deposited the gross proceeds from the offering of the New Numericable Senior Secured Notes into segregated escrow accounts in the name of Numericable for the benefit of the holders of the relevant series of Notes.

Prior to the Notes Completion Date, the New Numericable Senior Secured Notes will not be guaranteed. On the Notes Completion Date, the New Numericable Senior Secured Notes will be guaranteed on a senior basis by each of Ypso France S.A.S., Coditel Debt S.à r.l. Ypso Finance S.à r.l., NC Numericable S.A.S., Altice B2B France S.A.S., Completel S.A.S., Numericable US S.A.S. and Numericable U.S. LLC (such guarantors, collectively, the "*Completion Date Guarantors*"). Within 90 days of the Completion Date, the Notes will be guaranteed by SFR and may be guaranteed by certain of its subsidiaries.

Prior to the Completion Date, the New Numericable Senior Secured Notes will be secured by a first-ranking pledge over the assets in the respective escrow accounts and Numericable's rights under the escrow agreement governing such escrow accounts. On the Completion Date, the New Numericable Senior Secured Notes will benefit from: (i) senior pledges over all of the capital stock of the Completion Date Guarantors, (ii) certain intercompany loans being entered into in connection with the Transactions, (iii) senior pledges over the business (*fonds de commerce*) of NC Numericable S.A.S.; (iv) senior pledges over certain bank accounts, intercompany receivables and intellectual property rights of the Completion Date Guarantors and (v) certain bank accounts of the Company.

In addition, within 90 days after the Completion Date, the New Numericable Senior Secured Notes will benefit from: (i) senior pledges over all of the capital stock of SFR and any of its subsidiaries that become guarantors of the New Numericable Senior Secured Notes; (ii) a senior pledge over certain bank accounts of SFR; (iii) a senior pledge over the business (*fonds de commerce*) (including intellectual property) of SFR; and (iv) senior pledges over receivables owed to SFR by certain of its subsidiaries. Under the terms of the Numericable Group Intercreditor Agreement, in the event of an enforcement of the collateral securing the New Numericable Senior Secured Notes, the holders of the New Numericable Senior Secured Notes will receive proceeds from the such collateral pari passu with the lenders under the New Numericable Term Loan, the lenders under the Numericable Group Revolving Credit Facilities Agreement and counterparties to certain hedging agreements.

Prior to May 15, 2016, Numericable may redeem all or a portion of the 2019 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2019 Notes at any time on or after May 15, 2016, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2016, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2019 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 104.875% of the principal amount of the 2019 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 2019 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2017, Numericable may redeem all or a portion of the 2022 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2022 Notes at any time on or after May 15, 2017, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2017, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2022 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.375% of the principal amount of the 2022 Euro Notes and 106.00% of the principal amount of the 2022 Dollar 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 2022 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

Prior to May 15, 2019, Numericable may redeem all or a portion of the 2024 Notes at a price equal to 100% of the principal amount plus a make whole premium. Numericable may redeem some or all of the 2024 Notes at any time on or after May 15, 2019, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. In addition, prior to May 15, 2017, Numericable may redeem up to 40% of each series of the aggregate principal amount of the 2024 Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 105.625% of the principal amount of the 2024 Euro Notes and 106.250% of the principal amount of the 2024 Dollar 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 2024 Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering.

The New Numericable Senior Secured Notes Indentures permit the incurrence of indebtedness by Numericable or a guarantor of the New Numericable Senior Secured Notes so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transaction) and so long as there is not default or event of default outstanding, the New Numericable Senior Secured Notes Indentures permit the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the New Numericable Senior Secured Notes Indentures are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. Further, subject to certain payment blocking events (i.e., a payment default or acceleration of the New Numericable Senior Secured Notes) the New Numericable Senior Secured Notes Indentures permit the Numericable, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by the Company for the payment of regularly scheduled interest as such amounts come due under the Notes and the Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalisation of Numericable at the time of its initial public offering and 5% of market capitalisation at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less.

The New Numericable Senior Secured Notes Indentures, among other things, further limit the ability of Numericable and the ability of the Restricted Subsidiaries (as defined therein) to (i) make investments or other restricted payments; (ii) create liens; (iii) sell assets and subsidiary stock; (iv) pay dividends or make other distributions or repurchase or redeem capital stock or subordinated debt; (v) engage in certain transactions with affiliates; (vi) enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and (vii) engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

The New Numericable Senior Secured Notes Indentures provide for certain events of default, including, among 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 New Numericable Senior Secured Notes Indentures are governed by the laws of the State of New York.

The Numericable Group Revolving Credit Facilities

On May 8, 2014, Numericable entered into a €750 million revolving credit facilities agreement (the "Numericable Group Revolving Credit Facilities Agreement") on or about the Issue Date with, among others, the original lenders party thereto (the "Numericable RCF Lenders"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and as security agent, pursuant to which the Numericable RCF Lenders have agreed to provide Numericable and certain of its subsidiaries with a €750 million senior secured revolving credit facilities (the "Numericable Group Revolving Credit Facilities Agreement"), split into: (i) a €300 million revolving facility (the "Numericable Group Facility A") available from the date of the Refinancing Transaction; and (ii) a €450 million revolving facility (the "Numericable Group Facility B") available from the date of the SFR Acquisition. Subject to certain requirements, the Numericable Group Revolving Credit Facilities Agreement may be utilised by way of cash drawings and guarantees.

Limitations on Use of Funds

The Numericable Group Revolving Credit Facilities Agreement may be used by Numericable and certain of its subsidiaries for general corporate and working capital purposes of Numericable and its subsidiaries (excluding certain unrestricted subsidiaries) (the "Numericable Borrower Group"), including, but not limited to, the Numericable Refinancing Transaction and the SFR Acquisition.

Conditions to Borrowing

A drawdown under the Numericable Group Revolving Credit Facilities Agreement cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated net senior secured leverage ratio is not greater than the ratio specified in the Numericable Group Revolving Credit Facilities Agreement.

Incremental Facility

Subject to the satisfaction of certain conditions set out in the Numericable Group Revolving Credit Facilities Agreement, a new commitment lender (selected by Numericable) may provide new or additional commitments under the Numericable Group Revolving Credit Facilities Agreement.

Interest Periods, Interest Rates and Fees

Numericable and certain of its subsidiaries are permitted to make a specified number of drawdowns under each Numericable Group Revolving Credit Facilities for terms of one, two, three or six months (or any other period agreed by the Numericable and the facility agent), but no such period shall end beyond the final maturity date of the Numericable Group Revolving Credit Facilities Agreement. Drawdowns under the Numericable Group Revolving Credit Facilities 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.

The interest rate on each loan under the Numericable Group Revolving Credit Facilities Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Numericable Group Revolving Credit Facilities Agreement is between 3.25% and 3.50% per annum. Interest 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).

With respect to any available but undrawn amounts under the Numericable Group Revolving Credit Facilities Agreement, Numericable is obligated to pay a commitment fee on the available undrawn amounts at the rate of 40% of the margin calculated on undrawn and un-cancelled commitments from a date to be agreed between Numericable and the Lenders until one month prior to the final maturity date of the Numericable Group Revolving Credit Facilities Agreement.

Repayment

The final maturity date of the Numericable Group Revolving Credit Facilities Agreement will be the earlier of (i) the date falling five years after the date of the Refinancing Transaction, (ii) the date falling five years after the date on which the proceeds in the Escrow Account are released and (iii) the date on which the Numericable Group Revolving Credit Facilities are fully repaid and cancelled.

Automatic Cancellation

Customary partial or total cancellation events apply to the Numericable Group Revolving Cedit Facilities Agreement, including where it becomes unlawful for any Numericable RCF Lender to fund, issue or maintain its participation in the Numericable Group Revolving Cedit Facilities Agreement.

In addition, Numericable Group Facility B will be automatically and permanently cancelled if (i) the New Numericable Senior Secured Notes are repaid pursuant to a Special Mandatory Redemption (as defined under the indenture governing the New Numericable Senior Secured Notes), (ii) if the SFR Acquisition has not occurred on or before a long stop date agreed with the Numericable RCF Lenders, or (iii) if Vivendi enters into a sale and purchase agreement in respect of SFR other than with Numericable or an affiliate of Numericable or if Numericable or an affiliate of Numericable withdraws from the SFR Acquisition (each, a “Numericable Facility B Cancellation Event”).

The Numericable Group Facility A will be automatically and permanently cancelled in full (i) if a Numericable Facility B Cancellation Event occurs before the date of the Numericable Refinancing Transaction or (ii) in part only if a Numericable Facility B Cancellation Event occurs after the date of the Numericable Refinancing Transaction (provided that the aggregate amount of Numericable Group Facility A following any cancellation is not less than €150 million).

Mandatory Prepayment

Upon the occurrence of a Change of Control Triggering Event (as defined in the Numericable Group Revolving Credit Facilities Agreement), Numericable and the other borrowers thereunder must repay the Numericable Group Revolving Credit Facilities in full together with accrued interest and all other amounts accrued under related finance documents and the Numericable Group Revolving Credit Facilities Agreement will be cancelled.

Certain excess proceeds received by Numericable 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 Numericable Group Revolving Credit Facilities.

Guarantees

Each of the guarantors of the New Numericable Senior Secured Notes and Numericable will also guarantee the obligations of each obligor under the Numericable Group Revolving Credit Facilities Agreement and related finance documents subject to applicable guarantee limitations specified therein.

Security

The Numericable Group Revolving Credit Facilities Agreement will be secured by the same collateral as the New Numericable Senior Secured Notes (other than any security over proceeds of the New Numericable Senior Secured Notes in any escrow accounts).

Representations and Warranties

The Numericable Group Revolving Credit Facilities Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Numericable Group Revolving Credit Facilities Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the indenture governing the New Numericable Senior Secured Notes.

The Numericable Group Revolving Credit Facilities Agreement will also require Numericable and the Numericable Borrower Group to observe certain general undertakings subject to materiality and other customary and agreed exceptions. These general 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 Numericable Group Revolving Credit Facilities Agreement 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) maintenance and protection of intellectual property rights; (x) no amendments to constitutional documents that are likely to materially adversely affect the collateral; (xi) an Obligor not moving its centre of main interest from, or having an "establishment" in any jurisdiction other than, its jurisdiction of incorporation; and (xii) restricting the making of proceeds drawn under the Numericable Group Revolving Credit Facilities available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

After the closing of the SFR Acquistion, the Numericable Group Revolving Credit Facilities Agreement will require Numericable and the Numericable Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio (as defined in the Numericable Group Revolving Credit Facilities Agreement) of no more than 4.00:1.00 only to be tested at each drawdown or to the extent there are loans or bank guarantees outstanding under the Numericable Group Revolving Credit Facilities Agreement at the end of each financial quarter.

The Numericable Group Revolving Credit Facilities Agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, will 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. The proceeds of any enforcement of collateral will be applied in accordance with the Numericable Group Intercreditor Agreement.

Following the Transactions, the Numericable Group Revolving Credit Facilities Agreement will permit the incurrence of indebtedness so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0 and such indebtedness may be secured if the consolidated net leverage ratio (pro forma for such transaction) is not greater than 3.25 to 1.0. Subject to compliance with the 4.0 to 1.0 consolidated net leverage ratio (pro forma for such transactions) and so long as there is no default or event of default outstanding, the Numericable Group Revolving Credit Facilities Agreement permits the distribution of dividends and other restricted payments so long as the aggregated amount of restricted payments does not exceed the sum of an amount equal to 100% of the consolidated EBITDA generated from the period beginning on the first full fiscal quarter commencing prior to the Issue Date until the most recently ended quarter, less 1.5 times the consolidated interest expense for such period. The restricted payment capacity is also subject to increase based on certain provisions that are customary for an incurrence based covenant package. In addition, unlimited restricted payments under the terms of the Numericable Group Revolving Credit Facilities Agreement are permitted so long as the consolidated net leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0. The Numericable Group Revolving Credit Facilities Agreement will also provide that, for so long as no payment block events have occurred and are continuing, Numericable may pay dividends or other distributions to its shareholders in an amount such that Altice France's pro rata share of such dividends or other distributions is equal to the amount required by the Company for the payment of regularly scheduled interest as such amounts come due under the Notes and the Altice S.A. Revolving Credit Facility Agreement, less the amount of dividends or distributions paid under the provision described in the following sentence. For so long as no default or event of default is outstanding under the relevant debt instrument, and while Numericable is a public company, Numericable will also be permitted to pay dividends in an annual amount not to exceed (A) the greater of (i) 6% of the net cash proceeds received from certain public equity offerings and (ii) the greater of 5% of the market capitalisation of Numericable at the time of its initial public offering and 5% of market capitalisation at the time of the dividend, less (B) the amount of dividends or distributions paid pursuant to the preceding sentence, provided that dividends may only be paid in respect of this sentence if the consolidated net leverage ratio of Numericable 4.0x or less.

Perpetual Subordinated Notes

In 2006, one of the Numericable Group's subsidiaries, NC Numericable S.A.S., issued a maximum € 25 million principal amount (excluding capitalised interest) of perpetual subordinated notes (Titres Subordonnés à Durée Indéterminée) ("TSDI") to Vilorex, a subsidiary of GDF Suez of which a €23.65 million principal amount has been subscribed. The TSDI are subordinated by law pursuant to Article L.228-97 of the French Commercial Code and expressly subordinated to part of the financing of the investments referred to below which was made available by NC Numericable S.A.S. The proceeds of the TSDI have been earmarked for financing the construction of plugs in towns located in SIPPEREC's southern hub (Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication). The TSDI bear interest at 7% per annum. Interest has been capitalised, and accrued interest on the loan amounted to €14.0 million as of December 31, 2013. The TSDI were issued for an indefinite term, and are repayable in case of the liquidation or dissolution of NC Numericable S.A.S. as well as upon NC Numericable S.A.S. achieving a specified level of revenues with respect to the customers covered by the connectors. Such triggers have not been reached since the TSDI issue date. If those triggers are reached and the TSDI are not prepaid, the interest rate steps up to 9% per annum. The TSDI contain a safeguard clause in connection with these triggers. From September 1, 2015 to September 1, 2019 the parties can call for a meeting to adjust the triggers so as to restore the economic balance which was contemplated at the time of issuance of the TSDI. NC Numericable S.A.S. may elect to prepay all or part of the TSDI upon ten days' notice in a minimum amount of €5 million. The TSDI are not transferable without NC Numericable S.A.S.'s consent. NC Numericable has a call option to purchase all of the outstanding TSDI for €1 from September 1, 2035. The TSDI must be prepaid in full if the SIPPREC concessions are transferred to a third party and that third party does not assume all of the rights and obligations of NC Numericable S.A.S. under the TSDI.

Security Deposits Received from Customers

Security deposits received from customers amounted to €51.9 million, €44.5 million and €42.9 million as at December 31, 2013, 2012 and 2011 respectively. 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, 2013reflects 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.

Indebtedness of Altice S.A.

The Altice S.A. Revolving Credit Facility Agreement

The Company is expected to enter into the Altice S.A. Revolving Credit Facility Agreement on or about the Issue Date with, amongst others, the original lenders party thereto (the "Altice S.A. RCF Lenders"), the mandated lead arrangers party thereto, Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch as security agent, pursuant to which the Altice S.A. RCF Lenders have agreed to provide the Company with a €200 million senior secured revolving credit facility.

The description set forth below sets out the principal terms and conditions of the Altice S.A. Revolving Credit Facility Agreement.

Limitations on Use of Funds

Prior to the completion of SFR Acquisition, the Altice S.A. Revolving Credit Facility may be used by the Company to service interest on the proceeds of the Notes deposited in escrow. After the completion of the SFR Acquisition, the Altice S.A. Revolving Credit Facility may be used by the Company for general corporate and working capital purposes of the Company and its subsidiaries (excluding certain unrestricted subsidiaries) (the "Altice S.A. Borrower Group").

Conditions to Borrowing

A drawdown of the Altice S.A. Revolving Credit Facility cannot be made until, among other things, the facility agent has received (or waived) certain customary conditions precedent documents and evidence in form and substance reasonably satisfactory to it. Drawdowns are subject to further customary conditions including, among other things, that on the date the drawdown is requested and on the drawdown date (i) no default is continuing or occurring as a result of that drawdown, (ii) certain specified representations and warranties are true in all material respects, and (iii) that the consolidated leverage ratio is not greater than the specified ratio in the Altice S.A. Revolving Credit Facility Agreement.

Interest Periods, Interest Rates and Fees

The Company is permitted to make a specified number of drawdowns under the Altice S.A. Revolving Credit Facility Agreement with interest periods relating thereto of one, two, three or six months (or any other period agreed by the Company and the facility agent), but no such interest period shall end after the final maturity date of the Altice S.A. Revolving Credit Facility. Drawdowns under the Altice S.A. Revolving Credit Facility Agreement 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.

The interest rate on each loan under the Altice S.A. Revolving Credit Facility Agreement for each interest period is equal to the aggregate of: (x) the applicable margin and (y) EURIBOR. The margin under the Altice S.A. Revolving Credit Facility is between 4.25% and 5.00% per annum. Interest 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).

With respect to any available but undrawn amounts under the Altice S.A. Revolving Credit Facility Agreement, the Company is obligated to pay a commitment fee on such undrawn amounts calculated on undrawn and un-cancelled commitments from a date to be agreed between the Company and the Lenders until one month prior to the final maturity date of the Altice S.A. Revolving Credit Facility.

Repayment

The final maturity date of the Altice S.A. Revolving Credit Facility is the earlier of the date falling five years after the Issue Date and the date on which the Altice S.A. Revolving Credit Facility is fully repaid and cancelled.

Mandatory Prepayment

Upon the occurrence of a Change of Control (as defined in the Altice S.A. Revolving Credit Facility Agreement), the Company must repay the Altice S.A. Revolving Credit Facility in full together with accrued interest and all other amounts accrued under related finance documents and the Altice S.A. Revolving Credit Facility Agreement will be cancelled.

If an amount in excess of 50% of the Notes is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Borrower Group, the Company must apply an amount equal to such excess in cancellation of the Altice S.A. Revolving Credit Facility and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the Company 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 Altice S.A. Revolving Credit Facility.

Guarantees

Each of the guarantors of the Notes and the Company will also guarantee the obligations of each Obligor under the Altice S.A. Revolving Creditor Facility.

Security

The Altice S.A. Revolving Credit Facility is secured by the same collateral as the Notes (other than collateral in respect of the escrow property).

Representations and Warranties

The Altice S.A. Revolving Credit Facility Agreement contains representations and warranties usual for facilities of this type subject to certain exceptions and customary materiality qualifications.

Undertakings

The Altice S.A. Revolving Credit Facility Agreement contains certain restrictive covenants which substantially reflect the covenants contained in the Indenture.

The Altice S.A. Revolving Credit Facility Agreement also requires the Company and the Borrower 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 Altice S.A. Revolving Credit Facility Agreement 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) permitting access to the facility agent, security agent and advisors in certain circumstances; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the collateral; (xii) an Obligor not moving its center of main interest from, or having an “establishment” in any jurisdiction other than, its jurisdiction of incorporation; and (xiii) restricting the making of proceeds drawn under the Altice S.A. Revolving Credit Facility available to any sanctioned person or sanctioned country.

Financial Covenants, Events of Default

The Altice S.A. Revolving Credit Facility Agreement requires the Company and the Borrower Group to maintain a Consolidated Net Senior Secured Leverage Ratio (as defined in the Altice S.A. Revolving Credit Facility Agreement) of no more than 5.50:1, tested prior to utilisation and quarterly to the extent there are loans outstanding.

The Altice S.A. Revolving Credit Facility Agreement contains 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. The proceeds of any enforcement of collateral will be applied in accordance with the Altice S.A. Intercreditor Agreement.

The Altice S.A. Intercreditor Agreement

To establish the relative rights of certain creditors, the Company will enter into the Altice S.A. Intercreditor Agreement with, amongst others:

- the creditors under the Altice S.A. Revolving Credit Facility Agreement (the “RCF Creditors”);

- upon its accession, the Trustee for the Notes on its behalf and on behalf of the holders of the Notes (the "Senior Notes Creditors");
- any persons that accedes to the Altice S.A. Intercreditor Agreement as counterparties to certain hedging agreements (the "Hedging Agreements") in accordance with the terms of the Altice S.A. Intercreditor Agreement (the "Hedging Banks", together with the RCF Creditors, the "Super Priority Creditors");
- any persons that accedes to the Altice S.A. Intercreditor Agreement under any future term or revolving credit facility (other than the RCF Agreement) designated as a senior bank facility (a "Senior Bank Facility") in accordance with the terms of the Altice S.A. Intercreditor Agreement (the "Senior Bank Creditors", together with the Senior Notes Creditors, the "Senior Creditors");
- any person that accedes to the Altice S.A. Intercreditor Agreement in their capacity as a creditor (the "Shareholders") any shareholder indebtedness provided to the Company (the "Shareholder Debt"); and
- The Altice S.A. Intercreditor Agreement provides that existing indebtedness of the Company may be refinanced and/or future indebtedness may be incurred by the Company subject to the terms of the Altice S.A. Intercreditor Agreement and each finance document then existing. Future debt designated under the Altice S.A. Intercreditor Agreement as ranking on enforcement the security in priority to liabilities owed to the Senior Creditors is subject to certain conditions, including that it may only be in the form of a revolving credit facility, which is a working capital facility, or hedging indebtedness, and to the extent permitted (or not prohibited) by the terms of each finance document.

For the purposes of the Altice S.A. Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent within that class of debt (a "Representative") may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt or Senior Bank Debt (as defined below), on the instructions of $66^2/_3$% of creditors of that class of debt) (a "Relevant Majority"). Hedging Banks will vote together with the Super Priority Debt. In addition, in certain circumstances (as set out in the Altice S.A. Intercreditor Agreement) certain classes of creditors will vote together as part of an instructing group (the "Instructing Group"), which is the Relevant Majority of (i) (if Senior Bank Debt has been discharged and while any Senior Notes Debt remains outstanding) the Senior Notes Creditors and (ii) (while Senior Bank Debt remains outstanding) the Senior Creditors.

By accepting a Note the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Altice S.A. Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Altice S.A. Intercreditor Agreement that relate to the rights and obligations of the Senior Notes Creditors. It does not restate the Altice S.A. Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt and you are urged to read that documents in its entirety because it, and not the discussions here, define certain rights of the parties to the Altice S.A. Intercreditor Agreement, including the Notes.

Order of Priority

Ranking & Priority

The Altice S.A. Intercreditor Agreement provides, subject to certain provisions, the liabilities of the Company (and any member of its group which accedes to the Altice S.A. Intercreditor Agreement as a new obligor (together with, amongst others, the Company, the "Obligors")) under or in respect of, amongst others, the (i) Altice S.A. Revolving Credit Facility Agreement (the "RCF Debt"), (ii) the Hedging Agreements (the "Hedging Debt" and together with the RCF Debt, the "Super Priority Debt"), (iii) the Notes (the "Senior Notes Debt"), (iv) the Senior Bank Facilities (the "Senior Bank Debt" and together with the Senior Notes Debt, the "Senior Debt") and (v) the Shareholder Debt will rank in right and order of payment in the following order:

i. *first*, the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt, Senior Debt and amounts due to the Trustee, *pari passu* without any preference between them; and

ii. *second*, the Shareholder Debt.

Priority of Security

The Altice S.A. Intercreditor Agreement provides that the security provided by the Obligors (the "Security") for the Senior Debt and the Super Priority Debt (together, the "Senior Secured Debt") will rank the RCF Debt, Senior Bank Debt, Senior Notes Debt, Hedging Debt and any other Super Priority Debt and Senior Debt and amounts due to the Trustee *pari passu* without any preference between them.

Additional Secured Debt

The creditors party to the Altice S.A. Intercreditor Agreement acknowledge that the Obligors may wish to incur incremental Senior Secured Debt, which in any such case is intended to rank *pari passu* with any existing Secured Secured Debt and/or share *pari passu* with any existing Security. By execution of the Altice S.A. Intercreditor Agreement, the creditors confirm that if and to the extent such a financing and such ranking and such Security is permitted by the terms of the finance documents at such time, they will (at the cost of the Obligors) co-operate with the Obligors with a view to enabling such financing and such sharing in the Security to take place. In particular, but without limitation, the Super Priority Creditors, the Senior Bank Creditors, the Hedging Banks, and the Senior Notes Creditors have authorised and directed its Representative to execute any amendment to the Altice S.A. Intercreditor Agreement and such other finance documents required to reflect such arrangements to the extent such financing and/or sharing is permitted by such finance documents.

Restrictions

Subject to certain limited exceptions and subject to, *inter alia*, the provisions set forth under the captions "*—Permitted Payments" and "—Restrictions on Enforcement*", while any Senior Secured Debt is outstanding, the Altice S.A. Intercreditor Agreement restricts (to the extent not otherwise consented to by the relevant Representative representing the Relevant Majority of: (i) Super Priority Creditors (while any Super Priority Debt is outstanding), (ii) Senior Bank Creditors (while any Senior Bank Debt is outstanding) and (only to the extent prohibited under the Indenture) the Senior Notes Creditors and/or (iii) (only to the extent prohibited under the Indenture) the Senior Notes Creditors (while any Senior Notes Debt remains outstanding)):

- the ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any Shareholder Debt;

- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Shareholder Debt, or otherwise to provide financial support in relation to such liabilities; and

- the ability of the Obligors to discharge the Shareholder Debt by set-off, any right of combination of accounts or otherwise.

Limitation of Credit Support

Pursuant to the Altice S.A. Intercreditor Agreement, the Obligors are prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Agent to hold for the benefit of all other Senior Secured Debt.

Permitted Payments

While any Senior Secured Debt is outstanding, Obligors will only be permitted to make payments of Shareholder Debt:

a. with the prior written consent of:

    i. (while any Super Priority Debt is outstanding) the relevant Representatives representing the Relevant Majority of the Super Priority Creditors;

    ii. (if any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of the Senior Bank Creditors; and

    iii. (if any Senior Notes Debt is outstanding) (only to the extent prohibited by the Indenture) the relevant Representatives representing the Relevant Majority of the Senior Notes Creditors; or

b. such payments are not prohibited by the debt documents in respect of the Senior Secured Debt and if, at that time, no Senior Secured Creditor has accelerated any of the Senior Secured Debt.

Restrictions on Enforcement

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors, the Shareholders cannot (i) demand payment of any Shareholder Debt; (ii) accelerate any of the Shareholder Debt or otherwise declare any of the aforementioned debt prematurely due or payable on an event of default or otherwise, (iii) enforce any of the Shareholder Debt by attachment, set-off, execution or otherwise, (iv) petition for, initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor, (vi) sue or bring or support any legal proceedings against any Obligor or its subsidiaries or (vii) otherwise exercise any remedy for the recovery of any Shareholder Debt.

A Shareholder will be allowed to bring or support proceedings to prevent the loss of any right to bring or support proceeding by reason of expiry of statutory limitation periods.

Enforcement Instructions

No Senior Secured Creditor has any independent power to enforce, or has recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by the Relevant Majority of Super Priority Creditors or the Instructing Group. The Security Agent may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Altice S.A. Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it has not received security and/or indemnity to its satisfaction by the relevant creditors.

To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Senior Agent and each other Senior Representative 10 business days prior to the date it issues the enforcement instructions (the "Proposed Enforcement Instruction Date"). To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, they must notify the Security Agent and each other Senior Representative at least three business days prior to the date it intends to accelerate. If the Security Agent receives conflicting enforcement instructions prior to the Proposed Enforcement Instruction Date, the Representatives of the Super Priority Creditors and the Representative of the Instructing Group shall consult with one another and with the Security Agent in good faith for 30 days (or such shorter date as may be agreed) (the "Consultation Period"). Consultation will not be required if the Security has become enforceable as a result of an insolvency event relating to an Obligor against whom such enforcement action is taken or if any of such instructing representatives determines in good faith that consultation (and thereby delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realisation of proceeds of enforcement.

While any Super Priority Debt is outstanding, if the Security Agent receives conflicting enforcement instructions from the Representatives of the Super Priority Debt or the Instructing Group, and the Consultation Period has passed, the Security Agent shall comply with the instruction from the Instructing Group. The failure by a creditor group to issue enforcement instructions will be deemed to be conflicting, provided that if the representatives of the Instructing Group fail to give instructions as to enforcement and the Consultation Period has elapsed, the Security Agent will comply with the instructions of the representative of the Super Priority Debt. The instructions of the Super Priority Creditors will prevail if (i) the Super Priority Creditors have not been fully and finally discharged in cash within six months of the Proposed Enforcement Instruction Date, or (ii) the Security Agent has not commenced any enforcement action within 3 months of the Proposed Enforcement Date. All enforcement instructions will need to comply with the following security enforcement principles:

1. It shall be the aim of any enforcement of the Security to achieve the Security Enforcement Objective. "Security Enforcement Objective" means maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Super Priority Creditors and (without prejudice to the waterfall described in "*Application of Proceeds*" below) the Senior Creditors.

2. The security enforcement principles may be amended, varied or waived with the prior written consent of the Relevant Majority of Super Priority Creditors, an Instructing Group and the Security Agent.

3. Without prejudice to the Security Enforcement Objective, the Security will be enforced and other action as to enforcement of the Security will be taken such that either:

   (a) in the event enforcement is being effected in accordance with the instructions of the Instructing Group either:

      (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "*Application of Proceeds*" below; or

      (ii) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the waterfall described in "*Application of Proceeds*" below), the Super Priority Debt is repaid and discharged in full (unless the Relevant Majority of Super Priority Creditors agree otherwise); or

   (b) in the event enforcement is being effected in accordance with the instructions of the Super Priority Creditors either:

      (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the waterfall described in "*Application of Proceeds*" below; or

      (ii) with the consent of the Instructing Group, the proceeds are received by the Security Agent in cash and non-cash consideration for distribution in accordance with the waterfall described in "*Application of Proceeds*" below.

4. The enforcement must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Altice S.A. Intercreditor Agreement, the time frame for realisation of value from the enforcement of the Security pursuant to enforcement will be determined by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group provided that it is consistent with the Security Enforcement Objective.

5. On:

   (a) a proposed enforcement of any of the Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds $3,000,000 (or its equivalent); or

   (b) a proposed enforcement of any of the Security over some, but not all, of the shares in a member of the Group over which Security exists;

the Security Agent shall, if so requested by (while any Super Priority Debt is outstanding) the Representatives representing the Relevant Majority of Super Priority Creditors or the relevant Representatives representing an Instructing Group, and at the expense of such creditors, obtain an opinion from any (X) reputable and independent internationally recognized accounting firm, (Y) reputable and independent internationally recognized investment bank, or (Z) other reputable and independent professional services firm experience in restructuring and enforcement (a "Financial Advisor"), that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances. If the Security Agent is unable to obtain an opinion pursuant to this paragraph 5, it shall notify the Super Priority Representatives and the Senior Representatives representing an Instructing Group and may proceed to enforce the Security without obtaining such opinion.

6. The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the security enforcement principles or any other provision of the Altice S.A. Intercreditor Agreement.

7. The Financial Advisor's opinion will be conclusive evidence that the Security Enforcement Objective has been met.

8. If enforcement of any Security is conducted by way of public auction in any relevant jurisdiction, no Financial Advisor shall be required to be appointed in relation to such enforcement action. Nothing shall require the enforcement of Security to take place by way of public auction.

Release of Security and Guarantees

If a disposal of an asset owned by the Obligor is made to a person or persons outside of the Group and either (i) the disposal is not permitted or prohibited by the underlying finance documents, or (ii) the disposal is being effected at the request of the relevant creditor in circumstances where it is entitled to take enforcement action under the Altice S.A. Intercreditor Agreement (and such disposal is consistent with certain security enforcement principles), or (iii) the disposal is pursuant to enforcement action in accordance with the Altice S.A. Intercreditor Agreement, and, in each case, the Security Agent is authorised to release any Security and other claims (including guarantees) under any finance document over that asset and, if that asset comprises of the shares in the capital of an Obligor or any of its subsidiaries which are subject to Security, release on behalf of the relevant creditor and each Obligor and its Subsidiaries that subsidiary and its subsidiaries from all present and future obligations and liabilities under the relevant finance document provided that the proceeds of the disposal applied in accordance with the relevant finance document and with the Altice S.A. Intercreditor Agreement.

Where a disposal relates to (ii) or (iii) above, and the asset which is disposed of consists of shares in an Obligor or its holding company and the Security Agent decides to dispose of all or part of the liabilities of such Obligor, holding company or any subsidiary under the finance documents, the Security Agent may: (a) dispose of all or part of such liabilities such that the transferee shall not be treated as a Senior Secured Creditor or a secured party; and (b) dispose of all (and not part) of such liabilities owed to the Senior Creditors on behalf of the relevant creditors and Obligors such that the transferee be treated as a Senior Secured Creditor or a secured party.

Turnover

The Altice S.A. Intercreditor Agreement provides that if any Super Priority Creditor or Senior Creditor or Shareholder receives or recovers a payment which is prohibited by the Altice S.A. Intercreditor Agreement or not paid in accordance with the provisions described under "*—Application of Proceeds*", subject to certain exceptions, the receiving or recovering creditor will promptly notify the Security Agent and hold any amount on trust for the creditors and, upon demand by the Security Agent, pay that amount to the Security Agent or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Agent in accordance with the order of priority described under "*—Application of Proceeds*". These provisions will not apply to any receipt or recovery by the Hedging Banks in relation to certain netting and set-off arrangements with Obligors, permitted refinancing, or otherwise in accordance with the loss sharing provisions of the Altice S.A. Intercreditor Agreement.

Subordination on Insolvency

After the occurrence of an insolvency event in relation to any Obligor (the "Insolvent Obligor"), the Shareholder Debt owed by the Insolvent Obligor will be subordinated in right of payment to the Super Priority Debt and Senior Debt owed by such Insolvent Obligor.

Filing of Claims

While any Senior Secured Debt is outstanding, the Security Agent is authorised (acting on the instructions of (while any Super Priority Debt) the Relevant Majority of Super Priority Creditors or the Instructing Group) to: (i) claim, enforce and prove for any debt owed by the Insolvent Obligor (ii) only with respect to Shareholder Debt, exercise all powers of convening meetings, voting and representations in respect of the shareholder debt owed by the Insolvent Obligor and (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Agent considers reasonably necessary to recover any debt owed by the Insolvent Obligor.

If the Security Agent is not entitled or does not take any of the actions referred to above, the Shareholders will do so promptly when requested by the Security Agent (acting on the instructions of the Relevant Majority of Super Priority Creditors or the Instructing Group).

Application of Proceeds

Subject to the rights of any creditor (other than a Secured Creditor) with prior security or preferential claims, all amounts from time to time received pursuant to the provisions described under "—*Turnover*" or otherwise recovered by the Security Agent (or any other creditors) in connection with the realisation or enforcement of all or any part of the security in favor of the Senior Secured Debt, apply them at any time as the Security Agent sees fit, and to the extent permitted by law, in the following order:

- first, in payment of the following amounts in the following order of priority: (i) *pari passu* and pro rata to the Security Agent and thereafter to the Trustee to the Notes in respect of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Senior Secured Debt of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such representative and any receiver, attorney or agent appointed by such representative under the security documents or the Altice S.A. Intercreditor Agreement;

- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Super Priority Creditor and each Senior Creditor in connection with such enforcement;

- third, in payment *pari passu* and pro rata to the representative of the Super Priority Debt and the Hedging Banks for application towards the balance of the Super Priority Debt;

- fourth, in payment *pari passu* and pro rata to each representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Notes Debt;

- fifth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

Amendment

Prior consent of each Representative is required for any waivers, consents, or amendments in relation to any security documents if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the manner in which the proceeds of enforcement of Security is distributed.

The Intercreditor Agreement may be amended by the Obligors and the Security Agent without consent of the other parties if the amendment is to cure defects, typographical errors, resolve ambiguities or reflect changes, in each case, of a minor technical or administrative nature. Where an amendment affects the rights and obligations of one or more parties to the Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of other parties or class of parties, only the parties affected by such amendment need to agree to the amendments.

Other than in respect of certain customary amendments and waivers (which require the consent of each of the Senior Secured Creditors, the Security Agent and the Company), the Intercreditor Agreement may be amended or waived or any consent may be given under it with the written agreement of the Majority Super Priority Creditors, the Majority Senior Bank Creditors, the Majority Senior Notes Creditors the Company and the Security Agent.

Annex III
R 4.11

PART XXI
TAX CONSIDERATIONS

Grand Duchy of Luxembourg

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 New Shares (and New 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 New 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 New Shares based on their particular circumstances. No conclusions should be drawn with respect to issues not specifically addressed in this section. 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* – ‘‘CIT’’), municipal business tax (*impôt commercial communal* – ‘‘MBT’’), a solidarity surcharge (*contribution au fonds pour 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* – ‘‘NWT’’) 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. 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 CIT and 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% (2014 rate, inclusive of the 7% solidarity surcharge). 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 aggregate CIT and MBT rate for 2014 amounts to 29.22% per annum in 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 (2014 rate, inclusive of the 7% solidarity surcharge). 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 (2014 rates, inclusive of the 7% solidarity surcharge). In both cases, the minimum CIT paid for a given year 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 Council Directive 90/435/EEC of July 23, 1990, as amended (the "amended EU Parent-Subsidiary Directive") is exempt from Luxembourg 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 e.g. 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 referred to 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.

Certain tax treaties signed by Luxembourg can further broaden the scope of the participation exemption regime.

Net worth tax

The Company is subject to 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. Holders of the New Shares should therefore carefully compare the requirements under the Luxembourg domestic law and applicable tax treaties.

Taxation of the holders of the New Shares

Withholding tax

Dividends paid by the Company to the holders of the New Shares are as a rule subject to a 15% withholding tax in the Grand Duchy of Luxembourg (17.65% if the dividend tax is not charged to the holders of the New Shares: the Company assumes responsibility for the withholding of tax in that case. 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 shares (*société de capitaux*) or a cooperative society (*société coopérative*) resident in the EEA 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.

Income tax

Luxembourg Resident Individual Holders of the New Shares

Dividends derived from the New 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 solidarity surcharge). 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 New 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 New Shares are deemed to be speculative gains and are subject to income tax at the progressive ordinary rates if the New 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 New 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 New Shares have been disposed of and the lower of their cost or book value.

Luxembourg Resident Corporate Holders of the New Shares

Dividends and other payments derived from the New 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 New 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 EEA 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 New Shares for an uninterrupted period of 12 months and, (iii) during this uninterrupted period of 12 months the New 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. New 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 New 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 New Shares may be exempt from income tax if the above mentioned conditions are met except that the acquisition price of the New Shares must be of at least €6 million for capital gains purposes. New 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 New Shares have been disposed of and the lower of their cost or book value.

Luxembourg Resident Companies benefiting from a Special Tax Regime

Holders of the New Shares who are (i) undertakings for collective investment subject to the law of December 17, 2010 or (ii) specialised investment funds subject to the law of February 13, 2007 or (iii) family wealth management companies governed by the law of May 11, 2007 are exempt from income tax in Luxembourg. Dividends derived from and capital gains realised on the New Shares are thus not subject to income tax in their hands.

Luxembourg Non-Resident Holders of the New Shares

Non-resident investors who do not have a permanent establishment in the Grand Duchy of Luxembourg to which the New Shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realise capital gains upon sale of New 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 New 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 New 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 New 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 New 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 New Shares, nor will any of these taxes be payable as a consequence of a subsequent transfer or redemption of the New 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 New Shares are included in his taxable base for inheritance tax purposes.

Gift tax may be due on a gift or donation of New Shares, if recorded in a Luxembourg notarial deed or otherwise registered in the Grand Duchy of Luxembourg.

Netherlands Taxation

Annex III
R. 4.11

This overview solely addresses the principal Dutch withholding tax consequences and certain registration taxes and duties relevant to the acquisition, ownership and disposal of New Shares. It does not address any other Dutch tax consequences that may be relevant to a particular holder of New Shares. Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of New 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 Company 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 by the Company on the New Shares may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands.

Registration 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 New Shares in respect of or in connection with (i) the subscription, issue, placement, allotment of New Shares, (ii) the enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of New Shares or the performance by the Company of its obligations under such documents, or (iii) the transfer of New Shares.

PART XXII
GENERAL INFORMATION

Annex I
R 14.1
R 14.2
Annex III
R 4.1

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.

Annex I
R 1.1,
R 1.2
Annex III
R 1.1, 1.2

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.

2. Share capital of the Company

Annex I
R 21.1.1
R 21.2.3
R 21.1.7

The Company was incorporated on January 3, 2014 with an issued share capital of €31,000 divided into 31,000 ordinary shares of €1 each, which were issued to the subscriber to the Company's shares. The Company had an authorised capital at incorporation set at two million euro (€2,000,000.-), the Board then being authorised, for a period starting on the publication date of the Articles in the Luxembourg official gazette (*Mémorial C*) and ending five (5) years after the date of such publication, to issue once or several times, within the limits of the authorised share capital, two million (2,000,000) shares, with a nominal value of one euro (€1.-) each.

On January 16, 2014, the General Meeting resolved to:

(i) amend the nominal value of the ordinary shares from one euro (€1.-) to one euro cent (€0.01) in order to have the share capital of the Company represented by three million one hundred thousand (3,100,000) ordinary shares.

(ii) increase the authorised share capital in order to allow the Board of Directors to increase the share capital of the Company by (i) a maximum amount of five million euro (€5,000,000), allowing the Board to issue five hundred million (500,000,000) ordinary shares of one euro cent (€0.01) each and (ii) a maximum amount of twenty million euro (€20,000,000), allowing the Board to issue up to two billion (2,000,000,000) Class B Shares of one euro cent (€0.01) each to the Significant Shareholder on the exercise of the Warrant, for a period of five (5) years from the date of publication in the *Mémorial C* of the resolution to amend the authorised capital.

On January 30, 2014, the Board of Directors resolved to increase the share capital of the Company within the limits of the authorised capital by (i) an amount of one million seven hundred twenty nine thousand euro (€1,729,000) by the creation and issuance of 172,900,000 new ordinary shares in exchange of a contribution in kind in an aggregate value of €4,971,969,000; (ii) by an amount of €2,385.20 by the creation and issuance of 238,520 new ordinary shares in exchange of a contribution in kind in an aggregate value of €6,738,190; and (iii) by an amount of €265,486.73 by the creation and issuance of 26,548,673 new ordinary shares in exchange of a contribution in kind in an aggregate value of €750,000,012.25 in the context of the initial public offering and admission to trading of 202,787,193 ordinary shares of the Company on Euronext Amsterdam on January 31, 2014. Following the admission, the Company's share capital was €2,027,871.83.

On March 13, 2014, the Board of Directors resolved to increase the share capital of the Company within the limits of the authorised capital: (i) by an amount of €1,631.50 by the creation and issuance of 163,150 new ordinary shares in exchange of a contribution in kind in an aggregate value of €4,609,054; (ii) by an amount of €14,409.05 by the creation and issuance of 1,440,905 new ordinary shares in exchange of a contribution in kind in an aggregate value of €40,705,598.53; and (iii) by an amount of €5,108.54 by the creation and issuance of 510,854 new ordinary shares in exchange of a contribution in kind in an aggregate value of €14,431,797.10. Following these increases, the Company's share capital was €2,049,021.02.

On March 31, 2014, the Board of Directors resolved to increase the share capital of the Company within the limits of the authorised capital by an amount of €1,329.40 by the creation and issuance of 132,940,000 new ordinary shares in exchange of a contribution in cash in an aggregate value of €3,130,004. The new shares to be issued pursuant to this resolution were issued as of April 15, 2014. Following this increase, the Company's share capital amounted to €2,050,350.42.

On June 23, 2014, the Board of Directors resolved to increase the share capital of the Company within the limits of the authorised capital by an amount of €355.75 by the creation and issuance of 35,575 new ordinary shares in exchange of a contribution in cash in an aggregate value of €1,000,000.-. The new shares to be issued pursuant to this resolution were issued as of June 24, 2014. Following this increase, the Company's share capital amounted to €2,050,706.17.

On June 26 , 2014, the Board of Directors resolved to increase the share capital of the Company within the limits of the authorised capital by an amount of €179,000.- by the creation and issuance of 17,900,000 new ordinary shares in exchange of a contribution in cash in an aggregate value of €911,110,000.-. The new shares to be issued pursuant to this resolution were issued as of June 27, 2014. Following this increase, the Company's share capital amounted to €2,229,706.17.

On or about July 22, 2014,after receipt of the approved and visa stamped prospectus by the CSSF, the Company will in exchange for the contribution by Carlyle and Cinven of the Numericable Shares to the Company, issue the New Shares on the basis of the Exchange Ratio.The Company's share capital will therefore be increased by a resolution of the Board of Directors within the limits of the authorised capital as part of the Contribution in Kind and Roll Over (as set out under Parts XI section 6 (*Roll Over*) and XIX section 4 (*Related Party Transactions*) above) by 24,751,873 ordinary shares. The issued share capital of the Company following the Contribution in Kind and Roll Over will be €2,477,224.90and will be represented by 247,722,490 ordinary shares with a nominal value of €0.01 each. As a result of the issuance of the New Shares subject to the Contribution in Kind and Roll Over, the issued share capital of the Company will be increased and holders of the Existing Shares will be diluted by 9.99 per cent. The issued share capital of the Company following the Issuance will be two million four hundred seventy seven thousand two hundred twenty two euro and ninety cents (€2,477,224.90) and will be represented by two hundred fourty seven million seven hundred twenty two thousand four hundred and ninety (247,722,490) ordinary shares with a nominal value of one euro cent (€0.01) each.

Annex III
R 9.1

Ordinary Shares (including the New Shares) are issued in registered form. No temporary documents of title have been or will be issued in respect of the Ordinary Shares (including the New Shares). The Ordinary Shares (including the New 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 New Shares have been issued other than fully paid.

Currently, neither the Company nor any of its subsidiaries holds any of the Ordinary Shares.

The ISIN of the Ordinary Shares is and will be LU1014539529.

Further information on the rights attaching to the Ordinary Shares is set out in section 3 below.

Further information on the rights attaching to the Class B Shares is set out in section 4 below.

3. Information about the Ordinary Shares (including the New Shares)

Description of the type and class of securities issued

The Ordinary Shares are ordinary shares in the capital of the Company.

Legislation under which the Ordinary Shares were and will be created

The Ordinary Shares have been and will be created pursuant to, and are governed by, Luxembourg law.

Form and currency of the Ordinary Shares

Ordinary Shares are issued in registered form. Ordinary Shares are 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 Ordinary 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

Annex I
R 18.1

Each Ordinary Share carries the right to one vote. Shareholders have the right to receive notice of and to attend and vote at all General Meetings.

Dividends and distributions

Annex I
R 20.7

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 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 fifty per cent. (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

Annex I
4.6

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 New Shares are subject to a contractual lock-up arrangement. Please see "Lock-up arrangements" in summary item E.5 and Part II Risk Factors (*Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares could depress the market price of the Ordinary Shares*) for further details.

4. Information about the Class B Shares and Warrant

Annex I
R 21.1.4
R 21.1.5
Annex III
R 4.2
R 4.3
R 4.4
R 4.5

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) ten 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 (a) 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 (b) 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 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 (2/3) of the votes cast at the extraordinary General Meeting.

Repurchase of Class B Shares

The Class B Shares are 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.

Annex III
R 4.8

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.

On or after the 5th anniversary of the date of the subscription of Class B Shares, the holder of Class B Shares may transfer such shares freely subject to the Mandatory Repurchase provisions set out in these Articles.

Warrant Instrument

Annex III
R 7.3

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, sixty six point sixty seven per cent. (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, seventy five per cent. (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 twenty five million euro (€25,000,000) comprising two billion (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 resolutions approving the relevant amendment to the Articles i.e. March 19, 2014 (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds (2/3) 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 five million 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 twenty million 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.

5. Summary of the Articles

Annex I
R 21.2.1
R 21.2.2

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 and on its website.

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 Ordinary Shares

The Ordinary Shares are subject to all the provisions of the Articles. Pursuant to the Articles and Luxembourg law, the main rights attached to the Ordinary Shares are described below.

Each Ordinary Share gives entitlement to one vote. Each Ordinary 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 Ordinary 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 rights 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.

The New Shares are subject to a contractual lock-up arrangement. Please see "Lock-up arrangements" in summary item E.5 and Part II Risk Factors (*Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares could depress the market price of the Ordinary Shares*) for further details.

Authorised share capital

The General Meeting has created an authorised share capital of twenty five million euro (€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 resolutions approving the relevant amendment to the Articles, i.e. March 19, 2014 (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds (2/3) 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 five million 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 up to (b) a maximum amount of twenty million 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, Ordinary 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 (2/3) of the votes cast at the relevant shareholders' meeting.

Pursuant to the 1915 Law, Ordinary 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 (2/3) of the votes cast at the relevant meeting.

Luxembourg law provides for the issue of repurchasable shares, which are repurchasable 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 may be repurchased by the Company within the limits set out in the 1915 Law and the Articles.

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

Annex III
R 7.3

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. Certain of the Existing Shares are subject to a lock-up arrangement. The New Shares are subject to the Lock-Up (please refer to element E.5 of the summary under Part I on page 21 for more details). The Lock-Up will only apply as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the shares of the Company in that respect. 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 its 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 Shares 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 (5) 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 fifty per cent. (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 (2/3) of the votes cast at the extraordinary General Meeting.

Without prejudice to stricter provisions in the Articles, in the event of a loss of half the corporate capital, the Board shall convene a General Meeting so that it is held within a period not exceeding two months from the time at which the loss was or should have been ascertained by them and such meetings shall resolve in accordance with the conditions provided in Article 67-1 of the 1915 Law on the possible dissolution of the Company.

The same rules shall be observed where the loss equals at least three quarters of the corporate capital provided that in such case, dissolution shall take place if approved by one fourth of the votes cast at the meeting.

In the event of any infringement of the foregoing provisions, the directors or the members of the management board, as applicable, may be declared personally and jointly and severally liable *vis-à-vis* the company for all or part of the increase of the loss.

In the event of the liquidation, dissolution or winding-up of the Company, the assets (if any) remaining after allowing for the payment of 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 XXI of this Prospectus (*Tax Considerations*).

Shareholder Meetings

Annex I
R 21.2.5

Please also refer to section 6 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 fifty per cent. (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 shareholder commitments or the nationality of the Company must be adopted by a unanimous vote of the shareholders and bondholders. Resolutions 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 are Executive Directors.

All Executive Directors shall be appointed by the General Meeting. Except where Carlyle nominates for appointment an Executive Director to the Board in accordance with its contractual right to do so under the Roll Over Agreement, Executive Directors shall only be appointed 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. Annex I 16.1

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 appoints 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 sections 6 and 10 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.

6. 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 fifty per cent. (50%) of the issued share capital and resolutions are adopted by a two-thirds (2/3) majority, except for a resolution changing shareholder commitments or the nationality of the Company, which requires a unanimous vote by the shareholders and bondholders:

- 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 and the change of the corporate form).

Except in case of a merger, division or operations assimilated thereto pursuant to the 1915 Law, any change to the corporate form or the corporate object of the Company requires approval by the bondholders (in addition to the shareholders, as described above). Such meeting shall not validly deliberate unless at least one half of the securities outstanding are represented and the agenda indicates the proposed amendments. If the first of these conditions is not fulfilled, a second meeting may be convened, in accordance with the conditions laid down in the 1915 Law. At the second meeting, bondholders who are not present or represented shall be regarded as being present and as voting for the proposals of the Board. Certain requirements as set out in the 1915 Law must be complied with on pain of nullity.

At both meetings, resolutions shall be validly passed if they are passed by two thirds (2/3) of the votes cast. Votes cast shall not include votes attaching to bonds in respect of which the bondholder has not taken part in the vote or has abstained or has returned a blank or invalid vote.

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 Ordinary 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 14th day prior to the date of the meeting.

The notice of the meeting shall be circulated no later than on the 30th day, or in case of convening a second meeting due to lack of quorum in the first meeting on the 17th 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. Notices must be published in (i) the Luxembourg official gazette (*Mémorial C*), (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 EEA, and which are accessible rapidly and on a non-discriminatory basis.

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.

7. 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 thirty (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 seventeen (17) days prior to the meeting in (i) the Luxembourg official gazette (*Mémorial C*), (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 EEA . 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 (2/3) 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.

Shareholders may, within certain limits, grant the Board the power to issue new shares. The General Meeting has created an authorised share capital of twenty five million euro (€25,000,000) comprising two billion (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 resolutions approving the relevant amendment to the Articles, i.e. March 19, 2014 (such period being renewable by a decision of the General Meeting resolving with a majority of two-thirds (2/3) 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 five million 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 twenty million 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 authorised 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.

8. 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 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 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.

9. 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.

10. Amendment of the Articles

Annex I
R 21.2.4

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.

11. 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.

12. Disclosure rules

Annex I
R 21.2.7

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 January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market (the "Transparency Law").

Because the Existing Shares are, and the New Shares will be, admitted to trading on a regulated market operating in the Netherlands, the Company is 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 the beginning and six weeks before the end of 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 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. Both the Financial Supervision Act and the Transparency Law contain specific rules intended to prevent insider trading. Pursuant to the Luxembourg law of May 9, 2006 (*relative aux abus 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 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 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%, 33 1/3%, 50% or 66 2/3% 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 (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.

13. Mandatory bids and compulsory acquisition rules relating to Ordinary Shares

Annex III
R 4.9

European Union takeover regulations

The European Directive on Takeover Bids (2004/25/EC) (the "Takeover Directive") has been implemented in the 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 EU 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 EU Member State, the authority competent to supervise the bid for all the remaining shares in the company shall be that of the EU 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, *inter alia*, 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 33 1/3% 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 ninety-five per cent. (95%) of the Company's share capital and 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, following an offer made to all holders of securities of a company, the offeror holds alone or together with persons acting in concert securities representing ninety per cent. (90%) or more of the voting rights in the company a holder of remaining securities may require the offeror to buy such holder's securities from the holder at a fair price.Where a company has issued more than one class of securities, the right of sell-out may only be exercised in the class in which the applicable threshold has been reached. The right of sell-out must be exercised within three months following the date that is allowed for acceptance of the bid.

Luxembourg squeeze-out and sell-out Law

In the absence of a takeover bid pursuant to the Luxembourg Takeover Law, the Luxembourg law of July 21, 2012 on squeeze-out and sell-out of securities (the "Squeeze-out and Sell-out Law") might be applicable. A majority shareholder within the meaning of the Squeeze-out an Sell-out Law is any legal or natural person holding alone or together with persons acting in concert shares in the Company representing ninety-five per cent. (95%) or more of the share capital and voting rights in the Company. Under the Squeeze-out and Sell-out Law, any majority shareholder of the Company may require any minority shareholder to sell his/her securities in the company to the majority shareholder (squeeze out). Likewise, any minority shareholder of the Company may require the majority shareholder to buy the minority shareholder(s) securities (sell-out).

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 section 4 above in relation to the terms and operation of the Warrant Instrument.

Annex I
R 25.1

14. 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 May 9, 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 Luxembourg 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 section 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.

15. Subsidiary undertakings

Annex I
R 7.1
R 7.2

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 International S.à. r.l. (formerly Altice VII S.à r.l.)	Luxembourg	100%
Altice Finco S.A.	Luxembourg	100% owned by Altice International S.à r.l.
Numericable Group S.A.	France	40% owned by Altice France S.A. (upon completion of the Roll Over, Altice France S.A. will own 74,59% of Numericable Group S.A.)
Altice Hispaniola, S.A.S. (resulting from the merger between Altice Dominican Republic II, S.A.S. and ODO)	Dominican Republic	100% owned by Altice Bahamas S.à r.l.
Tricom S.A.	Dominican Republic	100% owned by Altice Bahamas S.à r.l.
Altice Financing S.A.	Luxembourg	100% owned by Altice Finco S.A.
Altice France S.A. (formerly Altice Six S.A.)	Luxembourg	100% owned by the Company
Cool Holding Ltd.	Luxembourg/Israel	100% owned by Altice International S.A.
Global Interlink Ltd.	Bahamas	100% owned by Tricom SA
H. Hadaros 2012 Ltd.	Israel	100% owned by Cool Holding Ltd.
HOT Telecommunication Systems Ltd	Israel	68.62% owned by Cool Holding Ltd and 31.38% 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 International 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	73,984% 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	99.1% owned by Altice Blue One SAS
Altice Caribbean S.à r.l.	Luxembourg	100% owned by Altice Holdings S.à r.l.
Altice Blue Two S.A.S.	France	96% owned by Altice Caribbean S.à r.l.
World Satellite Guadeloupe S.A.	France	99,95% owned by Altice Blue Two S.A.S.
Martinique TV Câble S.A.	France	99,99% 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 S.à r.l.	Luxembourg	100% owned by Altice Holdings S.à r.l.
Sport Lux S.à r.l.	Luxembourg	100% owned by Altice Content
MCS S.A.S.	France	100% owned by Sport Lux S.à r.l.
Sportv S.A.	Luxembourg	100% owned by MCS
Ypso Holding S.à r.l.	Luxembourg	100% owned by Numericable Group SA

16. Major Shareholders

Annex I
R 18.3
Annex III
R. 3.3

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 Significant Shareholder has developed a unique expertise in the telecommunications industry since 1994. The Company's Signficiant 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 July 21, 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:

- Next L.P. holding 140,895,705 Ordinary Shares;
- Carlyle holding 16,617,409 Ordinary Shares;
- The Capital Group Companies, Inc. holding 12,449,641 Ordinary Shares.

17. 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, in the third quarter of 2014, 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) are 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 appointed an executive vice-chairman, who is an Executive Director, and a non-executive vice-chairman, who is an independent Non-Executive Directors. 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. 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 (5) 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	Wananchi	Y
	Director	Titan Consulting	Y
Jérémie Bonnin	Director	Altice Participations GP	Y

Name	Position	Company/Partnership	Position still held (Y/N)
	Director	Next GP	Y
	Director	Uppernext GP	Y
	Manager	CPA Lux	Y
	Director	F300	Y
	Director	Hubgrade	Y
	Director	Knewon	Y
	Director	ONI Maderia	Y
	Director	ONI Açores	Y
	Manager	Vinluam	Y
	Manager	Hamaja	Y
	Manager	Altice VII Bis	Y
	Director	Titan Consulting	Y
	Director	Auberimmo	Y
	Director	Wananchi	Y
	Manager	Altice Securities	Y
	President's Representative	Valvision SAS	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 (5) 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

Annex I
R.14.2
R 17.3

Interests in shares in the Company

On and following Admission, assuming that no further Ordinary Shares have been issued after July 21, 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:

Director	Shareholding	Percentage of issued share capital of the Company
Patrick Drahi (through Next)	140,895,705	56.87 %
Dexter Goei (through Penta)	3,103,983	1.25 %
Dennis Okhuijsen (through Penta)	1,507,797	0.61 %
Jérémie Bonnin (through Penta)	983,823	0.40 %

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

Annex I
R. 15
R. 15.1
R 16.2

The particulars of the appointments of the Executive Directors (and termination provisions) are set out in appointment agreements, brief details of which 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	42	Chief Executive Officer	6 January 2014	Non-Independent	5
Dennis Okhuijsen	44	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.

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.

Non-Executive Directors' Letters of Appointment and Fees

The Company has two independent Non-Executive Directors on the Board. Each of the Non-Executive Directors appointed has entered into a letter of appointment with the Company.

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 of the ordinary shares of the Company on Euronext Amsterdam on January 31, 2014 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 is 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 is 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.

18. Significant change

Other than as disclosed in this Prospectus (see, in particular, Part IX starting on page 110 of this Prospectus (*Pro Forma Financial Information of the Group Unaudited Pro Forma Consolidated Statement of Income of the Group for the Year ended December 31, 2013*), no significant change has occurred in the financial or trading position of the group since December 31, 2013.

19. Litigation and disputes

Annex I
R 20.8

Other than as disclosed in this Prospectus (see Part XVI starting on page 336 of this Prospectus (*Description of Group's Business—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.

20. Material contracts relating to the Admission

Annex I
R 22

On April 5, 2014, the Company and Altice France entered into an agreement with Carlyle and Cinven, according to which the Company and Altice France shall acquire the entirety of shares of common stock of Numericable Group held by Carlyle and Cinven (representing stakes of 21.32% from Carlyle and 13.27% from Cinven). The Board approved the entry by the Company into the agreement and the Roll Over on April 3, 2014 and April 5, 2014.

The aforementioned agreement provides that (i) Altice France will purchase approximately 14% of the shares of common stock of Numericable Group from Carlyle and Cinven (7.50% from Carlyle and 6.50% from Cinven) at a price of €30.50 per share, payment being at the earliest of (a) January 31, 2015 and (b) 6 months after the acquisition by Numericable Group of 100% of the capital of SFR (other than the 10 shares in SFR not held by Vivendi S.A.) and (ii) Carlyle and Cinven will contribute all of their remaining shares in Numericable Group (representing approximately 20.6% of the Numericable Group's shares of common stock) to the Company, in exchange for issuance of 24,751,873 ordinary shares of the Company .

Pursuant to the Roll Over Agreement, one Contributed Share will give right to 0.97 ordinary share of the Company. As a consideration for the Contribution, the Company will issue 24,751,873 ordinary shares of the Company. As a result of the Contribution, Carlyle and Cinven will hold respectively 6,71% and 3,28% of the share capital of the Company.

Upon completion of the Roll Over and on the Completion Date, the Company will contribute the Contributed Shares to Altice France against shares of common stock of Altice France. As a result of the Contribution to Altice France, Altice France will hold approximately 74.6% of the shares of common stock of Numericable Group.

On May 27, 2014, a waiver was granted by the French *Autorité des Marchés Financiers* to Altice France from the obligation to launch a tender offer on all of the Numericable Group's shares of common stock in relation to the Roll Over.

The completion of the Roll Over terminates the shareholders' agreement entered into between Altice France, Carlyle and Cinven, in place since the initial public offering of Numericable Group on the Euronext Paris market of NYSE Euronext in November 2013.

Pursuant to the Roll Over Agreement, Carlyle may, at its own discretion, nominate for appointment by the General Meeting an Executive Director to the Company's Board as long as Carlyle continues to hold more than 5% of the share capital and voting rights of the Company.

The New Shares are subject to the Lock-Up (please refer to element E.5 of the summary under Part I on page 21 for more details). The Lock-Up will only apply as from the date on which the Company implements its first share capital increase as from June 22, 2014 and for which the underwriting banks impose a lock-up on the Shares of the Company in that respect.

21. Related Party Transactions

Annex I
R 19

During the year ended December 31, 2011, 2012 and 2013 we incurred an aggregate of €3.6 million, €6.2 million and €0.6 million in management fees to related parties. These fees are primarily related to consulting services provided on mergers and acquisitions and negotiations with vendors and banks. In addition, we pay a fee to broadcast the news channel i-24 over our networks. I-24 is majority-held by our controlling shareholder, Next L.P. Also, except as disclosed in the notes to the historical consolidated financial statements of the Company included in the Prospectus, we did not have any material transactions with related parties during 2011, 2012 and 2013.

The Group has entered into certain arrangements with Numericable, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the "Numericable" brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. Additionally, except as disclosed in note 31 to the historical consolidated financial statements, the Group did not have any material transactions with related parties during the years ended December 31, 2013 and 2012.

22. 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 New Shares arises or is noted on or before Admission of the New Shares, a supplement to the Prospectus will be published in accordance with article 13 of the Prospectus Law. Any supplement to the Prospectus will be subject to approval by the CSSF.

23. Consents

Annex III
R 10.3

Deloitte Audit S.à r.l. has given and not withdrawn its written consent to the inclusion in this Prospectus of the Report (reproduced in Part VI of the Prospectus "*Details of the issuance, listing and admission to trading*"), its accountants' reports as included in Part XXV of this Prospectus and its report concerning the pro forma financial information as included in Part XXV 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.

For the purposes of article 14 2(b) of the Prospectus Directive, the Prospectus will be available in printed form and available free of charge as of the date of approval of this Prospectus by the CSSF 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 https://www.altice.net,.

24. 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 January 3, 2014 and shall end on December 31, 2014.

25. 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.

26. 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 B 67.895 and who is a member of the *Institut des Réviseurs d'Entreprises* Luxembourg.

Annex I
R 2.1
Annex I
R23.1
Annex III
R 10.3

PART XXIII
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 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.
“ARPU”	Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realising revenues from subscribers. ARPU is calculated by dividing the revenue (for the services provided, in each case including the proportional allocation of the bundling discount) for the respective period by the average number of RGUs for that period and further by the number of months in the period. The average number of RGUs is calculated as the number of RGUs on the first day in the respective period plus the number of RGUs on the last day of the respective period, divided by two. This definition may be different for other companies, including SFR.
“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 Internet”	Any circuit that can transfer data significantly faster than a dial-up phone line.
“churn”	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).
“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.
“FTTx”	Fiber optic infrastructure
“HD”	High definition.
“HFC”	Hybrid fiber coaxial.
“HSPA”	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
“IMS”	IP Multimedia Subsystem.
“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.
“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 fiber) 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
“MHz”	Megahertz; a unit of frequency equal to one million Hertz.
“Mbps”	Megabits per second; each megabit is one million bits.
“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.
“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 fiber optic or metallic cable or point to point radio connections.
“PVR”	Personal video recording
“RGU”	Revenue Generating Unit. 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 infrastructure access are counted on a per source service basis and RGUs for fixed-line telephony are counted on a per line basis. Mobile RGUs is equal to the net number of lines or SIM cards that have been activated on our mobile network.
“triple-play”	Where a customer has subscribed to a combination of three products, digital cable television, broadband Internet and fixed telephony services, from us.
“UMTS”	Universal Mobile Telecommunications Service, a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards.
“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.

PART XXIV
DEFINITIONS

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

Definitions of certain terms 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 XXIII of this Prospectus on page 556 of this Prospectus ("Glossary").

"1915 Law" refers to the Luxembourg law of August 10, 1915 on commercial companies, as amended.

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

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

"2012 Senior Notes" refers to the $425 million aggregate principal amount of 97/8% senior notes due 2020 issued by Altice Finco under the 2012 Senior Notes Indenture.

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

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

"2012 Senior Secured Notes" collectively refers to the €210 million aggregate principal amount of 8% senior secured notes due 2019 and the $460 million aggregate principal amount of 77/8% senior secured notes due 2019 issued by Altice Financing under the 2012 Senior Secured Notes Indenture.

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

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

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

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

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

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

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

"2013 Dollar Senior Secured Notes" refers to the $900 million aggregate principal amount of $6^1/_2$% Senior Secured Notes due 2022 issued by Altice Financing on December 12, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Acquisition" refers to the purchase by Altice France of approximately 7.50% of the shares of common stock of Numéricable Group S.A. from Carlyle and 6.50% of the shares of common stock of Numéricable Group S.A. from Cinven at a price of EUR 30.50 per share, payment being at the earliest of (a) January 31, 2015 and (b) 6 months after the acquisition by Numericable Group of 100% of the capital of SFR (other than the 10 shares in SFR not held by Vivendi S.A.).

"Acquisition Agreement" has the meaning ascribed to it in "*Recent developments*".

"Admission" means the admission of the New Shares to Euronext Amsterdam and the trading of the New Shares on Euronext Amsterdam on or about July 25, 2014.

"AFM" meansthe Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Altice Vivendi Shareholders’ Agreement” has the meaning ascribed to it in “*Recent developments*”.

“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.

“Amended EU Parent-Subsidiary Directive” refers to Council Directive 90/435/EEC of July 23, 1990, as amended.

“ARCEP“ refers to the *French Autorité de Régulation des Communications Electroniques et des Postes*.

“Articles” means the Articles of Association of the Company.

“Auberimmo” refers to a french simplified joint stock company *société par actions simplifiées*, incorporated under the laws of France.

“Audit Committee” refers to the audit committee of the Company.

“Beneficiary” refers to Altice France.

“Binding Nomination Right” has the meaning ascribed to it in item 2 named “*Corporate Governance*” under sub-heading named “*Management*”.

“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.

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

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

“CEO” refers to the chief executive officer of the Company.

“Chairman” or “Executive Chairman” refers to the Executive Chairman of the Company, Mr Patrick Drahi, whose details are set out in Part X of this Prospectus.

“Chief Executive Officer” or “CEO” refers to the Chief Executive Officer of the Company, Mr Dexter Goei whose details are set out in Part X of this Prospectus.

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

“Cinven Carlyle Roll Over” has the meaning ascribed to it in “*Recent developments*”.

“CIT” refers to Luxembourg corporate income tax (*impôt sur le revenu des collectivités*).

"Class B Lock-up" has the meaning ascribed to it in "*Description of restrictions on free transferability*".

"Class B Shares" means, if issued, shares of the Company, having a nominal value of one euro cent (EUR 0,01.-) each.

"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 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.

"Collateral" refers to the collateral securing the Notes as described in "*The Offering—Security*".

"Combined France Group" refers to Numericable Group and its subsidiaries after giving effect to the Transactions, including SFR and its subsidiaries.

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

"Completion Date" has the meaning ascribed to it in "*Recent developments*".

"Contribution" refers to the contribution by Carlyle and Cinven of the Contributed Shares to the Company in exchange for the issuance of 24,751,873 New Shares following the Acquisition.

"Contribution in Kind" refers to the contribution by Carlyle and Cinven on or about July 22, 2014 of the Contributed Shares to the Company on the basis of a share exchange ratio of 0.97 New Shares for each Contributed Share.

"Contributed Shares" refers to the 25,517,396 shares in aggregate in Numéricable Group S.A. held by Calyle and Cinven following the Acquisition, such shares representing approximately 20.6% of the Numéricable Group's shares of common stock.

"Contribution to Altice France" refers to the contribution by the Company of the Contributed Shares to Altice France against shares of common stock of Altice France upon completion of the Roll Over.

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

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

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

"Corporate Opportunities" refers to all new opportunities that Patrick Drahi believes are capable of execution and relating to a Relevant Opportunity and which he must present to the Board 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.

"CSSF" refers to the Luxembourg supervisory authority for the financial sector, the *Commission de Surveillance du Secteur Financier*.

"Directors" means the directors of the Company whose name appears on page 131 of this Prospectus.

"Dollar Notes" refers to the $2,900 million Senior Notes due 2022.

"Durational Exercise Event" means (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 any renewal of the authorised capital set out in the Articles.

"Dutch Takeover Decree" refers to *Besluit openbare biedingen Wft*.

"Employees Investment Shares" means any shares issued by the Company to its officers, managers and employees under the investment plan further detailed on page 136 of the Prospectus.

"Escrow Accounts" has the meaning ascribed to it in "*The Offering—Escrow of Proceeds; Special Mandatory Redemption*."

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

"Escrow Agreement" refers to the escrow agreement entered into between, among others, the Company and the Escrow Agent in connection with the funding of the proceeds of the Notes into segregated escrow accounts as described in "*Recent developments.*"

"EU" refers to the European Union.

"EU Directive" or "EU Directives" means legal instruments of the European Union which requires Member States to achieve a particular result within their internal legal system.

"EU Insolvency Regulation" refers to EC Regulation 1346/2000 of May 29, 2000 on insolvency proceedings.

"EU Member State" means a member state of the European Union.

"Euro" or "€" means the euro.

"Euro Notes" refers to the €2,075 million Senior Notes due 2022.

"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 NYSE Euronext in Amsterdam.

"European Economic Area or EEA" refers to the European Union, Iceland, Norway and Liechtenstein.

"European Union" or "EU" refers to an economic and political union of 28 EU Member States which are located primarily in Europe.

"Exchange Ratio" refers to the exchange ratio of 0,97 (rounded number) New Shares that will be issued in exchange for each Contributed Share on or around July 22, 2014.

"Executive Director(s)" refers to the executive director(s) of the Company.

"Executive Vice-Chairman" refers to the executive vice-chairman of the Company.

"Exercise Event" means a High Threshold Exercise Event or a Low Threshold Exercise Event (as the case may be).

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

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

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

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

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

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

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

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

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

"Existing Shares" refers to the ordinary shares of €0.01 each in the Company that were issued prior the the Issuance and listed on Euronext Amsterdam on or as of January 31, 2014 and which have been traded on that regulated market since that that.

"Extraordinary General Meeting" has the meaning ascribed to it in "*General Meeting*".

"Financial Supervision Act" refers to *wet op het financieel toezicht*.

"Five Arrows Funds" refers to Five Arrows Investments S.C.A., SICAR, Arrows Investments S.à.r.l. SICAR and Five Arrows Capital GP Limited.

"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.

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

"Grantors" refers to Carlyle and Cinven.

"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.

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

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

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

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

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

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

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

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

"HOT Telecom" refers to HOT Telecom Limited Partnership.

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

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

"Indotel" refers to the Dominican Institute for Telecommunications.

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

"Issuance" refers to the issuance by the Company of 16,617,409 New Shares of the Company to Carlyle and 8,134,464 New Shares of the Company to Cinven in exchange for the Contribution in Kind on or about July 22, 2014.

"Issue Date" refers to May 8, 2014.

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

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

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

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

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

"Liquidation Proceeeds refers to the assets (if any) remaining after payment of all liabilities in the event of a liquidation, dissolution or winding-up of the Company.

"Lock-Up" has the meaning ascribed to it in Part IX (*Directors, Senior Management, Employees And Corporate Governance*).

"Low Threshold Exercise Event" occurs when either: (i) the shareholding of any holder of Ordinary Shares, excluding Next L.P. (or the shareholding of any holder of Ordinary Shares, excluding Next L.P., 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 and Class B Shares, if issued; or (ii) a Durational Exercise Event occurs.

"LSE" refers to the Luxembourg Stock Exchange.

"LTI Telecom" refers to LTI Telecom SA, a French *société anonyme*.

"Luxembourg" refers to the Grand Duchy of Luxembourg.

"Luxembourg Market Abuse Law" refers to the law of May 9, 2006 on market abuse.

"Master Agreement" has the meaning ascrided to it in "Recent developments".

"MBT" refers to Luxembourg municipal business tax (*impôt commercial communal*).

"MiFID" refers to Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments.

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

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

"Mobius Managers" refers to Managers of Mobius reinvested in Mobius acquisition– to be checked with Ropes how this is defined in the last version of OM.

"MVNOs" refers to Mobile Virtual Network Operators.

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

"New Numericable Senior Secured Notes" refers to the €7,873 million (equivalent) aggregate principal amount of Senior Secured Notes to be issued by Numericable on the Issue Date.

"New Outremer Shareholders' Arrangements" refers to the shareholders' arrangements, at the level of Altice SA, Altice Caribbean and Altice Blue Two entered into between Altice, the Outremer Minority Shareholders and the Mobius Managers on March 11, 2014.

"New Shares" refers to the newly issued ordinary shares of €0.01 each in the Company of which 16,617,409 will be issued to Carlyle and 8,134,464 will be issued to Cinven on or about July 22, 2014 in exchange for a Contribution in Kind.

"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.

"Non-Executive Chairman" refers to a non-executive vice-chairman of the Company.

"Non-Executive Director(s)" means a non-executive director of the Company as listed in Part X of the Prospectus.

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

"Notes Completion Date" the date on which the proceeds of the Notes are released from escrow.

"Numericable" refers to Numericable Group S.A.

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

"Numericable February 2012 Notes" refers to the $12^3/_8$% senior secured notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on February 14, 2012 in an aggregate principal amount of €360.2 million.

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

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

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

“Numericable Group Transactions” has the meaning ascribed to it in “*Recent developments*”.

“Numericable IPO” means the initial public offering of the shares of the Numericable Group in November 2013.

“Numericable October 2012 Notes” refers to the existing $8^3/_4$% Senior Secured Notes due 2019 that were issued by Numericable Finance & Co. S.C.A. on October 25, 2012 in an aggregate principal amount of €225.0 million.

“Numericable Refinancing Transactions” has the meaning ascribed to it in “*Recent developments*”.

“Numericable Rights Issue” has the meaning ascribed to it in “*Recent developments*”.

“Numericable Shares” refers to the contribution in kind of 25,517,396 shares in Numericable Group in exchange for the issuance of the New Shares by the Company to Carlyle and Cinven on or about July 22, 2014.

“NWT” refers to Luxembourg net wealth tax (*impôt sur la fortune*).

“ODO” refers to Orange Dominicana S.A.

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

“Offer” refers to the offer submitted on April 5, 2014 by Numericable to acquire 100% of the capital of SFR, other than 10 shares in SFR not held by Vivendi (and all of the shares of another subsidiary of Vivendi, SIG, 50).

“Omer Telecom” refers to Omer Telecom Limited, a private limited company, which is the holding company of the entity operating as telecom operator under the Virgin Mobile brand in France.

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

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

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

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

“Ordinary Shares” or “Shares” means ordinary shares of €0.01 each in the Company comprising the Existing Shares and the New Shares.

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

“Outremer Minority Shareholders” refers to managers of Outremer Telecom group, who reinvested in the Outremer Telecom acquisition - to be checked with Ropes how this is defined in the last version of OM.

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

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

“Pechel Funds” refers to FCPR Pechel Industries II, FCPR Pechel Industries II bis, FCPR Pechel Industries III, and FCPR Pechel Cablo-Invest.

“Persons Discharging Senior Managerial Responsabilities” has the meaning ascribed to it in “Disclosure of Insider Transactions”.

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

“Post-Transaction Pro Forma Financial Information” refers to financial information derived from the Unaudited Pro Forma Financial Information of the Company (giving effect to significant acquisitions completed on or before December 31, 2013 as if such acquisitions had occurred by January 1, 2013) as of and for the year December 31, 2013 and after giving effect to each of the Transactions, including the SFR Debt, the ODO Acquisition and the Numericable Acquisition, but without giving effect to the Mobius Acquisition, the Tricom Acquisition, the SFR Acquisition and the Virgin Mobile Acquisition.

“Pre-Transaction Pro Forma Financial Information” refers to financial information derived from the Unaudited Pro Forma Financial Information of the Company (giving effect to significant acquisitions completed on or before December 31, 2013 as if such acquisitions had occurred on January 1, 2013) as of and for the year ended

December 31, 2013, but without giving effect to the ODO Acquisition, the Tricom Acquisition, the Mobius Acquisition, the Numericable Acquisition, the SFR Acquisition, the SFR Debt or the Virgin Mobile Acquisition.

"Prospectus" refers to this prospectus dated July 21, 2014.

"Prospectus Directive" refers to the directive of the European Parliament and Council of November 4, 2013 on the prospectus to be published when securities are offered to the public or admitted to trading (2003/71/EC), as amended.

"Prospectus Law "refers to the Luxembourg law of July 10, 2005 relating to prospectuses for securities (as amended).

"Prospectus Regulation" refers to Commission Regulation (EC) 809/2004 of April 29, 2004, as amended.

"Register" refers to the register of shareholders of the Company.

"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.

"Remuneration Committee" refers to the remuneration committee of the Company.

"Report" refers to the report prepared by Deloitte Audit S.à r.l. as independent auditor in relation to the Contribution in Kind.

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

"Roll Over" refers to the Acquisition and the Contribution.

"Roll Over Agreement" refers to the agreement entered into by the Company, Altice France, Carlyle and Cinven, according to which the Company and Altice France shall acquire the entirety of shares of common stock of Numericable Group held by Carlyle and Cinven (representing stakes of 21.32% from Carlyle and 13.27%) from Cinven) on April 5, 2014.

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

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

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

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

"SFR Acquisition" has the meaning ascribed to it in "*Recent developments*."

"SFR Acquisition Completion Date" refers to the date of completion of the SFR Acquisition.

"SFR Debt" means the issuance by the Company of the following notes in order to finance the SFR Acquisition: (i) 73/4% $2,900 million Senior Notes due in 2022, (ii) 71/4% €2,075 million Senior Notes due in 2022; and the issuance by subsidiaries of the Company, for the same purpose, of the following notes: (iii) 9% € 250 million Senior Secured Notes falling due in 2023, (iv) 61/2% $900 million Senior Secured Notes due in 2022, (v) 81/8% $400 million Senior Secured Notes due in 2024, (vi) 47/8% €2,400 million Senior Secured Notes due in 2019, (vii) 53/8% €1,000 million Senior Secured Notes due in 2022; (viii) 6% €4,000 million Senior Secured Notes due in 2022; (ix) 55/8% €1,250 million Senior Secured Notes due in 2024; and (x) 61/4% €1,375 million Senior Secured Notes due in 2024; "SIG 50" refers to SIG 50, a French corporation incorporated as a *société anonyme*, registered under identification number 421 345 026 Paris and its subsidiaries.

"SPV1" refers to H. Hadaros 2012 Ltd.

"Significant Shareholder" means Next L.P.

"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.

"Takeover Directive" refers to the directive of the European Parliament and Council on takeover bids (2004/25/EC).

"Transaction" refers to the Contribution.

"Transactions" refers to the description of the recent transactions undertaken by the Company or members of the Group as set out in Part XVIII "*Overview of General Information – Recent Developments*".

"Transparency Law" refers to the Luxembourg law dated January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regaluted market.

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

"Tricom Acquisition" refers to the acquisition by Altice Dominican Republic SAS of Tricom which occurred in March 12, 2014.

"Tricom Sellers" refers to Hispaniola Telecom Holdings.

"Tricom Purchase Agreement" refers to the purchase agreement dated October 31, 2013 entered into between Altice Caribbean and the Tricom Sellers.

"Tricom Purchaser" refers to Altice Dominican Republic.

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

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

"Valvision" refers to. a french simplified joint stock company *société par actions simplifiées*, incorporated under the laws of France.

"Virgin Mobile Acquisition" refers to the acquisition by Numericable of Omer Telecom Limited.

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

"Warrant" means the warrant over Class B Shares issued by the Company pursuant to the Warrant Instrument.

"Warrant Holder" refers to the Next L.P.

"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.

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

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

INDEX OF FINANCIAL INFORMATION

NUMERICABLE GROUP

Page

French Version

English Version

French Version

English Version

SFR

French Version

English Version

ORANGE DOMINICANA, S.A.

ALTICE S.A.

MARCH 31, 2014 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 PRO-FORMA FINANCIAL INFORMATION

Unaudited Illustrative Aggregated Selected Combined Financial Information

ALTICE S.A.

KPMG Audit
Le Belvédère
1 Cours Valmy
CS 50034
92923 Paris La Défense Cedex
France

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine
France

Numericable Group S.A.

Rapport des commissaires aux comptes sur les comptes consolidés

Exercice clos le 31 décembre 2013
Numericable Group S.A.
Tour Ariane – 5 Place de la Pyramide – 92088 Paris La Défense Cedex
Ce rapport contient 80 pages

KPMG

KPMG Audit
Le Belvédère
1 Cours Valmy
CS 50034
92923 Paris La Défense Cedex
France

Deloitte.

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine
France

Numericable Group S.A.

Siège social : Tour Ariane – 5 Place de la Pyramide – 92088 Paris La Défense Cedex
Capital social : €.123 942 012

Rapport des commissaires aux comptes sur les comptes consolidés

Exercice clos le 31 décembre 2013

Mesdames, Messieurs, les actionnaires,

En exécution de la mission qui nous a été confiée par vos statuts et votre Assemblée générale, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2013, sur :

- le contrôle des comptes consolidés de la société Numericable Group S.A., tels qu'ils sont joints au présent rapport ;
- la justification de nos appréciations ;
- la vérification spécifique prévue par la loi.

Les comptes consolidés ont été arrêtés par le Conseil d'administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes consolidés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur les points suivants exposés dans les notes de l'annexe aux comptes consolidés :

- Les notes 1.2 « Bases de préparation des comptes consolidés » et 1.3 « Informations comparatives » exposent respectivement le traitement comptable des opérations d'apports constitutives du groupe ainsi que leur incidence sur la préparation et la présentation des comptes consolidés et leurs données comparatives ;
- les notes 4.1.2 « Introduction en bourse et augmentations de capital » et 4.1.6 « Refinancements de la dette senior » exposent les opérations d'introduction en bourse et de refinancement intervenues en fin d'année 2013 et leur incidence sur les hypothèses retenues pour l'application du principe de continuité d'exploitation du groupe tel que décrit dans la note 1.5 « Hypothèse de continuité d'exploitation » ;
- les notes 1.3 « Informations comparatives » et 2.1 « Principes de préparation des comptes consolidés » exposent le changement de méthode comptable résultant de la première application de la norme IAS 19 révisée « Avantages du personnel ».

2 Justification des appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

La note 3 « Principes comptables significatifs et principales sources d'incertitude relatives aux estimations » de l'annexe aux comptes consolidés expose les principes comptables significatifs et principales sources d'incertitudes relatives aux estimations. Cette note précise également que les circonstances et les résultats futurs pourraient conduire à des changements d'estimations ou d'hypothèses susceptibles d'affecter la situation financière, le compte de résultat et les flux de trésorerie futurs du Groupe. Parmi ces estimations significatives, figurent notamment les écarts d'acquisition et les actifs d'impôts différés :

- La société procède systématiquement, à chaque clôture, à des tests de perte de valeur des écarts d'acquisition selon les modalités décrites dans les notes 2.14 « Dépréciation d'actifs » et 3 « Principes comptables significatifs et principales sources d'incertitude relatives aux estimations » de l'annexe aux comptes consolidés.

  Nous avons examiné les modalités de mise en œuvre de ces tests de pertes de valeur ainsi que les prévisions de flux de trésorerie et hypothèses utilisées et nous avons vérifié que la note 16 « Tests de dépréciation » de l'annexe aux comptes consolidés donne une information appropriée.

- Le Groupe présente à l'actif de son bilan des impôts différés actifs pour un montant de 132,7 millions d'euros au 31 décembre 2013 tel qu'exposé dans la note 4.1.7 « Impôts différés activés » de l'annexe aux comptes consolidés.

  Nous avons apprécié les données et les hypothèses sur lesquelles se fondent les prévisions d'utilisation des déficits fiscaux reportables, revu les calculs effectués par la société et vérifié que les notes 3, 4.1.7 et 12 donnent une information appropriée.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

3 Vérification spécifique

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, à la vérification spécifique prévue par la loi des informations relatives au groupe données dans le rapport de gestion.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Les commissaires aux comptes

Paris La Défense, le 2 avril 2014	Neuilly-sur-Seine, le 2 avril 2014
KPMG Audit *Département de KPMG S.A.*	Deloitte & Associés
Grégoire Menou *Associé*	Christophe Saubiez *Associé*

Numericable Group

Comptes consolidés

De l'exercice clos le 31 décembre 2013

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

Numericable Group
COMPTE DE RESULTAT CONSOLIDE

(en milliers d'euros)	Notes	**2013**	**2012**
Chiffre d'affaires	6	**1 314 242**	**1 302 425**
Achats externes	7	(611 016)	(602 121)
Charges de personnel	8	(154 631)	(141 475)
Impôts et taxes		(33 896)	(32 396)
Provisions		(20 466)	(6 219)
Autres produits opérationnels	9	86 321	89 229
Autres charges opérationnelles	10	(20 466)	(17 178)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)		**560 088**	**592 265**
Amortissements et dépréciations		(304 042)	(291 724)
Résultat d'exploitation		**256 046**	**300 541**
Produits financiers	11.1	9 704	4 326
Coût de l'endettement brut		(184 839)	(183 057)
Autres charges financières	11.2	(148 513)	(32 699)
Résultat financier	11	**(323 648)**	**(211 430)**
Charges (Produits) d'impôts sur les sociétés	12	132 792	(2 486)
Résultat des sociétés mises en équivalence	17	(484)	(199)
Résultat net des activités poursuivies		**64 706**	**86 426**
Résultat net des activités cédées ou en cours de cession		-	-
Résultat net		**64 706**	**86 426**
- Attribuable aux propriétaires de l'entité		64 550	86 377
- Attribuable aux participations ne donnant pas le contrôle		156	49
Résultat par action (en euros) attribuable aux propriétaires de l'entité	22.3		
Résultat net			
- de base		0,56	0,76
- dilué		0,56	0,76

Numericable Group
ETAT CONSOLIDE DES AUTRES ELEMENTS DU RESULTAT GLOBAL

(en milliers d'euros)	**2013**	**2012**
Résultat net attribuable aux propriétaires de l'entité	**64 550**	**86 377**
Éléments susceptibles d'être reclassés ultérieurement en résultat :		
Réserves de conversion	-	-
Variation de juste valeur des actifs financiers disponibles à la vente	-	-
Impôt sur éléments reconnus directement dans les autres éléments du résultat global	-	-
Éléments qui ne seront pas reclassés ultérieurement en résultat :		
Ecarts actuariels (1)	(458)	(1 496)
Impôt sur éléments reconnus directement dans les autres éléments du résultat global	-	-
Autres éléments du résultat global attribuable aux propriétaires de l'entité	**64 092**	**84 881**

Dans la mesure où le Groupe exerce ses activités exclusivement en France, la devise fonctionnelle et de présentation de toutes les entités du Groupe est l'euro. Par conséquent, aucune réserve de conversion n'a été constatée aux 31 décembre 2013 et 2012.

Les actifs financiers disponibles à la vente sont composés d'investissements divers dans des entités non cotées et qui ne sont pas incluses dans la consolidation (voir note 17) et pour lesquels le groupe ne dispose d'aucun élément fiable pour déterminer une juste valeur différente de sa quote part des capitaux propres. Ces investissements n'étant pas significatifs, ils sont évalués au coût historique et, par conséquent, aucune variation de juste valeur n'est reflétée dans l'état consolidé du résultat global.

(1) Comme indiqué en Note 2.1, le Groupe a appliqué la norme IAS 19R au 1er janvier 2013, en comptabilisant les écarts actuariels au poste « Autres éléments du résultat global ».

L'application d'IAS 19R a ainsi résulté en un changement de méthode comptable qui a été également reflété sur les comptes de 2012 (se référer également à la Note 1.3).

Numericable Group
BILAN CONSOLIDE

(en milliers d'euros)	Notes	**31 décembre 2013**	**31 décembre 2012**
ACTIF			
Ecarts d'acquisition	13	1 483 628	1 458 686
Autres immobilisations incorporelles	14	307 362	326 187
Immobilisations corporelles	15	1 464 763	1 389 932
Titres mis en équivalence	17	2 893	3 377
Autres actifs financiers non courants	18	7 263	6 831
Impôts différés actifs	12	132 662	-
Total de l'actif non courant		**3 398 571**	**3 185 013**
Stocks	19	49 568	45 609
Créances clients et autres créances	20	402 888	417 371
Autres actifs financiers courants	18	4 020	4 034
Créances d'impôts	12	3 410	6
Trésorerie et équivalents de trésorerie	21	101 365	7 996
Actifs destinés à être cédés		-	-
Total de l'actif courant		**561 251**	**475 016**
TOTAL ACTIF		**3 959 822**	**3 660 029**

(en milliers d'euros)	Notes	**31 décembre 2013**	**31 décembre 2012**
PASSIF ET CAPITAUX PROPRES			
Capital social		123 942	-
Prime d'émission		2 108 037	-
Réserves		(1 978 611)	-
Capitaux propres attribuables aux propriétaires de la société mère (a)		**253 368**	**(287 364)**
Capitaux propres attribuables aux participations ne donnant pas le contrôle		193	33
Total des Capitaux propres	22	**253 561**	**(287 331)**
Passifs financiers non courants	23	2 701 894	2 926 343
Provisions non courantes	24/25	73 633	63 973
Impôts différés passifs	12	-	-
Autres passifs non courants	26	102 585	111 266
Total des passifs non courants		**2 878 112**	**3 101 582**
Passifs financiers courants	23	64 249	114 732
Provisions courantes	24/25	6 411	2 409
Dettes fournisseurs et autres passifs courants	27	757 418	726 033
Dettes d'impôts sur les sociétés	12	71	2 604
Passifs destinés à être cédés		-	-
Total des passifs courants		**828 149**	**845 778**
TOTAL PASSIF ET CAPITAUX PROPRES		**3 959 822**	**3 660 029**

(a) Se référer au tableau de variation des capitaux propres consolidés pour obtenir le passage des capitaux propres combinés au 31 décembre 2012 (se référer à la Note 1.2) aux capitaux propres consolidés au 31 décembre 2013.

Numericable Group
TABLEAU DE VARIATION CONSOLIDE DES CAPITAUX PROPRES

(En milliers d'euros)	Capital	Primes	Réserves	Capitaux propres attribuables aux propriétaires de la société mère	Capitaux propres attribuables aux participations ne donnant pas le contrôle	Total des Capitaux propres
Capitaux propres combinés au 31 décembre 2011	-	-	**(372 233)**	**(372 233)**	**(57)**	**(372 290)**
Dividendes payés						
Résultat global	-	-	84 881	84 881	49	84 930
Emissions d'actions	-	-	-	-	-	-
Acquisition de participations ne donnant pas le contrôle	-	-	(12)	(12)	41	29
Capitaux propres combinés au 31 décembre 2012	-	-	**(287 364)**	**(287 364)**	**33**	**(287 331)**
Dividendes payés	-	-	-	-	-	-
Résultat global	-	-	64 092	64 092	156	64 248
Apports de Ypso et Altice B2B (1)	113 772	1 881 717	(1 995 489)	-	-	-
Emissions d'actions nouvelles (2)	10 170	226 320	-	236 490	-	236 490
Plan de stock options (3)	-	-	640	640	-	640
Transactions avec les actionnaires (4)	-	-	239 508	239 508	-	239 508
Autres	-	-	2	2	4	6
Capitaux propres consolidés au 31 décembre 2013	**123 942**	**2 108 037**	**(1 978 611)**	**253 368**	**193**	**253 561**

(1) Correspond aux apports d'Ypso Holding Sàrl et Altice B2B Luxembourg Sàrl à Numericable Group ayant résulté en une augmentation de capital de 1 995,5 millions d'euros (se référer à la note 4.1.1) ;

(2) Correspond aux augmentations de capital réalisées dans le cadre de l'introduction en bourse de la société (offre au public pour 250 millions d'euros et offre réservée aux salariés pour 1 million d'euros) diminuées des frais engagés dans le cadre de l'IPO qui ont été imputés sur la prime d'émission pour 14,6 millions d'euros (ces frais ayant été comptabilisés sans effet d'impôt) (se référer à la note 4.1.2) ;

(3) Correspond au coût du plan de stock options attribué en date du 7 novembre 2013 au profit de certains mandataires sociaux et salariés du Groupe (se référer à la note 4.1.3) ;

(4) Correspond à l'extinction des dettes envers les actionnaires dans le cadre des apports à Numericable Group effectués préalablement à l'introduction en bourse (Super PECs), se référer également à la Note 4.1.1.

Numericable Group

TABLEAU DES FLUX DE TRESORERIE CONSOLIDES

(en milliers d'euros)	**Note**	**31 décembre 2013**	**31 décembre 2012**
Résultat net des activités poursuivies		**64 706**	**86 426**
Eléments non monétaires sans incidence sur la trésorerie			
Résultat des sociétés mises en équivalence	17	484	199
Amortissements et dépréciations		316 920	286 993
Gains et pertes sur cessions d'actifs	9-10	9 688	3 565
Charge (produit) d'impôts sur les sociétés	12.1	(132 792)	2 486
Coût de l'endettement brut	11	184 839	183 516
Autres éléments non monétaires (1)		110 073	3 028
Variation du besoin en fonds de roulement et autres décaissements			
Variation du besoin en fonds de roulement		20 653	(31 911)
Impôts sur les sociétés décaissés		(4 292)	(3 342)
Flux net de trésorerie générés par les activités opérationnelles		**570 279**	**530 960**
Acquisitions d'immobilisations corporelles et incorporelles (2)	14-15	(330 090)	(299 890)
Produits de cession d'actifs corporels et incorporels	9	5 078	3 816
Diminution (augmentation) des prêts et autres actifs financiers		(568)	(3 440)
Investissements dans des entités comprises dans le périmètre de consolidation net de la trésorerie acquise (3)	4.1.4 4.1.5	(27 337)	(6)
Subventions reçues		10 260	14 303
Flux net de trésorerie net affectés aux opérations d'investissements		**(342 657)**	**(285 217)**
Augmentations de capital de la société mère (4)	4.1.2	236 490	-
Emissions d'emprunts (5)	4.1.6	797 223	830 975
Remboursements d'emprunts (6)	4.1.6	(987 420)	(957 189)
Intérêts décaissés		(180 546)	(152 113)
Flux net de trésorerie affectés aux opérations de financement		**(134 253)**	**(278 327)**
Flux net de trésorerie des activités poursuivies		**93 369**	**(32 584)**
Flux net de trésorerie des activités cédées ou en cours de cession		-	-
Variation nette de la trésorerie et des équivalents de trésorerie		**93 369**	**(32 584)**
Trésorerie et équivalents de trésorerie à l'ouverture		**7 996**	**40 580**
Trésorerie et équivalents de trésorerie à la clôture		**101 365**	**7 996**

(1) Au titre de l'exercice 2013, les autres éléments non monétaires correspondent principalement :
- aux frais d'extinction des dettes actionnaires (« premiums » relatifs à l'extinction des Super Pecs) pour 81,6 millions d'euros (se référer à la note 4.1.1);
- à l'étalement des frais sur emprunt selon la méthode du coût amorti, sans effet sur la trésorerie, pour 20,0 millions d'euros.

(2) Les investissements corporels et incorporels financés par location financement pour un montant de 39 millions d'euros (21 millions d'euros au 31 décembre 2012) sont sans effet sur le tableau des flux de trésorerie lors de l'acquisition.

(3) Correspond principalement au prix payé dans le cadre des acquisitions de LTI (25,5 millions d'euros) et Valvision (3,3 millions d'euros) net de la trésorerie acquise (1,5 millions d'euros). Se référer également aux notes 4.1.4 et 4.1.5.

(4) Correspond aux augmentations de capital réalisées dans le cadre de l'introduction en bourse de la société (offre au public pour 250 millions d'euros et offre réservée aux salariés pour 1 million d'euros) diminuées des frais engagés dans le cadre de l'IPO pour 14,6 millions d'euros (se référer à la note 4.1.2).

(5) Correspond principalement à la mise en place de la nouvelle tranche D pour 800 millions d'euros nets des frais sur emprunts décaissés pour 10 millions d'euros (se référer également à la Note 4.1.6).

(6) Ce montant correspond principalement aux dettes éteintes lors du refinancement de décembre 2013 (emprunts obligataires pour 480 millions d'euros, dette senior Altice B2B pour 451 millions d'euros (se référer également à la Note 4.1.6).

1 Bases de préparation des états financiers consolidés

1.1 Présentation de Numericable Group

Numericable Group (ci après « **La société** ») est une société anonyme de droit français constituée en août 2013 et dont le siège social est situé en France.

Le 7 Novembre 2013, Numericable Group a reçu, dans le cadre du projet d'introduction en bourse de la société, l'apport de deux holdings constituées au Luxembourg, Ypso Holding S.à.r.l et Altice Lux Holding S.à.r.l., respectivement sociétés-mères d'Ypso France et d'Altice B2B France.

Ypso France, qui englobe l'activité commerciale Numericable, est un fournisseur français de services de télévision par câble au travers de bouquets de chaines de télévision numériques haut de gamme, accessibles aux ménages bénéficiant d'une connexion dite « triple play » au réseau câblé. Ypso France fournit également des services Internet à large bande passante au marché français résidentiel et des services de téléphonie fixe et mobile.

Altice B2B France, au travers de Completel, sa principale entité opérationnelle, gère le plus grand réseau alternatif *« FTTO »* français (pour « fiber-to-the-office », « fibre-pour-le-bureau ») et constitue le troisième réseau alternatif *Digital Subscriber Line* (« DSL ») français. En reliant directement les sites des clients professionnels aux réseaux de fibres et DSL, Completel SAS fournit à la clientèle professionnelle une offre de services complète qui comprend le transfert de données et l'Internet à très haut débit, des services de télécommunications, ainsi que des solutions de convergence et de mobilité.

1.2 Bases de préparation des Comptes Consolidés

Les Comptes consolidés pour l'exercice clos le 31 décembre 2013 qui se composent d'un bilan consolidé, d'un compte de résultat consolidé, d'un état consolidé du résultat global, d'un tableau des flux de trésorerie consolidé, d'un tableau de variation des capitaux propres consolidés et des notes annexes afférentes, ont été préparés conformément aux normes comptables internationales *International Financial Reporting Standards* (« **IFRS** ») telles que publiées par l'International Accounting Standards Board (« **IASB** ») et adoptées dans l'Union Européenne au 31 décembre 2013. Ces normes internationales comprennent les normes IAS (*International Accounting Standards*), IFRS (*International Financial Reporting Standards*) et leurs interprétations (SIC et IFRIC).

Les Comptes consolidés ont été préparés sous la responsabilité du Conseil d'administration et arrêtés par le Conseil d'Administration de la Société en date du 1er avril 2014.

Conformément à la législation française, les états financiers consolidés seront considérés comme définitifs lorsqu'ils auront été approuvés par les actionnaires du Groupe lors de l'Assemblée Générale Ordinaire des actionnaires devant se tenir en mai 2014.

Ypso Holding S.à.r.l. et Altice Lux Holding S.à.r.l. étant, avant d'être apportées à Numericable Group et après l'introduction en Bourse, des entités sous contrôle commun (contrôle assuré par les fonds d'investissement privés Carlyle, Cinven et Altice agissant de concert), les opérations d'apports ne constituent pas une acquisition au sens de la norme IFRS 3 « Regroupement d'entreprises ». Le Groupe a ainsi opté pour la comptabilisation de cette opération en valeurs comptables et les comptes consolidés sont établis comme si l'apport des titres de capital d'Ypso Holding S.à.r.l et Altice Lux Holding S.à.r.l. avait eu lieu avant le 1er janvier 2012, ouverture de la période comparative présentée. Les comptes consolidés au 31 décembre 2013 sont donc présentés pour une période de 12 mois.

1.3 Informations comparatives

Les données comparatives présentées au titre de la période de douze mois close le 31 décembre 2012 correspondent , à l'exception de l'impact du retraitement retrospective de la norme IAS 19 révisée (exposé ci-dessous), aux comptes combinés des deux sous-groupes Ypso et Altice B2B (ci-après dénommés les « **Deux Groupes** »).

En effet, avant d'être apportés à Numericable Group le 7 novembre 2013, les Deux Groupes étaient des entités sous contrôle commun, le contrôle étant assuré par les fonds d'investissement privés Carlyle, Cinven et Altice.

En conséquence, les données présentées au titre de l'information comparative reflètent les actifs, passifs, revenus, charges et flux de trésorerie historiques qui étaient relatifs aux sous-groupes Ypso et Altice B2B, lesquels formaient au 31 décembre 2012 deux groupes distincts.

Par ailleurs, comme expliqué en Note 2.1, le Groupe a appliqué la norme IAS 19R au 1er janvier 2013, en comptabilisant les écarts actuariels au poste « Autres éléments du résultat global ». L'application d'IAS 19R a ainsi résulté en un changement de méthode comptable qui a été également reflété sur les comptes de 2012.

L'impact de cet ajustement sur les rubriques et principaux agrégats du compte de résultat 2012 est présenté dans le tableau suivant (tableau de passage entre les comptes combinés 2012 publiés et les comptes 2012 corrigés et présentés à titre de comparatif dans le présent document):

(en milliers d'euros)	**Comptes 2012 publiés**	**Ajustement IAS 19R**	**Comptes 2012 corrigés**
Provisions	(7 715)	1 496	(6 219)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**590 769**	**1 496**	**592 265**
Résultat d'exploitation	**299 045**	**1 496**	**300 541**
Résultat net	**84 930**	**1 496**	**86 426**
Autres éléments du résultat global	**0**	**(1 496)**	**(1 496)**
Résultat global	**84 930**	**-**	**84 930**

1.4 Liste des entités incluses dans la consolidation

Filiales

Les entités consolidées sont des sociétés contrôlées par le groupe (y compris les entités ad hoc), c'est-à-dire des entités dans lesquelles le Groupe a le pouvoir de diriger les politiques financières et opérationnelles pour tirer des avantages de leurs activités. Le contrôle est démontré quand le Groupe a le pouvoir, direct ou indirect, de diriger les politiques financières et opérationnelles d'une entreprise afin de tirer des avantages de son activité. Les états financiers des filiales sont inclus dans les Comptes Consolidés à partir de la date où le contrôle est effectif, jusqu'à la date où l'exercice de ce contrôle cesse. Les participations ne donnant pas le contrôle sont reflétées séparément dans le tableau de variation des capitaux propres du Groupe.

Participations

Les participations sur lesquelles le Groupe exerce une influence notable, mais pas de contrôle ni de contrôle conjoint, sont comptabilisées suivant la méthode de la mise en équivalence. Ces participations sont comptabilisées en « Titres mis en équivalence ». Par influence notable, on entend le pouvoir de participer aux décisions financières et opérationnelles de la société dans laquelle des participations ont été prises, mais sans contrôle exclusif ni contrôle conjoint sur ces décisions. Initialement, ces titres mis en équivalence sont comptabilisés au coût historique. La quote-part de résultat de la période est présentée dans la ligne « Résultat des sociétés mises en équivalence » du compte de résultat consolidé, à partir de la date à laquelle l'influence notable débute jusqu'à celle où cette influence notable cesse.

Aux 31 décembre 2013 et 2012, les Comptes Consolidés incluent les entités suivantes :

Société et forme juridique de la constitution	**Siège social**	**Méthode de consolidation au 31 décembre 2013**	**Pourcentage de contrôle**		**Pourcentage d'intérêt**	
			2013	**2012**	**2013**	**2012**
Numericable Group	S Place de la Pyramide – 92088 Paris La Défense	Société mère	100%	N/A	100%	N/A
Ypso Holding S.à.r.l	3 boulevard Royal L-2449 Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%
Ypso France SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	100%	100%	100%	100%
NC Numericable SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	100%	100%	100%	100%
Numericable SAS (1)	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	N/A (1)	100%	N/A (1)	100%
Est Vidéocom munication SAS (1)	14 rue des Mercuriales – 674S0 Lampertheim	Consolidation par intégration globale	N/A (1)	100%	N/A (1)	100%
ENO Belgium	26, Rue des deux Eglises – 1000 Bruxelles	Consolidation par intégration globale	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-1S, avenue de la Liberté, L-1931 Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%
Numericable Finance S.à.r.l	Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%
Stichting Ypso 1	Pays-Bas	Consolidation par intégration globale	100%	100%	100%	100%
Stichting Ypso 2	Pays-Bas	Consolidation par intégration globale	100%	100%	100%	100%
ENO Holding	26, Rue des deux Eglises – 1000 Bruxelles	Consolidation par intégration globale	100%	100%	100%	100%
TME France	Fort de Tourneville – SS, rue du 329ème – 76600 Le Havre	Consolidation par intégration globale	100%	100%	100%	100%
Coditel Debt	121, avenue de la Faïencerie L-1S11 Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%
Ypso Finance S.à.r.l	121, avenue de la Faïencerie L-1S11 Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%
Sequalum Participation SAS	S, place de la pyramide – 92800 Puteaux	Consolidation par intégration globale	9S%	9S%	9S%	9S%

Société et forme juridique de la constitution	Siège social	Méthode de consolidation au 31 décembre 2013	Pourcentage de contrôle		Pourcentage d'intérêt	
			2013	2012	2013	2012
Sequalum SAS	S, place de la pyramide – 92800 Puteaux	Consolidation par intégration globale	9S%	9S%	9S%	9S%
Alsace Connexia Participation	40-42 Quai du point du jour - 92100 Boulogne	Mise en équivalence	38,1S %	38,1S%	38,1S%	38,1S%
Altice B2B France	102 Avenue des Champs Elysées 7S008 Paris	Consolidation par intégration globale	100%	100%	100%	100%
Completel SAS	S Place de la Pyramide – 92088 Paris La Défense	Consolidation par intégration globale	100%	100%	100%	100%
LTI Telecom (2)	300 route Nationale, 6 Le Bois des Côtes – 69760 Limonest	Consolidation par intégration globale	100%	N/A	100%	N/A
Invescom (2)	300 route Nationale, 6 Le Bois des Côtes – 69760 Limonest	Consolidation par intégration globale	100%	N/A	100%	N/A
B3G NV	Pays-Bas	Consolidation par intégration globale	100%	100%	100%	100%

(1) Les entités Numericable et Est Vidéocommunications ont été fusionnées en décembre 2013 dans NC Numericable.

(2) Les entités Invescom et LTI Telecom ont été acquises en date du 31 octobre 2013 comme mentionné dans les faits marquants de l'exercice.

1.5 Hypothèse de continuité d'exploitation

Le Groupe a été formé par une série d'acquisitions, essentiellement financées par des emprunts externes. De plus, la construction et la modernisation ultérieure du réseau ont requis des investissements substantiels. Ces deux facteurs expliquent la structure financière du Groupe et la proportion importante des passifs financiers par rapport au total des capitaux propres consolidés, ainsi que la charge financière significative liée au coût de l'endettement.

A l'heure actuelle, le Groupe assure le service de sa dette et finance ses investissements à travers les liquidités nettes générées par ses activités. En outre, les accords passés par le Groupe dans le cadre de ses contrats de crédit obligent le Groupe à se conformer à certains ratios de liquidité (se référer au paragraphe 23.1) et à maintenir certains niveaux de liquidité.

Par ailleurs, comme expliqué en note 4.1.6, le Groupe a procédé en 2013 à plusieurs opérations de refinancement de ses Dettes Senior ce qui a permis au Groupe de rééchelonner une grande partie de sa dette financière.

Dans ces conditions et sur la base des prévisions de trésorerie mises à jour, le conseil d'administration considère que le Groupe sera en mesure de financer ses besoins de liquidités au cours de la période de douze mois à compter de l'arrêté des Comptes Consolidés pour l'exercice clos le 31 décembre 2013 ainsi que de procéder au paiement des intérêts et des remboursements de sa dette financière au cours de cette période.

Par conséquent, les Comptes Consolidés pour l'exercice clos le 31 décembre 2013 ont été préparés dans l'hypothèse de continuité d'exploitation.

2 Règles et méthodes comptables

2.1 Principes de préparation des Comptes Consolidés

Normes et interprétations appliquées par le Groupe au 31 décembre 2013

Les principes comptables de comptabilisation et d'évaluation appliqués pour préparer les Comptes Consolidés au 31 décembre 2013 sont les mêmes que ceux appliqués pour les états financiers combinés de Numericable Group, établis conformément aux normes IFRS.

Comme indiqué dans la note 1, les Comptes Consolidés sont établis en comformité avec les normes comptables internationales IFRS telles qu'adoptées par l'Union européenne (**UE**), dont l'application est obligatoire pour les exercices clos le 31 décembre 2013. Les principes de comptabilisation et d'évaluation définis dans les normes comptables internationales IFRS telles qu'adoptée par l'Union européenne ont été appliqués pour la préparation des Comptes Consolidés. Ils sont disponibles sur le site Web suivant :

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Les normes et interprétations adoptées par l'Union européenne dont l'application est obligatoire au 31 décembre 2013, sont similaires aux normes et interprétations publiées par l'International Accounting Standards Board (« **IASB** »), à l'exception de la norme IAS 39 *Instruments financiers - Comptabilisation et évaluation* (« **IAS 39** ») et les normes et interprétations ci-dessous, qui ont été adoptées par l'UE, mais dont l'application n'était pas obligatoire au 31 décembre 2013.

Textes d'application obligatoire pour l'exercice clos le 31 décembre 2013

- IAS 19R (révisée en 2011) *Avantages du personnel* (applicable au 1er janvier 2013 au plus tard pour le Groupe) (« **IAS 19R** »)

Les principaux changements résultant de cette révision sont les suivants :

- comptabilisation des écarts actuariels au poste « Autres éléments du résultat global », ce qui entraîne un changement de méthode comptable car le Groupe comptabilisait auparavant les écarts actuariels directement au compte de résultat ;
- modification du mode de calcul de la composante financière, avec la suppression du rendement attendu des autres actifs de couverture, ce qui n'a pas d'impact sur les comptes du Groupe ;
- comptabilisation immédiate des coûts des services passés non acquis en résultat.

Conformément aux dispositions d'IAS19R, le Groupe a appliqué les nouvelles dispositions de manière rétrospective. L'effet des modifications est détaillé dans la note 1.3 ci-dessus.

Les autres amendements et interprétations d'application obligatoire au 31 décembre 2013 mais sans impact significatif pour le Groupe sont les suivants :

- Amendements d'IAS 1 *Présentation des autres éléments du résultat global* et *Etats financiers* individuels .

  Cet amendement d'IAS 1 prévoit la modification de la présentation des autres éléments du résultat global dans l'état consolidé des autres éléments du résultat global, afin de présenter les éléments devant être reclassés dans le résultat net séparément des éléments qui ne le seront jamais. Les informations comparatives sont également présentées de la même manière ;

- IFRIC 20 *Frais de découverture engagés pendant la phase de production d'une mine à ciel ouvert* (« **IFRIC 20** ») ;

- Amendements d'IFRS 7 *Informations à fournir – Compensation des actifs et passifs financiers*
- Amendements d'IAS 32 *Compensation des actifs et passifs financiers* ;

- Amendements d'IAS 12 *Impôts différés : recouvrement des actifs sous-jacents ;*
- Amendements d'IFRS 1 *Hyperinflation grave et suppression des dates d'application fermes pour les nouveaux adoptants ;*
- IFRS 13 *Evaluation de la juste valeur* (« **IFRS 13** »)

  IFRS 13 constitue une norme transverse aux autres normes IFRS lorsque celles-ci recourent à la notion de juste valeur en terme d'évaluation et d'information à fournir. Elle définit la juste valeur, présente un cadre pour les évaluations à la juste valeur et précise l'information à fournir sur les modalités d'évaluation à la juste valeur, comprenant notamment la hiérarchie des évaluations à la juste valeur actuellement incluse dans IFRS 7 Instruments financiers : Informations à fournir.

  Conformément aux dispositions transitoires d'IFRS 13, le Groupe a appliqué les nouvelles dispositions sur l'évaluation à la juste valeur de manière prospective.

Textes d'application obligatoire postérieurement au 31 décembre 2013 et non appliqués par anticipation

Les normes et interprétations suivantes ont été publiées par l'IASB et l'IFRS Interpretations Committee, et adoptées par l'UE à la date d'établissement des Comptes Consolidés, mais elles ne sont pas encore obligatoires. Le Groupe a donc décidé de ne pas les appliquer de façon anticipée.

- IAS 27 (révisée en 2011) *Etats financiers individuels* (applicable au 1^er^ janvier 2014 au plus tard pour le Groupe) (« **IAS 27 révisée** »)

Cette norme définit les dispositions relatives à la comptabilisation et aux informations à fournir des états financiers individuels, qui sont des états financiers préparés par une société mère, ou un investisseur d'une coentreprise ou d'une entreprise associée, lorsque ces investissements sont comptabilisés à leur coût d'acquisition ou en conformité avec IAS 39. La norme établit également le traitement comptable des dividendes, ainsi que d'autres obligations d'information à publier.

- IAS 28 (révisée en 2011) *Participations dans des entreprises associées et des coentreprises* (applicable au 1^er^ janvier 2014 au plus tard pour le Groupe) (« **IAS 28 révisée** »)

Cette norme est relative à la comptabilisation selon la méthode de la mise en équivalence des entités sous influence notable et sous contrôle conjoint (*joint ventures*).
Certaines clarifications ont été apportées pour la comptabilisation des variations des pourcentages d'intérêts (sans prise ou perte de contrôle des filiales). Les informations à fournir sont désormais couvertes par IFRS 12 *Informations à fournir sur les intérêts détenus dans d'autres entités.*

- IFRS 10 *Etats financiers consolidés* (applicable au 1^er^ janvier 2014 au plus tard pour le Groupe) (« **IFRS 10** »)

IFRS 10 remplace SIC 12 *Consolidation – Entités ad hoc* et IAS 27 pour la partie relative aux états financiers consolidés. Cette norme traite de la consolidation d'entités qu'elles soient des filiales ou des entités ad hoc, pour lesquelles elle redéfinit la notion de contrôle, base de la consolidation.

- IFRS 11 : *Partenariats* (applicable au 1^er^ janvier 2014 au plus tard pour le Groupe) (« **IFRS 11** »)

IFRS 11 remplace IAS 31 *Participation dans des coentreprises* et l'interprétation SIC 13 *Entités contrôlées conjointement – Apports non monétaires par des coentrepreneurs.*

Cette norme traite de la comptabilisation des accords conjoints. La définition du contrôle conjoint repose sur l'existence d'un accord contractuel et le consentement unanime des parties partageant le contrôle.

Les accords conjoints sont classés en deux catégories (i) les *joint ventures* : chaque partie a un droit dans l'actif net de l'entité, à comptabiliser selon la méthode de la mise en équivalence, méthode déjà appliquée par le Groupe et (ii) les *joint operations* : chaque partie a des droits directs dans les actifs et des obligations directes sur les passifs de l'entité, à comptabillser conformément à l'accord contractuel.

- IFRS 12 *Informations à fournir sur les intérêts détenus dans d'autres entités* (applicable au 1er janvier 2014 au plus tard pour le Groupe) (« **IFRS 12** »)

IFRS 12 remplace les dispositions relatives aux informations à fournir auparavant incluses dans IAS 27, IAS 28 et IAS 31.

Cette norme regroupe et développe les informations à fournir au titres des entités contrôlées, contrôlées conjointement ou sous influence notable et des entités ad hoc non consolidées.

- Amendement à la norme IAS 32 « Présentation - Compensation des actifs et des passifs financiers » (applicable de manière obligatoire aux exercices ouverts à compter du 1er janvier 2014).

La Direction évalue actuellement l'impact potentiel de l'application de ces normes, interprétations et amendements sur le compte de résultat , l'état de la situation financère, le tableau des flux de trésorerie et le contenu des notes annexes des Comptes mais à ce stade, n'anticipe pas d'impact significatif lié à l'application de ces normes, interprétations et amendements.

Les Comptes sont établis selon la convention du coût historique, à l'exception de certaines catégories d'actifs et passifs recensés ci-dessous :

- instruments financiers dérivés comptabilisés à leur juste valeur ;
- actifs financiers à la juste valeur par le biais du compte de résultat;
- actifs financiers disponibles à la vente comptabilisés à leur juste valeur.

2.2 Méthode de conversion

Les Comptes Consolidés sont présentés en euros – monnaie fonctionnelle du Groupe. Toutes les données financières sont arrondies au millier d'euros le plus proche.

Les opérations en devises sont initialement comptabilisées dans la monnaie fonctionnelle au taux de change en vigueur à la date de l'opération. A la date de clôture, les actifs et passifs monétaires libellés dans une devise sont convertis dans la monnaie fonctionnelle au taux de change en vigueur à la date en question. Tous les écarts de change sont enregistrés. Les actifs et passifs non monétaires évalués d'après leur coût historique dans une devise sont convertis aux taux de change en vigueur aux dates des opérations initiales. Les différences de change correspondantes sont comptabilisées dans le compte de résultat.

2.3 Chiffre d'affaires

Le chiffre d'affaires du Groupe est constitué des principaux éléments suivants :

- Abonnements TV, Internet haut débit, services de câble de base, téléphonie et frais d'installation facturés aux particuliers et aux clients professionnels.

- Services de transmission de données, Internet à très haut débit, services de télécommunications, solutions de convergence et de mobilité facturés aux clients professionnels.

- Services de mise à disposition de l'infrastructure réseau, dont des contrats de droit d'usage irrévocable (*indefeasible right of use* ou IRU) ou bande passante sur le réseau, à d'autres opérateurs de télécommunications et services d'entretien associés.

Le chiffre d'affaires comprend la juste valeur de la contrepartie reçue ou à recevoir pour la vente de biens et services dans le cadre des activités ordinaires du Groupe. Les produits sont présentés après déduction de la taxe sur la valeur ajoutée, et des remises, rabais et ristournes, et élimination des ventes intragroupes entre entités comprises dans le périmètre de consolidation.

Les produits sont comptabilisés et présentés comme suit, conformément à IAS 18 *Produits des activités ordinaires* (IAS 18) :

- Les produits des abonnements aux services de câble de base, de télévision numérique à péage, d'Internet et de téléphonie sont comptabilisés de manière linéaire sur la durée d'abonnement, tandis que les produits des appels téléphoniques hors forfait sont comptabilisés lorsque le service est rendu.

- Lorsqu'un client bénéficie d'une promotion sur un abonnement (par exemple, au moyen d'une remise sur le tarif d'abonnement ou d'une période d'abonnement gratuit) sans rapport avec sa consommation et ses achats passés, le total des produits à facturer fait l'objet d'une comptabilisation linéaire pendant la durée de validité d'un éventuel contrat de fourniture de biens et services après la période promotionnelle. Si la promotion n'est pas conditionnée à la souscription d'un contrat comportant une durée d'engagement, le groupe comptabilise les produits pendant la période promotionnelle à hauteur de la contrepartie reçue ou à recevoir, car la prorogation du contrat n'est pas garantie.

- Les frais d'installation et de configuration (y compris le raccordement au réseau) des particuliers sont comptabilisés en chiffre d'affaires lorsque le service est rendu.

- Les frais d'accès aux services des clients professionnels facturés lors du raccordement du client avec un équipement ou un service sont comptabilisés en produits constatés d'avance, puis le produit constaté d'avance correspondant est repris en résultat sur la durée de vie estimée du client, sur base de données statistiques. Il est généralement étalé sur la période d'engagement contractuel.

- Le produit associé aux capacités de transmission par câble terrestre mises à disposition dans le cadre de contrats d'IRU fait l'objet d'une comptabilisation linéaire sur la durée du contrat.

2.4 Produits constatés d'avance

Pour certains contrats avec des clients professionnels, le Groupe perçoit des paiements d'avance (contrats d'IRU et frais de raccordement au réseau). Le produit est alors généralement comptabilisé de manière linéaire sur la durée du contrat. A la clôture de l'exercice, le produit constaté d'avance correspond au produit de la location du réseau non encore comptabilisé en chiffre d'affaires.

2.5 Résultat d'exploitation avant amortissements et dépréciations

Le sous-total « Résultat d'exploitation avant amortissements et dépréciations » ou « EBITDA » est présenté dans le compte de résultat consolidé car la Direction a considéré pertinent de présenter, au compte de résultat, un sous-total au sein du résultat d'exploitation pour mieux comprendre la performance financière du Groupe et qui exclut les principaux éléments sans effet sur la trésorerie, tels que les amortissements et les dépréciations, accroissant ainsi la valeur prédictive des états financiers.

Par ailleurs, l'EBITDA est un indicateur utilisé par la Direction en interne pour mesurer la performance opérationnelle et financière, prendre des décisions d'investissement et d'allocation des ressources et évaluer les performances de l'équipe dirigeante.

Le sous-total EBITDA n'est pas nécessairement comparable à des indicateurs à l'appellation similaire présentés par d'autres entreprises. Il ne saurait se substituer au résultat d'exploitation, car les effets des amortissements et des dépréciations qui en sont exclus pèsent sur le résultat d'exploitation, qui est également présenté au compte de résultat consolidé conformément à IAS 1.

2.6 Charges et produits financiers

Les charges et produits financiers sont principalement constitués des éléments suivants :

- charges d'intérêts et autres frais liés à des activités de financement comptabilisées selon la méthode du coût amorti ainsi que, le cas échéant, les variations de juste valeur des Instruments dérivés de taux d'intérêt qui ne peuvent pas être qualifiés comme des instruments de couverture au sens de la norme IAS 39 *Instruments financiers : Comptabilisation et évaluation* (« **IAS 39** ») et qui figurent au poste « Coût de l'endettement brut » dans le compte de résultat consolidé ;

- produits d'intérêts liés à la trésorerie et aux équivalents de trésorerie.

2.7 Informations sectorielles

Selon IFRS 8 *Secteurs opérationnels*, les informations sectorielles doivent être présentées sur la même base que celle utilisée pour le reporting interne. Le Groupe a identifié les trois secteurs opérationnels suivants :

- Activités B2C
- Activités B2B
- Services de vente en gros ou *Wholesale*

Activités B2C

Le Groupe propose aux particuliers et aux clients professionnels des abonnements TV, l'accès à Internet haut débit, des services de câble de base, de la téléphonie et des services d'installation payants.

Activités B2B

Le Groupe propose aux clients professionnels une palette complète de services : transmission de données, Internet très haut débit, services de télécommunications, solutions de convergence et de mobilité, en raccordant directement leurs installations à des réseaux fibre et DSL.

Services de vente en gros ou *Wholesale*

Le Groupe commercialise des services de mise à disposition de l'infrastructure réseau, notamment des contrats d'IRU ou de la bande passante sur son réseau, à d'autres opérateurs de télécommunications, ainsi que les services d'entretien associés.

2.8 Impôt sur les sociétés

La charge d'impôt sur les sociétés comprend l'impôt exigible et les impôts différés. La charge d'impôt est constatée au compte de résultat consolidé, sauf si elle est liée à des éléments constatés en capitaux propres, auquel cas elle est comptabilisée en capitaux propres (se référer également à la Note 4.1.7).

La dette d'impôt sur les sociétés correspond à l'impôt à payer au titre de l'exercice, d'après les taux adoptés ou quasi adoptés à la date de clôture, et aux régularisations d'impôts au titre des exercices précédents.

Les différences existant entre la valeur fiscale des actifs et passifs et leur valeur comptable constituent des différences temporaires donnant lieu à la comptabilisation d'un impôt différé. En revanche, les différences temporaires suivantes n'entraînent pas la comptabilisation d'un impôt différé : (i) la comptabilisation initiale de l'écart d'acquisition, (ii) la comptabilisation initiale des actifs ou des passifs dans le cadre d'une opération autre qu'un regroupement d'entreprises sans effet sur le bénéfice comptable et imposable, et (iii) des participations dans des filiales, co-entreprises et entreprises associées dès lors que le Groupe contrôle la date à laquelle les différences temporelles s'inverseront et qu'il est probable que ces différences ne s'inverseront pas dans un avenir prévisible.

Les entreprises comprises dans la consolidation comptabilisent, le cas échéant, un passif d'impôt différé sur les dividendes que lesdites entreprises ont prévu de distribuer.

L'impôt différé est calculé au taux qui devrait être applicable aux différences temporaires lors de leur reversement, conformément aux règles en vigueur à la date de clôture.

Les actifs et passifs d'impôt différé sont compensés s'il existe un droit légal de compenser les actifs et passifs d'impôts exigibles, et s'ils sont liés à des impôts sur les sociétés prélevés par la même administration fiscale sur la même entité imposable, ou sur différentes entités imposables, lorsque le contribuable a l'intention de régler le montant net de ses actifs et passifs d'impôt exigible ou que lesdits actifs et passifs seront liquidés simultanément.

Les impôts différés sont revus à chaque clôture pour tenir compte notamment des changements de législation fiscale et des perspectives de recouvrement des différences temporelles déductibles et des déficits fiscaux. Un actif d'impôt différé n'est comptabilisé que dans la mesure où il est probable que le Groupe disposera de bénéfices futurs imposables sur lesquels cet actif pourra être imputé dans un horizon prévisible ou, au-delà, d'impôts différés passifs de même maturité.

2.9 Subventions publiques et subventions d'investissement

Les entités du Groupe peuvent recevoir des subventions publiques et des subventions d'investissement sous forme de financement direct ou indirect de projets d'investissement, assuré dans la plupart des cas par les collectivités territoriales. Ces subventions sont déduites du coût des actifs concernés et sont comptabilisées dans le compte de résultat consolidé en fonction du rythme de consommation des avantages économiques futurs attendus.

2.10 Ecarts d'acquisition et regroupements d'entreprises

Les regroupements d'entreprises sont comptabilisés en fonction de la méthode de l'acquisition. Les actifs, passifs et passifs éventuels de l'entreprise acquise, qui répondent aux critères d'IFRS 3R, sont comptabilisés à leur juste valeur à la date d'acquisition, à l'exception des actifs non courants (ou des groupes destinés à être cédés) classés comme détenus en vue de la vente selon la norme IFRS 5 *Actifs non courants détenus en vue de la vente et activités abandonnées*, qui doivent être comptabilisés à la valeur la plus faible entre leur valeur comptable et leur juste valeur diminuée des coûts de la vente.

La contrepartie versée correspond à la juste valeur, à la date d'acquisition, des actifs cédés, des engagements souscrits ou des passifs repris, et des instruments de capitaux propres émis par le Groupe en échange du contrôle de l'entreprise acquise. L'écart d'acquisition généré par le regroupement d'entreprises est égal à la différence entre :

- la somme de la contrepartie versée, la valeur de toute participation ne donnant pas le contrôle encore détenue par un tiers après le regroupement, et, le cas échéant, la juste valeur à la date d'acquisition de la participation détenue précédemment par l'acquérant dans la cible,

- et l'écart entre les actifs identifiables acquis et les passifs repris à la date d'acquisition.

Cet écart d'acquisition apparaît à l'actif du bilan consolidé. Lorsqu'il en résulte une différence négative, elle est immédiatement comptabilisée en résultat.

Les coûts annexes directement attribuables à une acquisition donnant le contrôle sont comptabilisés en charges pour les périodes au cours desquelles les coûts sont engagés, à l'exception des coûts d'émission des titres d'emprunt ou de capitaux propres qui doivent être comptabilisés selon les normes IAS 32 *Instruments financiers : Présentation* (« **IAS 32** ») et IAS 39.

Lorsque l'écart d'acquisition est calculé de façon provisoire à la clôture de l'exercice pendant lequel l'acquisition a été effectuée, toute régularisation de cette valeur provisoire effectuée dans les douze mois qui suivent l'acquisition est comptabilisée en contrepartie de l'écart d'acquisition.

Dans le cas de prises de participation ne donnant pas le contrôle (autrement dit, des participations ne donnant pas le contrôle dans une filiale qui fait déjà l'objet d'un regroupement), le Groupe affecte l'intégralité de la différence entre le prix payé et la quote-part dans les actifs nets acquise aux capitaux propres conformément à la norme IAS 27, sans réévaluation des actifs et passifs repris.

Les écarts d'acquisition provenant de l'acquisition de filiales ou de co-entreprises sont présentés séparément dans le bilan consolidé. Les pertes de valeur relatives à ces écarts d'acquisition sont présentées sur la ligne « Amortissements et dépréciations » du compte de résultat consolidé.

Les écarts d'acquisition provenant de l'acquisition d'entreprises associées sont inclus dans la valeur comptable de la participation. Les pertes de valeur relatives à ces écarts d'acquisition sont enregistrées dans la ligne « Résultat des sociétés mises en équivalence ».

Les écarts d'acquisition ne sont pas amortis mais font l'objet d'un test de dépréciation dès l'apparition d'indices de pertes de valeur et au minimum une fois par an selon les modalités et hypothèses décrites en note 16.

Après leur comptabilisation initiale, les écarts d'acquisition sont inscrits à leur coût diminué des pertes de valeur constatées.

2.11 Immobilisations incorporelles

Principes de comptabilisation et d'évaluation

La valeur des immobilisations incorporelles est égale à leur coût moins les amortissements et dépréciations cumulées. Le coût correspond à tous les coûts directement imputables et nécessaires à l'achat, à la création, à la fabrication et à la mise en service de l'actif. Les immobilisations incorporelles sont principalement constituées des IRU, des brevets, des logiciels achetés et des applications développées en interne.

Les IRU correspondent au droit d'utilisation d'une partie des capacités d'un câble de transmission terrestre ou sous-marin octroyé pour une durée déterminée. Les IRU sont comptabilisés comme des actifs lorsque le Groupe possède un droit spécifique d'une partie identifiée de l'actif sous-jacent (généralement, de la fibre optique ou une bande de fréquences exclusive), et que la durée de ce droit correspond à la majeure partie de la durée d'utilité de l'actif sous-jacent. Ils sont amortis sur la durée la plus courte entre la durée d'utilisation attendue et la durée du contrat (entre 3 et 20 ans).

Les brevets font l'objet d'un amortissement linéaire pendant la période d'utilisation prévue (en règle générale, moins de 10 ans).

Les logiciels font l'objet d'un amortissement linéaire pendant la durée d'utilité attendue (en règle générale, moins de 3 ans).

Le coût d'acquisition d'une immobilisation incorporelle développée en interne correspond aux frais de personnel supportés dès lors que l'immobilisation incorporelle répond aux critères de la norme IAS 38. Une immobilisation incorporelle issue du développement d'un projet interne est comptabilisée si le Groupe peut démontrer que toutes les conditions suivantes sont remplies :

- La faisabilité technique permettant l'achèvement de l'immobilisation incorporelle de sorte qu'il soit possible de l'utiliser ou de la vendre.
- Son intention d'achever l'immobilisation incorporelle et de l'utiliser ou de la vendre.
- Sa capacité à utiliser ou à vendre l'immobilisation incorporelle.
- La capacité de l'immobilisation incorporelle à apporter des avantages économiques futurs probables.

Le groupe peut notamment démontrer l'existence d'un marché pour la production de l'immobilisation incorporelle ou l'immobilisation incorporelle elle-même ou, si elle va être utilisée en interne, son utilité.
- La disponibilité des ressources techniques, financières et autres pour achever la conception de l'immobilisation incorporelle, puis pour l'utiliser ou la vendre.
- Sa capacité à mesurer avec exactitude les charges imputables à l'Immobilisation incorporelle pendant sa conception.

L'incorporation dans le coût de l'actif cesse lorsque le projet est terminé et que l'actif est prêt à être utilisé.

Le coût d'une immobilisation incorporelle générée en interne issue de la phase de développement d'un projet Informatique Interne fait l'objet d'un amortissement linéaire pendant la durée d'utilité attendue (en règle générale, moins de 3 ans).

Accords conclus avec les collectivités locales

Pour mettre en place et gérer son réseau, les sociétés du Groupe ont historiquement (et souvent avant leur entrée dans le groupe) conclu des accords avec des collectivités locales et des organismes représentatifs dans le cadre de différents cadres juridiques (Plan Câble, loi relative à la liberté de communication de 1986, etc.). Plusieurs de ces accords octroient des droits exclusifs à l'opérateur et définissent des obligations en matière de fourniture, de programmation, de politique de prix et de redevance à verser pour les services de télévision locaux. Certains constituent des concessions de service public avec des clauses de « retour des biens », en vertu de laquelle la propriété des installations techniques et des ouvrages de génie civil est restituée aux collectivités locales à la fin de la concession.

Les directives sur les télécoms de l'UE (2002), appelées « Paquet Télécom », établissent le principe de la libre concurrence entre les opérateurs du marché des télécommunications, obligeant les organismes de réglementation nationaux à garantir des conditions de concurrence équitables, sans accorder de droits exclusifs ou spéciaux pour l'installation et l'exploitation de réseau. La loi française du 9 juillet 2004, qui transpose le Paquet Télécom, exigeait la mise en conformité des contrats existants d'ici à fin juillet 2007 au plus tard, afin de supprimer les clauses accordant des droits exclusifs et de garantir une utilisation partagée des ouvrages de génie civil.

Seule une minorité des accords noués avec les collectivités locales est susceptible d'appartenir à la catégorie des concessions de service public lorsque ces accords ont été conclus. Par conséquent, IFRIC 12 *Accords de concession de services* n'est appliqué qu'au contrat de délégation du service public signé avec le département des Hauts-de-Seine (*Délégation de Service Public 92).*

Contrat de concession de service public noué avec le département des Hauts-de-Seine

Sequalum, entité comprise dans le Groupe, a été sélectionnée en 2007 par le Conseil Général des Hauts-de-Seine afin de planifier, déployer et exploiter un réseau de fibre à très haut débit *Fiber To The Home* (FTTH) dans l'ensemble du département dans le cadre d'une Délégation de Service Public (DSP) appelée DSP 92. Une DSP est une forme de partenariat public-privé de droit français en vertu duquel une collectivité confie à des entités privées l'exploitation d'un service public moyennant une redevance proportionnelle aux recettes générées par l'exploitation du service en question.

Conformément au contrat de prestation de service signé entre Sequalum et le Conseil Général des Hauts-de-Seine, Sequalum doit construire le réseau (la construction devrait être achevée d'ici 2015), puis assurer l'entretien et l'exploitation du réseau en respectant une norme spécifique pendant 25 ans. A la fin de la 25^{e} année, l'accord prendra fin.

Sequalum prend en charge la construction pour le compte du département des Hauts-de-Seine en échange d'une immobilisation incorporelle (c'est-à-dire le droit de collecter des recettes auprès des utilisateurs du réseau). Conformément à IAS 38 et IFRIC 12, Sequalum comptabilise l'immobilisation incorporelle au coût (net de la subvention reçue, ce qui correspond à la juste valeur de la contrepartie versée pour acquérir l'actif), soit la juste valeur de la contrepartie reçue ou à recevoir pour les prestations de services de construction.

Principales caractéristiques de l'accord :

Tarifs réglementés	**Origine du chiffre d'affaires**	**Subvention octroyée par le concédant**	**Valeur résiduelle**	**Fin du contrat**	**Classification comptable**
Les tarifs sont fixés dans le contrat de services	Utilisateurs	Subvention de 59 millions d'euros pour financer la construction	Le réseau sera restitué au concédant sans indemnité, à l'exception de certains actifs (actifs de reprise)	Le contrat prend fin après 25 ans	Immobilisations incorporelles

2.12 Immobilisations corporelles

La valeur des immobilisations corporelles est égale à leur coût d'acquisition diminué des amortissements et dépréciations cumulés.

Les terrains ne font pas l'objet d'amortissements. Les bâtiments et les locaux font l'objet d'un amortissement linéaire sur 20 ans.

Les composants significatifs des immobilisations corporelles et dont la durée d'utilité est différente font l'objet d'une comptabilisation et d'un amortissement séparés. Concernant le réseau et le matériel technique, les amortissements et les dépréciations sont calculés linéairement et les principales durées sont les suivantes :

Réseau et équipements techniques	***Méthode***	***Durée***
Nœuds du réseau	Linéaire	10 à 15 ans
Câbles optiques	Linéaire	15 à 30 ans
Installations d'ingénierie	Linéaire	20 à 40 ans
Liaisons	Linéaire	5 ans
Terminaux numériques	Linéaire	3 à 5 ans
Mobilier	Linéaire	5 à 10 ans
Agencements	Linéaire	8 à 10 ans
Equipements de transport	Linéaire	2 à 5 ans
Equipements de bureau	Linéaire	3 à 5 ans
Equipements informatiques	Linéaire	3 à 5 ans

La plus-value ou moins-value lors de la cession d'une immobilisation corporelle, qui correspond à l'écart entre le produit constaté au titre de la cession et la valeur comptable de l'immobilisation, est comptabilisée parmi les « Autres produits ou charges opérationnels » au compte de résultat consolidé.

2.13 Contrats de location

Tout contrat de location transférant au locataire la quasi-totalité des avantages et risques inhérents à la propriété d'un actif est comptabilisé comme un contrat de location-financement. Dans tous les autres cas, il s'agit de contrats de location simple.

Lorsque le Groupe est le bailleur

Les montants dus par les locataires dans le cadre des contrats de location-financement sont comptabilisés comme des créances pour le montant de l'investissement net du Groupe dans les contrats de location. Le produit des contrats de location-financement est affecté aux périodes comptables afin d'obtenir un taux de rendement périodique constant sur l'investissement net du Groupe restant dû pour les contrats de location.

Le produit des contrats de location simple est comptabilisé de façon linéaire sur la durée du contrat correspondant. Les coûts directs initiaux supportés lors de la négociation et de la signature du contrat de location simple sont ajoutés à la valeur comptable de l'actif loué et comptabilisé en linéaire sur la durée du contrat de location.

Lorsque le Groupe est le locataire

Les actifs détenus dans le cadre de contrats de location-financement sont initialement comptabilisés comme des actifs du Groupe à leur juste valeur au début du contrat ou, à la valeur actuelle des paiements minimum au titre du contrat, si elle est inférieure. La dette correspondante vis-à-vis du bailleur figure dans le bilan en tant qu'obligation liée au contrat de location-financement. Les paiements liés au contrat de location sont répartis entre les charges financières et la réduction de l'obligation liée au contrat de manière à obtenir un taux d'intérêt constant sur le solde restant dû de la dette. Les charges financières sont immédiatement comptabilisées en résultat. Les loyers conditionnels sont comptabilisés comme des charges pour les périodes concernées.

Les paiements liés à un contrat de location simple sont comptabilisés linéairement en charges pendant la durée du contrat, sauf si une autre base systématique est plus représentative de la consommation dans le temps des avantages économiques de l'actif loué. Les loyers conditionnels en rapport avec des contrats de location simple sont comptabilisés en charges pour les périodes concernées. Si des incitations à la location sont versées pour la signature de contrats de location simple, ils figurent en dettes. L'avantage cumulé des incitations est comptabilisé linéairement sous forme de réduction des charges de location, sauf si une autre base systématique est plus représentative de la consommation dans le temps des avantages économiques de l'actif loué.

2.14 Dépréciation d'actifs

A chaque fois que des événements ou des évolutions de l'environnement économique font peser un risque de dépréciation sur les écarts d'acquisition, ou sur d'autres immobilisations incorporelles, corporelles ou bien sur des immobilisations en cours, le Groupe réexamine leur valeur. En outre, l'écart d'acquisition, les autres immobilisations incorporelles à durée d'utilité indéterminée et les immobilisations incorporelles en cours sont soumis à un test de dépréciation annuel au cours du deuxième semestre de chaque exercice.

L'objet du test de dépréciation est de comparer la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie (« **UGT** ») à sa valeur comptable.

La valeur nette de réalisation d'un actif ou d'une UGT correspond à la valeur la plus élevée entre sa valeur d'utilité et sa juste valeur après déduction des coûts de vente. Elle est calculée pour chaque actif, à moins que l'actif en question ne génère pas d'entrées de trésorerie largement indépendantes de celles relatives aux autres actifs ou groupes d'actifs. Dans ce cas, elle est calculée pour l'unité génératrice de flux trésorerie à laquelle est rattaché l'actif.

Une unité génératrice de trésorerie correspond au plus petit groupe identifiable d'actifs qui génère des entrées de trésorerie dans une large mesure indépendantes de celles d'autres actifs ou groupes d'actifs. Les UGT sont, pour le Groupe ; « Activités B2C », « Activités B2B » et « Wholesale ».

La valeur d'utilité de chaque actif ou groupe d'actifs correspond à la valeur actualisée des flux de trésorerie futurs (méthode des flux de trésorerie actualisés) qui est calculée en utilisant un taux d'actualisation après impôt pour chaque actif ou groupe d'actifs.

La juste valeur moins les frais de vente correspond au montant que l'on peut obtenir de la vente de l'actif ou du groupe d'actifs lors d'une transaction de gré à gré entre des parties bien informées et consentantes, moins les frais de vente.

Une dépréciation est enregistrée au poste « Amortissements et dépréciations » du compte de résultat si la valeur comptable d'un actif excède sa valeur nette de réalisation. Seules les dépréciations d'actifs autres que l'écart d'acquisition, telles que celles relatives aux immobilisations incorporelles, aux immobilisations incorporelles à durée d'utilité indéterminée et aux immobilisations corporelles, peuvent être reprises.

2.15 Actifs financiers

Le Groupe classe les actifs financiers selon quatre catégories : actifs disponibles à la vente, prêts et créances, titres détenus jusqu'à l'échéance et actifs financiers à la juste valeur par le biais du résultat net. Ils sont répartis entre actifs courants et actifs non courants conformément à IAS 1.

L'achat et la vente de tous les actifs financiers sont comptabilisés à la date de règlement.

Actifs financiers disponibles à la vente

Les actifs financiers disponibles à la vente sont initialement comptabilisés à la juste valeur augmentée des frais de transaction directement imputables à l'acquisition ou à la sortie de l'actif financier. Par la suite, ils sont comptabilisés à la juste valeur. Les profits et pertes liés aux variations de la juste valeur sont directement imputés en capitaux propres jusqu'à cession ou dépréciation des titres. Les produits ou pertes cumulés sont recyclés dans le résultat de la période considérée.

Les actifs financiers disponibles à la vente sont principalement composés des actions d'entreprises qui ne font pas partie du Groupe. La juste valeur correspond au cours des titres cotés ou, dans le cas de titres non cotés, au coût historique, déduction faite de toute dépréciation, lorsque la juste valeur ne peut être évaluée de manière fiable au moyen des techniques habituelles, en l'absence d'un marché actif.

En présence d'indices objectifs d'une dépréciation des actifs disponibles à la vente, la dépréciation cumulée comptabilisée en capitaux propres est recyclée en résultat. Ces indices sont notamment une baisse des flux de trésorerie attendus de ces actifs (par exemple, si l'émetteur rencontre de graves difficultés), une baisse considérable de la rentabilité attendue ou une baisse prolongée de la juste valeur du titre. Les dépréciations d'instruments de capitaux propres classés parmi les actifs disponibles à la vente qui sont recyclées dans le résultat ne sont jamais reprises.

Les actifs financiers disponibles à la vente figurent dans l'actif non courant, à moins qu'il soit prévu de les céder dans les 12 mois qui suivent l'établissement du bilan.

Prêts et créances

Les prêts et créances sont initialement comptabilisés à la juste valeur augmentée des frais de transaction directement imputables à l'acquisition. Après la comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif.

Cette catégorie est principalement composée des créances clients et autres créances

En présence d'indices objectifs d'une dépréciation, celle-ci est calculée et correspond à l'écart entre la valeur comptable des actifs financiers et leur valeur nette de réalisation et la différence est comptabilisée en résultat. Les dépréciations peuvent être reprises en cas de hausse ultérieure de la valeur nette de réalisation de l'actif.

Actifs financiers détenus jusqu'à l'échéance

Les actifs financiers détenus jusqu'à l'échéance présentent des paiements fixes ou déterminables et une échéance fixe et le Groupe a l'intention et la capacité de les conserver jusqu'à échéance. Ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif.

On apprécie s'il existe un indice quelconque montrant qu'un actif a subi une dépréciation.

Aucun actif financier n'est classé dans cette catégorie.

Actifs financiers comptabilisés à la juste valeur par résultat

Ces actifs financiers sont évalués à leur juste valeur et les variations sont comptabilisées au compte de résultat.

Cette catégorie est essentiellement composée des éléments suivants :
- actifs détenus à des fins de transaction qui seront vendus dans un futur proche (principalement des titres négociables) ;
- actifs volontairement classés dans cette catégorie dès l'origine ;
- instruments dérivés actifs.

2.16 Stocks

Les stocks, principalement composés de décodeurs et de matériel technique, sont valorisés à leur coût d'acquisition ou à leur valeur nette de réalisation, si celle-ci est inférieure. Le coût d'acquisition est calculé selon la méthode du coût moyen pondéré. Il comprend les frais d'acquisition des matériels.

La valeur nette de réalisation correspond au prix de vente estimé dans un contexte d'activité normale, après déduction des coûts nécessaires à la réalisation de la vente.

2.17 Trésorerie et équivalents de trésorerie

La trésorerie correspond aux espèces détenues sur des comptes bancaires et sous forme de dépôts.

Les équivalents de trésorerie sont constitués de placements très liquides dont la valeur est peu susceptible de changer et dont l'échéance initiale se situe généralement à moins de trois mois de la date d'achat.

2.18 Passifs financiers et instruments de capitaux propres

Classement en dettes ou en capitaux propres

Les dettes et les instruments de capitaux propres sont classés soit en dettes financières soit en capitaux propres selon la substance de l'arrangement contractuel.

Instruments de capitaux propres

Un instrument de capitaux propres est tout contrat mettant en évidence un intérêt résiduel dans les actifs d'une entité après déduction de tous ses passifs. Les instruments de capitaux propres émis par le Groupe sont comptabilisés pour la valeur des ressources perçues, nette des coûts directs d'émission.

Passifs financiers

Les passifs financiers autres que les instruments dérivés comprennent les emprunts dans le cadre de la dette senior du *Senior Facility Agreement*, les dettes liées aux contrats de location-financement, les dépôts de garantie, les avances reçues et les découverts bancaires.

Ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, conformément à IAS 39. Le taux d'intérêt effectif correspond au taux de rendement interne utilisé pour l'actualisation exacte des flux de trésorerie futurs pendant la durée du passif financier. Les commissions et les frais liés à l'émission d'obligations sont inclus dans le calcul du taux d'intérêt effectif tout au long de la durée de vie attendue de l'instrument. Les intérêts cumulés figurent au poste passifs financiers courants dans le bilan.

2.19 Instruments dérivés

Les instruments dérivés sont initialement comptabilisés à la juste valeur à la date où le contrat correspondant est conclu, puis réévalués à la juste valeur.

Des swaps de taux d'intérêt et des caps permettent de gérer l'exposition aux taux d'intérêt. L'objectif est de convertir des instruments financiers à taux d'intérêt variable en instruments à taux fixe. Ces contrats ne sont pas éligibles à la comptabilité de couverture telle que définie par IAS 39, car il n'existe aucune appellation ou documentation sur une quelconque relation de couverture lorsqu'ils sont conclus. Les variations de la juste valeur de ces instruments dérivés sont comptabilisées immédiatement en résultat parmi les produits ou les charges financières.

2.20 Avantages du personnel, provisions et passifs éventuels

Des provisions sont constituées lorsque le Groupe a une obligation légale (en vertu de la législation, de la réglementation ou d'un contrat) ou implicite résultant d'événements passés, et qu'il est probable qu'une sortie de ressources générant des avantages économiques sera nécessaire pour répondre à l'obligation (dont le montant peut être estimé de manière fiable). Les provisions sont réévaluées à la fin de chaque période comptable et font l'objet d'une régularisation afin de correspondre à la meilleure estimation.

Un passif éventuel est une obligation potentielle résultant d'événements passés et dont l'existence ne sera confirmée que par la survenance (ou non) d'un ou plusieurs événements futurs incertains qui ne sont pas totalement sous le contrôle de l'entité ou une obligation actuelle résultant d'événements passés, mais qui n'est pas comptabilisée, car il n'est pas probable qu'une sortie de ressources représentatives d'avantages économiques sera nécessaire pour éteindre l'obligation ou car le montant de l'obligation ne peut être évalué avec une fiabilité suffisante. Le montant de l'obligation est, dans ce cas, mentionnée en annexe, mais n'est pas comptabilisé.

Avantages du personnel

Le Groupe participe à des régimes d'avantages du personnel à cotisations définies et à prestations définies. Les coûts relatifs à un régime de retraite à cotisations définies sont présentés en charges de personnel au compte de résultat consolidé, et comptabilisés lorsqu'il sont supportés.

Les obligations du Groupe relatives aux indemnités de départ à la retraite et aux prestations de fin de contrat sont estimées annuellement, conformément aux dispositions de l'IAS 19 révisé *Avantages du personnel* (« **IAS 19R** ») avec l'aide d'actuaires indépendants, en utilisant la méthode des unités de crédit projetées et en tenant compte des hypothèses actuarielles, notamment la rotation probable des bénéficiaires, les hausses de salaire, l'espérance de vie prévue et la durée d'emploi probable des salariés, et d'un taux d'actualisation adéquat mis à jour annuellement.

Les résultats actuariels découlant des variations des hypothèses actuarielles sont comptabilisés en autres éléments du résultat global.

Litiges

Le montant des provisions pour litiges se fonde sur l'évaluation du niveau de risque et du bien-fondé des demandes.

Restructuration

Les provisions relatives aux coûts de restructuration sont comptabilisées lorsque la version finale du plan de restructuration est approuvée par la Direction et lorsque le Groupe a créé, chez les personnes concernées, une attente fondée qu'il mettra en œuvre la restructuration, soit en commençant à exécuter le plan, soit en leur annonçant ses principales caractéristiques. Ces provisions ne comprennent que les charges directement liées à la restructuration, notamment les indemnités de licenciement, les coûts des départs en préretraite, les coûts des préavis non effectués et les autres coûts directement liés à la fermeture des installations.

2.21 Paiement sur la base d'actions

Le Groupe a accordé des options qui seront réglées en instruments de capitaux propres. En application d'IFRS 2, l'avantage accordé aux salariés au titre des plans de stock-options, évalué au moment de l'attribution de l'option, constitue un complément de rémunération.

Les plans d'attributions d'actions dénoués en instruments de capitaux propres sont évalués à la date d'attribution sur la base de la juste valeur des instruments de capitaux propres accordés. Ils sont comptabilisés comme des charges de personnel, linéairement sur la durée d'acquisition des droits, en prenant en compte l'estimation du Groupe du nombre d'options qui seront acquises à la fin de la période d'acquisition. De plus, pour les plans basés sur des conditions de performance hors marché, la probabilité de réaliser la performance est estimée chaque année et la charge est ajustée en conséquence.

La juste valeur des options attribuées est déterminée en utilisant le modèle d'évaluation Black & Scholes, qui prend en compte une réestimation annuelle du nombre attendu d'options exerçables. La charge comptabilisée est ajustée en conséquence.

2.22 Coûts d'emprunt

Les coûts d'emprunt liés à l'acquisition, à la construction ou à la production d'actifs éligibles sont comptabilisés comme faisant partie du coût de l'actif en question. Il est précisé que le délai de mise en service est relativement court en raison du déploiement progressif du réseau. L'application de la norme IAS 23 *Coûts d'emprunt* n'a donc pas d'impact sur les Comptes Consolidés.

2.23 Résultat par action

Le résultat de base par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires de la société mère par le nombre moyen pondéré d'actions ordinaires en circulation au cours de la période, en excluant le cas échéant les actions propres détenues par le Groupe.

Le résultat dilué par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires de la société mère par le nombre moyen pondéré d'actions ordinaires en circulation au cours de la période, en prenant pour hypothèses que tous les instruments potentiellement dilutifs sont convertis et que le produit supposé de la conversion de ces instruments a été utilisé pour acquérir des actions du Groupe au cours moyen de marché de la période durant laquelle ces instruments étaient en circulation.

Les instruments potentiellement dilutifs comprennent notamment les options de souscription d'actions attribuées, si elles sont dilutives.

3 Principes comptables significatifs et principales sources d'incertitude relatives aux estimations

L'établissement des Comptes Consolidés préparés conformément aux normes comptables internationales IFRS implique que le Groupe procède à un certain nombre d'estimations et retienne certaines hypothèses, jugées réalistes et raisonnables.

Ainsi, l'application de principes comptables pour la préparation des Comptes Consolidés décrits dans la note 2 implique des décisions, des estimations et des hypothèses qui ont une influence sur les montants des actifs et des passifs, mais aussi des produits et des charges.

Ces estimations sont préparées sur la base du principe de continuité d'exploitation, d'après les informations disponibles, en tenant compte de l'environnement économique du moment. Dans le contexte économique actuel, certains faits et circonstances pourraient donc conduire à des changements de ces estimations ou hypothèses, ce qui affecterait la situation financière, le compte de résultat et les flux de trésorerie du Groupe Consolidés.

La valorisation de certains actifs et passifs lors de la préparation de ces Comptes Consolidés se fonde notamment sur certaines hypothèses, en particulier pour les éléments suivants :

- Reconnaissance du chiffre d'affaires : comme indiqué dans la note 2.3, le chiffre d'affaires est comptabilisé à la juste valeur de la contrepartie reçue ou à recevoir lorsque des risques et avantages significatifs liés à la propriété d'un produit ont été transférés à l'acheteur ou lorsque la prestation de service a été rendue. En ce qui concerne les contrats avec des particuliers qui incluent des frais d'installation, de raccordement au réseau et de configuration, l'appréciation des critères de comptabilisation d'IAS 18 nécessite d'avoir recours au jugement notamment pour déterminer si l'installation, la configuration et le raccordement au réseau constituent un service à comptabiliser de manière séparée. En ce qui concerne les frais d'accès au service pour les clients professionnels, le produit est comptabilisé linéairement sur la durée du contrat. En fonction des décisions prises et des estimations, le rythme et les montants des produits comptabilisés pourraient différer sensiblement.

- Capitalisation des coûts de développement : les critères de capitalisation des coûts de développement sont exposés dans la note 2.11. Une fois capitalisés, ils sont ensuite amortis sur la durée d'utilité estimée des produits concernés (généralement 3 ans). Le Groupe doit donc évaluer la faisabilité commerciale et technique des programmes de développement et estimer la durée d'utilité des actifs ainsi conçus. Si ces hypothèses sont ensuite invalidées, il est parfois nécessaire de déprécier ou décomptabiliser certains des coûts de développement capitalisés et incorporés au coût de l'actif. La note 14 présente le montant des coûts capitalisés et incorporés au coût de l'actif dans le bilan consolidé.
- Juste valeur des instruments financiers (voir la note 28.3) : la juste valeur est calculée d'après le cours publié à la clôture de la période. Lorsqu'il n'existe aucune cotation sur un marché actif (par exemple, pour les swaps de taux d'intérêt utilisés actuellement afin de couvrir le risque de taux d'intérêt), la juste valeur est calculée selon des modèles reposant sur des données observables des marchés ou différentes techniques d'évaluation, telles que la valeur actuelle des flux de trésorerie futurs.
- Comptabilisation des actifs d'impôt différé sur déficits reportables (voir les notes 2.8, 4.1.7 et 12) : les actifs d'impôt différé concernent principalement des déficits fiscaux reportables. Les actifs relatifs aux reports de pertes fiscales sont comptabilisés s'il est probable que le Groupe enregistre ultérieurement des bénéfices imposables sur lequel ces déficits fiscaux pourront être imputés. Un examen approfondi est nécessaire pour évaluer la capacité du Groupe à utiliser les déficits fiscaux reportables. Les événements passés, ainsi que les éléments positifs et négatifs de certains facteurs économiques qui peuvent peser sur l'activité du Groupe dans un avenir proche sont analysés afin d'estimer la probabilité d'utilisation future des déficits fiscaux reportables. Au 31 décembre 2013, le Groupe a reconnu un actif d'impôt différé d'un montant total de 132,7 millions d'euros au titre des déficits reportables dont l'utilisation future a été jugée probable sur l'horizon retenu de 5 ans.

- Tests de dépréciation (voir les notes 2.10 et 16) : le calcul des valeurs recouvrables des unités génératrices de trésorerie lors du test de dépréciation annuel implique d'estimer leur juste valeur après déduction des coûts de vente et leur valeur d'utilité. Pour évaluer la valeur d'utilité, la Direction s'appuie sur des hypothèses relatives aux flux de trésorerie de l'exploitation des unités génératrices de trésorerie, ainsi que les taux d'actualisation.

  Le calcul de la valeur d'utilité se fonde sur des hypothèses telles que le taux d'actualisation et le taux de croissance à l'infini au-delà de la période de projection. Ces hypothèses peuvent évoluer et se traduire par une baisse de la valeur comptable en-deçà de la valeur recouvrable, ce qui entraînerait la constatation d'une dépréciation.

  Au 31 décembre 2013 et 2012, les hypothèses utilisées pour calculer la valeur d'utilité des unités génératrices de trésorerie auxquelles l'écart d'acquisition a été affecté étaient les suivantes :

CGU « Opérations B2C »	**2013**	**2012**
Durée de la période de projection	5 ans	8 ans
Taux d'actualisation	7,30%	7,56%
Taux de croissance hors période de projection pour la valeur finale	2,00%	1,75%

CGU « Opérations B2B » et « Wholesale»	**2013**	**2012**
Durée de la période de projection	5 ans	6 ans
Taux d'actualisation	7,14%	9,42%
Taux de croissance à l'infini hors période de projection pour la valeur finale	2,00%	1,00%

Le calcul de la valeur d'utilité repose sur des projections des flux de trésorerie d'après les budgets financiers approuvés par la Direction et dont la période a été ramenée à 5 ans en 2013 conformément aux préconisations d'IAS 36. Les projections relatives au nombre d'abonnés, au chiffre d'affaires, aux coûts et aux investissements sont fondées sur des hypothèses raisonnables et acceptables déterminées par la Direction. Les hypothèses principales comprennent les prévisions de nombre d'abonnés, le revenu moyen par abonné et le niveau d'investissement d'amélioration des infrastructures de réseaux. Les projections sont fondées aussi bien sur l'expérience passée que sur le taux de pénétration anticipé pour les différents produits.

4 Evénements significatifs

4.1 Exercice clos le 31 décembre 2013

4.1.1 Constitution de Numericable Group

Numericable Group a été créée en juillet 2013 et constituée par voie d'apports en numéraire d'un montant initial de 37 milliers d'euros.

Le 7 Novembre 2013, Numericable Group a reçu, dans le cadre du projet d'introduction en bourse de la société, l'apport de deux holdings constituées au Luxembourg, Ypso Holding S.à.r.l et Altice Lux Holding S.à.r.l., respectivement sociétés-mères d'Ypso France et d'Altice B2B France.

Les apports d'Ypso et Altice B2B a Numericable Group ont résulté en une augmentation de capital de la société d'un montant total de 1 995 489 milliers d'euros répartis en 113 772 milliers d'euros d'augmentation de capital social et 1 881 717 milliers d'euros de primes d'émission.

Suite aux apports, le capital de la société s'élevait ainsi à 113 809 milliers d'euros et la prime d'émission à 1 881 717 milliers d'euros.

Par ailleurs, lors de la restructuration de la dette du Groupe qui a eu lieu en 2009 et au cours de laquelle les actionnaires du Groupe avaient acquis certains prêts au titre du SFA Ypso France, Ypso Holding Sàrl avait procédé à l'émission de titres financiers, souscrits par les actionnaires, et notamment 132.664.023 certificats d'actions à intérêts prioritaires subordonnés (subordinated interest preferred equity certificates) (les « Super PEC »), d'une valeur nominale d'un euro et dont les intérêts étaient capitalisables.

Cinven, Carlyle et Altice ont fait apport de ces SuperPEC le 7 novembre 2013 à Numericable Group, dans le cadre des opérations juridiques liées à l'introduction en Bourse. Cette dette a par conséquent été éteinte en contrepartie d'une remise de titres nouvellement émis. Consécutivement, des frais d'extinction de dettes (« Premium ») ont été comptabilisés en charges financières pour un montant de 81,6 millions d'euros. Cette charge n'a eu aucun impact sur la trésorerie du groupe.

4.1.2 Introduction en bourse et augmentations de capital

Le 25 octobre 2013, le conseil d'administration de Numericable Group a décidé du principe de lancement de l'introduction en bourse de la société sur le marché NYSE Euronext Paris.

Le 7 novembre 2013, le conseil d'administration a :

- fixé le prix d'introduction en bourse à 24,80 euros par actions ;
- décidé d'augmenter le capital d'un montant total de 250 000 milliers d'euros par offre au public (dont 10 081 milliers d'euros d'augmentation du capital social par création d'actions nouvelles et 239 919 milliers d'euros de primes d'émission) ;
- proposé une augmentation de capital réservée aux salariés qui a finalement été réalisée pour un montant de 1 034 milliers d'euros (dont 52 milliers d'euros d'augmentation du capital social par création d'actions nouvelles et 982 milliers d'euros de primes d'émission).

La première cotation a eu lieu le 8 novembre 2013.

Les frais engendrés dans le cadre de l'introduction en bourse ont été intégralement imputés sur la prime d'émission pour un montant total de 14 582 milliers d'euros. Ces frais, intégralement supportés par Numericable Group, ont été comptabilisés sans effet d'impôt.

Suite aux opérations d'introduction en bourse, le capital social de Numericable Group s'élevait ainsi à 123 942 milliers d'euros et la prime d'émission à 2 108 037 milliers d'euros.

Se référer également à la note 22.1 pour l'historique de la constition du capital social de Numericable Group.

4.1.3 Attribution d'un plan d'options de souscription d'actions

Le conseil d'administration du 7 novembre 2013 a par ailleurs adopté un plan d'attribution d'options de souscription d'actions au profit de certains mandataires sociaux de Numericable Group et salariés du Groupe.

Ce plan porte sur un nombre total de 2 845 229 options de souscription d'actions équivalent à 2 845 229 actions.

Au 31 décembre 2013, la juste valeur des options attribuées a été évaluée à 9 702 milliers d'euros. La charge reconnue en 2013 au titre du plan s'est elevée à 640 milliers d'euros.

Se référer à la Note 25.2 pour davantage de détails sur ce plan d'options de souscription d'actions.

4.1.4 Acquisition de Valvision

Le 27 juin 2013, le Groupe a procédé au rachat de 100% des actions de la société Valvision, câblo-opérateur présent dans l'est de la France.

La différence entre le prix de l'acquisition (3 340 milliers d'euros) et la quote-part de capitaux propres acquise (219 milliers d'euros), représentatif de la clientèle acquise, soit 3 121 milliers d'euros a été intégralement affecté au poste « Autres immobilisations incorporelles » et fait l'objet d'un amortissement sur une durée de 3 ans.

Aucun complément de prix n'est prévu dans le cadre du contrat d'acquisition.

4.1.5 Acquisition de LTI Telecom

Le 31 octobre 2013, le Groupe a procédé au rachat de 100% des actions de la holding Invescom qui détient 100% de l'opérateur B2B LTI Telecom.

Le prix de l'acquisition s'élève à 25 550 milliers d'euros pour une quote-part de capitaux propres acquise de 609 milliers d'euros. Aucun complément de prix n'est prévu dans le cadre du contrat d'acquisition.

Compte tenu de la date d'acquisition, l'exercice d'allocation du prix d'acquisition aux actifs identifiables et aux passifs assumés n'a pas encore été finalisé au 31 décembre 2013, la société ayant jusqu'au 30 septembre 2014 pour finaliser cet exercice.

Par conséquent, la différence de 24 941 milliers d'euros entre le prix d'acquisition et la quote part de capitaux propres tels qu'ils ressortent des comptes locaux du sous ensemble acquis, a été comptabilisée au 31 décembre 2013 en écart d'acquisition (se référer à la Note 13).

4.1.6 Refinancements de la Dette Senior

Amendements opérés en juillet / aout 2013

En juillet et en août 2013, le Groupe a amendé ses Dettes Senior ce qui a permis au Groupe de rééchelonner une grande partie de sa dette financière. Cette renégociation a également entrainé une évolution de certaines conditions contractuelles, dont le taux de marge applicable à la dette Senior d'Altice B2B.

Cette renégociation des Dettes Senior a été analysée en une simple modification de la dette existante et par conséquent les frais liés à la renégociation des dettes (soit 6.2 millions d'euros) ont fait l'objet d'une comptabilisation au coût amorti par la méthode du taux d'intérêt effectif conformément à IAS 39.

Refinancement opéré en décembre 2013

En décembre 2013, le Groupe a levé une nouvelle tranche de Dette Senior d'un montant total de 800 millions d'euros (Tranche D). Cette tranche est remboursable au 31 décembre 2018 et est rémunérée au taux Euribor plus une marge de 3,75%.

Le Groupe a utilisé les produits de cette émission (800 millions d'euros) ainsi que les produits issus de l'augmentation de capital réalisée dans le cadre de l'offre réservée au public (250 millions d'euros) pour procéder au remboursement de certaines de ses dettes existantes à savoir:

- la totalité de la Dette Senior souscrite à l'origine par Altice B2B France pour 451 millions d'euros ;
- l'intégralité de l'emprunt obligataire de 275 millions d'euros (Tranche C-Two B) souscrit en octobre 2012 ;
- une partie de l'emprunt obligataire de 225 millions d'euros (tranche C-Two A) souscrit en octobre 2012 (remboursement de 78,8 millions d'euros) ;
- une partie de l'emprunt obligataire de 360 millions d'euros (tranche C-One) souscrit en février 2012 (remboursement de 126,1 millions d'euros).

Cette renégociation des Dettes Senior a été analysée comme une extinction de la dette existante et en conséquence :

- les frais d'extinction des emprunts obligataires (« Premium ») supportés par le Groupe ont été comptabilisés en autres charges financières pour 28,0 millions d'euros ;
- les frais relatifs à la mise en place des dettes éteintes en décembre 2013, qui avaient initialement été comptabilisés au coût amorti, ont été comptabilisés en autres charges financières pour 15,2 millions d'euros ;
- les frais liés à la mise en place de la nouvelle tranche D (7,25 millions d'euros) ont fait l'objet d'une comptabilisation au coût amorti par la méthode du taux d'intérêt effectif conformément à IAS 39.

Suite aux refinancements opérés en 2013, l'échéancier des Dettes Senior se présente comme suit au 31 décembre 2013 (valeurs comptables):

Maturité	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
En millions d'euros	42.6	63.4	102.1	821.0	1 223.2	380.0	2 632.4

4.1.7 Impôts différés activés

Au cours de l'exercice, le Groupe a reconnu un actif d'impôt différé d'un montant total de 132,7 millions d'euros au titre des déficits reportables dont l'utilisation future a été jugée probable sur l'horizon retenu de 5 ans.

Compte tenu du montant important de déficits non reconnus restant au 31 décembre 2013 (cf. note 12.4), l'intégralité du produit d'impôt différé reconnu en 2013 a été comptabilisé au compte de résultat et aucun impôt différé actif n'a pas été comptabilisé sur les écarts actuariels présentés en autres éléments du résultat global ni sur les frais d'augmentation de capital imputés sur la prime d'émission.

4.1.8 Enquête approfondie de la Commission européenne sur la cession par certaines collectivités d'infrastructures câblées

Le 17 juillet 2013, la Commission européenne a indiqué avoir décidé d'ouvrir une enquête approfondie afin de déterminer si la cession d'infrastructures câblées publiques opérée entre 2003 et 2006 par plusieurs collectivités territoriales françaises à Numericable était conforme aux règles de l'Union Européenne en matière d'aides d'Etat. La Commission européenne a exprimé à ce stade des doutes sur la compatibilité de l'aide que représenterait l'avantage économique conféré selon elle à Numericable, en raison des conditions de cette cession.

Cette position étant contestée par le Groupe et le risque éventuel en lien avec cette enquête ne pouvant être évalué de façon fiable, aucune provision n'a été constatée dans les comptes au 31 décembre 2013.

4.1.9 Cession-bail de modems

En mai 2013 et en juin 2013, le Groupe a conclu deux contrats de cession-bail (*leaseback)* avec Lease Expansion, pour respectivement 12,7 millions d'euros et 5,9 millions d'euros, concernant les nouveaux modems dénommés "La Box".

La durée de location est de trois ans pour chacun des contrats.

4.1.10 Contrôles fiscaux

Courant 2013, l'administration a entamé une vérification fiscale sur les entités Altice B2B France et Completel concernant les années 2010 et 2011 s'achevant par la remise le 19 décembre 2013 de propositions de rectifications. Ces dernières portent exclusivement sur le rejet de la déductibilité de la charge de certaines prestations de services d'actionnaires réalisées en 2009, 2010 et 2011. Une provision comptabilisée pour risques et charges d'un montant total de 11,4 millions d'euros a été comptabilisée au 31 décembre 2013 afin de couvrir la totalité des redressements envisagés (Impôt sur les sociétés, TVA, retenue à la source, amendes, majorations et intérêts de retard).

4.1.11 Indemnités Lehman Brother

Le Groupe a reçu deux nouveaux versements de 4,5 millions d'euros et 2,6 millions d'euros en juin 2013 et en décembre 2013 respectivement dans le cadre de sa demande d'indemnisation suite à la faillite de Lehman Brothers en septembre 2008 (se référer à la Note 28.4).

4.1.12 Annulation de l'amende de 5 millions d'euros infligée par l'ARCEP

En juillet 2013, le Conseil constitutionnel a estimé que le pouvoir de sanction de l'ARCEP (Autorité de régulation des communications électroniques et des postes) ne répondait pas aux principes d'indépendance et d'impartialité imposés par la Constitution.

Le 21 octobre 2013, le Groupe a obtenu l'annulation par le Conseil d'Etat de la décision de sanction de l'ARCEP du 20 décembre 2011 qui avait condamné Numericable et NC Numericable à une amende de 5 millions d'euros pour non-respect de la décision de l'ARCEP du 4 novembre 2010.

Le Groupe a constaté le produit relatif à l'annulation de cette amende dans les comptes au 31 décembre 2013 dans la rubrique « Autres produits opérationnels » (se référer à la Note 9).

4.1.13 Litige FREE

Le 13 décembre 2013, le tribunal de commerce de Paris a condamné le Groupe à payer à Free la somme de 6 411 milliers d'euros dans le cadre d'un litige portant sur une campagne publicitaire menée par Numericable qui aurait selon Free porté atteinte à sa marque et son image (se référer à la Note 24.2 pour plus de détails sur la procédure). Le Groupe a interjeté appel de ce jugement.

Le Groupe a provisionné l'intégralité de cette condamnation dans les comptes consolidés clos le 31 décembre 2013. Cette condamnation ayant fait l'objet d'une execution début janvier 2014, la provision a été classifiée dans la rubrique « Provisions courantes » du bilan consolidé au 31 décembre 2013.

4.2 Exercice clos le 31 décembre 2012

4.2.1 Emissions obligataires

En 2012, le Groupe a procédé à plusieurs émissions obligataires afin de refinancer une partie de sa dette financière.

En février 2012, le Groupe a émis des obligations à hauteur de 360 millions d'euros. L'émetteur était Numericable Finance & Co. S.C.A. (société de titrisation non réglementée constituée sous forme de société en commandite par actions de droit luxembourgeois). Les produits de cette émission ont permis à Numericable Finance & Co. de financer le rachat de l'intégralité de la part de la banque prêteuse (JP Morgan) dans un prêt (le prêt « C-One ») dont le seul prêteur était la banque elle-même dans le cadre du Senior Facility Agreement, au profit du Groupe, qui a ainsi été en mesure de rembourser certains prêts du Senior Facility Agreement à hauteur de 350 millions d'euros.

L'échéance des obligations se situe le 15 février 2019 et elles portent intérêt à 12,375%. Les coupons sont payés semestriellement le 15 février et le 15 août de chaque année.

En février 2012, le Groupe a également obtenu une nouvelle ligne de crédit revolving (dénommée *Revolving Credit Facility*) dans le cadre de du *Senior Facility Agreement*; elle met à disposition du groupe Ypso un montant maximum de 65 millions d'euros. Son échéance se situe en mars 2016. La part utilisée de cette ligne porte intérêt au taux Euribor plus une marge de 4,5%. La part non utilisée, soit 65 millions d'euros (au 31 décembre 2013), porte un intérêt égal à une commission d'engagement de 2,25%.

Aux termes de la modification et du retraitement du *Senior Facility Agreement* de septembre 2011, l'échéance des engagements de certains prêteurs a été reportée de deux ans (soit 50% de la tranche A et des Capex Facilities et 2/3 des tranches B et C). En outre, le niveau de marge pour les tranches ayant fait l'objet de la prorogation a été modifié et de nouveaux « covenants » financiers ont été mis en place. Le *Senior Facility Amendment and Restatement* de septembre 2011 est entré en vigueur le 15 février 2012.

En octobre 2012, le Groupe a procédé à deux autres émissions obligataires de 225 et 275 millions d'euros respectivement par le biais du même émetteur, Numericable Finance & Co. Les produits de cette émission ont permis à Numericable Finance & Co. de financer le rachat de l'intégralité de la part de la banque prêteuse (JP Morgan) dans deux nouveaux prêts (le prêt « C-Two A » et le prêt « C-Two B ») dont le seul prêteur était la banque prêteuse elle-même dans le cadre du *Senior Facility Agreement*, au profit du Groupe, qui a ainsi été en mesure de rembourser certains prêts de la Dette Senior à hauteur de 490 millions d'euros.

Le prêt « C-Two A » porte sur un montant de 225 millions d'euros. Son échéance se situe le 15 février 2019 et il porte un intérêt annuel de 8,75%. Les coupons sont payés semestriellement le 15 février et le 15 août de chaque année, à partir du 15 février 2013.

Le prêt « C-Two B » porte sur un montant de 275 millions d'euros. Son échéance se situe en octobre 2018 et il porte un intérêt variable égal au taux Euribor plus 7,85% par an. Les coupons sont payés trimestriellement le 15 janvier, le 15 avril, le 15 juillet et le 15 octobre de chaque année, à partir du 15 janvier 2013.

Le Groupe a payé 55 millions d'euros de frais pour la mise en place de ces prêts (C-One, C-Two A et C-Two B) et les modifications correspondantes du *Senior Facility Agreement*. Ce montant comprend :

- les coûts des émissions obligataires d'un montant de 30,2 millions d'euros qui sont amortis sur la durée des obligations en utilisant la méthode du taux d'intérêt effectif ;
- les pénalités d'abandon de crédit (*waiver fees*) pour un montant de 17,4 millions d'euros enregistrées au poste « Autres charges financières » du compte de résultat consolidé pour la période close le 31 décembre 2012 ;

- les commissions et honoraires de conseil pour un montant de 7,4 millions d'euros enregistrées au poste « Autres charges financières » du compte de résultat consolidé pour la période close le 31 décembre 2012.

4.2.2 Rachat du réseau de Nice

En avril 2012, le Groupe a signé un accord avec la municipalité de Nice en vue du rachat du réseau câblé de la ville pour une valeur de 20 millions d'euros.

Le paiement du prix d'achat est effectué comme suit :
- 2,5 millions d'euros en juillet 2012 et 2,5 millions d'euros en janvier 2013 ;
- le solde de 15 millions d'euros est payable sur 20 ans (0,75 million d'euros chaque année de 2013 à 2032) avec un intérêt annuel de 4%.

4.2.3 Contrôles fiscaux

Au cours du troisième trimestre 2012, les contrôles fiscaux mentionnés à la note 12.5 ont été étendus à l'exercice 2010. Les redressements relatifs aux exercices 2005 à 2009 ont été réduits.

Au 31 décembre 2012, le montant de la provision comptabilisée en rapport avec ces contrôles fiscaux n'avait pas été réévalué car le risque financier lié aux redressements pour l'exercice 2010 était équivalent aux réductions consenties par l'administration pour les redressements portant sur les exercices 2005 à 2009.

5 Informations sectorielles

Comme expliqué dans la note 2.7, le Groupe a recensé trois secteurs opérationnels :
- Activités B2B
- Activités B2C
- Wholesale

5.1 Compte de résultat

Les tableaux suivants présentent, pour chaque période, la contribution de chaque secteur aux postes du compte de résultat consolidé (de la rubrique Chiffre d'affaires jusqu'à la rubrique Résultat d'exploitation avant amortissements et dépréciations).

Les ventes intrasectorielles ont été éliminées sous la colonne « Eliminations ».

Exercice 2013 (en milliers d'euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**Total 2013**
Chiffre d'affaires	**869 448**	**312 640**	**200 794**	**(68 640)**	**1 314 242**
Achats externes	(415 127)	(180 195)	(84 333)	68 640	(611 016)
Charges de personnel	(87 144)	(60 504)	(6 982)	-	(154 631)
Impôts et taxes	(20 469)	(8 073)	(5 355)	-	(33 896)
Provisions	(8 616)	(11 567)	(283)	-	(20 466)
Autres produits opérationnels	65 499	20 763	59	-	86 321
Autres charges opérationnelles	(18 588)	(1 878)	-	-	(20 466)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**385 003**	**71 186**	**103 900**	-	**560 088**

Exercice 2012 (en milliers d'euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**Total 2012**
Chiffre d'affaires	**832 568**	**324 506**	**211 476**	**(66 125)**	**1 302 425**
Achats externes	(386 060)	(178 420)	(103 766)	66 125	(602 121)
Charges de personnel	(77 592)	(57 186)	(6 697)	-	(141 475)
Impôts et taxes	(19 901)	(7 569)	(4 926)	-	(32 396)
Provisions	(4 516)	(1 323)	(380)	-	(6 219)
Autres produits opérationnels	68 095	21 108	26	-	89 229
Autres charges opérationnelles	(16 030)	(1 148)	-	-	(17 178)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**396 564**	**99 968**	**95 733**	-	**592 265**

5.2 Ecart d'acquisition

Les écarts d'acquisition se ventilent par secteur de la façon suivante aux 31 décembre 2013 et 2012 :

Valeur nette comptable (en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
B2C	984 583	984 583
B2B	499 045	474 103
Wholesale	-	-
Total	**1 483 628**	**1 458 686**

5.3 Investissements

Les investissements corporels et incorporels (net des subventions d'investissement reçues) sont ventilés par secteur de la façon suivante aux 31 décembre 2013 :

Chiffres exprimés en milliers d'euros	**31 décembre 2013**
B2C	165 473
B2B	73 904
Wholesale	80 452
Total	**319 829**

6 Chiffre d'affaires

Le chiffre d'affaires contributif se décompose de la manière suivante :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Chiffres d'affaires B2C	864 589	826 171
Chiffres d'affaires B2B	309 646	323 201
Chiffre d'affaires Wholesale	140 007	153 053
Chiffre d'affaires total	**1 314 242**	**1 302 425**

Il est précisé que tout le chiffre d'affaires est réalisé en France.

7 Achats externes

Les achats externes se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	31 décembre 2013	31 décembre 2012
Coûts du contenu télévisuel, de l'Internet et de la téléphonie	(315 318)	(332 853)
Sous-traitance et achats de services	(98 082)	(90 752)
Marketing	(38 834)	(30 120)
Honoraires	(35 991)	(31 936)
Redevances et licences versées	(12 183)	(12 089)
Droits de passage versés	(14 936)	(15 316)
Loyers et charges locatives	(27 023)	(25 790)
Energie	(25 846)	(23 938)
Créances douteuses	(8 000)	(9 173)
Frais postaux	(4 389)	(4 378)
Frais de transport	(4 654)	(4 286)
Frais de réparation et de maintenance	(11 830)	(11 911)
Charges opérationnelles diverses	(13 930)	(9 579)
Achats externes	(611 016)	(602 121)

8 Charges de personnel

Les charges de personnel se décomposent de la manière suivante :

(en milliers d'euros)	31 décembre 2013	31 décembre 2012
Traitements et salaires	(99 947)	(91 343)
Charges sociales	(45 923)	(43 889)
Participation des salariés	(5 210)	(6 243)
Coûts relatifs au plan de stock options (a)	(3 551)	-
Charges de personnel	**(154 631)**	**(141 475)**

(a) Dont 2,9 millions au titre des contributions patronales dûes lors de l'attribution des actions et 0,6 millions d'euros correspondant au coût du plan reconnu en 2013 (se référer à la Note 4.1.3).

Au 31 décembre 2013, le Groupe employait un total de 2 182 personnes (dont 2 077 contrats à durée indéterminée) contre 1 979 personnes au 31 décembre 2012 (dont 1 910 contrats à durée indéterminée)

Le tableau suivant ventile les effectifs titulaires d'un contrat à durée indéterminée par catégories socioprofessionnelles aux 31 décembre 2013 et 2012 :

Catégories socioprofessionnelles	**31 décembre 2013**	**31 décembre 2012**
Cadres (Managers)	1 096	1 015
Techniciens supérieurs et agents de maîtrise (T.S.M.)	356	322
Ouvriers, employés, techniciens (O.E.T.) (Non Managers)	625	573
TOTAL	**2 077**	**1 910**

9 Autres produits opérationnels

Les autres produits opérationnels se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Production immobilisée [(a)]	75 853	82 217
Produits de cessions d'actifs	5 078	3 817
Autres [(b)]	5 390	3 195
Autres produits opérationnels	**86 321**	**89 229**

(a) La production immobilisée concerne des travaux sur le réseau effectués par des employés du Groupe en vue de l'accroissement des activités de modernisation du réseau câblé.

(b) En 2013, ce poste inclut le remboursement de l'amende de 5 millions d'euros infligée par l'ARCEP en 2012. En 2012, ce poste incluait principalement divers transferts de charges pour 2,7 millions d'euros.

10 Autres charges opérationnelles

Les autres charges opérationnelles se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Valeur nette comptable des actifs cédés	(14 741)	(7 382)
Honoraires payées dans le cadre des opérations de refinancement	(4 619)	(7 372)
Frais de gestion payées à nos actionnaires (a)	(1 106)	(2 424)
Charges opérationnelles diverses	-	-
Autres charges opérationnelles	**(20 466)**	**(17 178)**

(a) jusqu'à la date d'introduction en bourse, à partir de laquelle les conventions ont été résiliées.

11 Résultat financier

Les résultats financiers aux 31 décembre 2013 et 2012 peuvent être analysés comme suit :

(en milliers d'euros)	**Note**	**31 décembre 2013**	**31 décembre 2012**
Produits d'intérêt reçus sur trésorerie et équivalents de trésorerie		111	106
Autres produits financiers	**11.1**	9 593	4 220
Produits financiers		**9 704**	**4 326**
Variation de la juste valeur des instruments dérivés		-	-
Charges d'intérêt sur la dette financière, hors impact du taux d'intérêt effectif		(184 839)	(183 057)
Intérêts financiers relatifs à la dette financière brute		**(184 839)**	**(183 057)**
Autres charges financières	**11.2**	(148 513)	(32 699)
Résultat financier		**(323 648)**	**(211 430)**

11.1 Autres produits financiers

Au 31 décembre 2013, les autre produits d'intérêts sont principalement composés :

- Les paiements reçus dans le cadre de l'indemnisation demandée après la faillite de Lehman Brothers en septembre 2008 (voir la note 28.4) pour 7,1 millions d'euros (contre 2,8 millions d'euros en 2012) ;
- De reprises de provisions pour risques et charges financiers pour 1,9 millions d'euros.

11.2 Autres charges d'intérêt

Au 31 décembre 2013, les autres charges financières sont principalement composées :

- des frais d'extinction des emprunts obligataires (« Premium ») supportés par le Groupe pour 28 millions d'euros dans le cadre du refinancement de la dette Senior exposé dans la note 4.1.6 ci-dessus ;
- des frais d'extinction des SuperPECs pour 81 millions d'euros (sans impact sur la trésorerie du groupe dans la mesure où, comme exposé dans la note 4.1.1 ci-dessus, cette dette a été éteinte par émission d'actions dans le cadre de l'introduction en bourse) ;
- de la part non amortie des frais relatifs aux dettes éteintes en décembre 2013 (initialement comptabilisés au coût amorti) pour 15,2 millions d'euros ;
- l'amortissement des frais payés pour la mise en place des financements toujours en place fin 2013 pour 8,3 millions d'euros ;
- de pénalités de retard de déploiement clients pour 4 millions d'euros.

Au 31 décembre 2012, les autres charges financières incluaient principalement :

- des pénalités de remboursement anticipés payées dans le cadre des refinancements de la dette pour 17,4 millions d'euros ;
- l'amortissement des frais payés pour la mise en place des financements pour 6,2 millions d'euros évalués selon la méthode du taux d'intérêt effectif ;
- de pénalités de retard pour 5,6 millions d'euros.

12 Impôts sur les sociétés

12.1 Charge d'impôts sur les sociétés

La charge d'impôts sur les sociétés se décompose comme suit :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Charge / Produits d'impôts courants	130	(2 486)
Charge / Produits d'impôts différés	132 662	-
Charge (Produits) d'impôts	**132 792**	**(2 486)**

12.2 Réconciliation entre le taux effectif d'impôt et le taux théorique d'impôt

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Résultat net avant impôt	(68 086)	88 912
A déduire : Résultat des sociétés mises en équivalence	484	199
	(67 602)	89 111
Taux d'impôt sur les sociétés en France	38%	34,43%
Charge d' impôts calculée au taux de 38%	**25 689**	**(30 681)**
Réconciliation des charges d'impôts		
Impôts différés activés	132 662	-
Effet des revenus exonérés d'impôt et effet des dépenses non déductibles sur le bénéfice avant impôt (1)	(26 231)	(13 315)
Effet des déficits fiscaux non reconnus comme impôt différé actif	-	41 083
Crédits d'impôts	673	420
Effet des autres différences	-	8
Charges d'impôts comptabilisées en résultat	**132 792**	**(2 486)**
Taux effectif d'impôt (2)	(196,43)%	2,79%

(1) correspond principalement aux charges d'intérêts non déductibles selon les règles de capitalisation restreinte (15,2 millions d'euros au 31 décembre 2013 contre 9,9 millions d'euros au 31 décembre 2012).

(2) Le taux effectif d'impôt est négatif en 2013 compte tenu des impôts différés activés au cours de l'exercice.

Compte tenu du montant important de déficits non reconnus restant au 31 décembre 2013 (cf. note 12.4), l'intégralité du produit d'impôt différé reconnu en 2013 au titre des déficits reportables dont l'utilisation future a été jugée probable sur l'horizon retenu de 5 ans a été comptabilisé au compte de résultat et aucun impôt différé actif n'a pas été comptabilisé sur les écarts actuariels présentés en autres éléments du résultat global ni sur les frais d'augmentation de capital imputés sur la prime d'émission.

12.3 Actifs et passifs d'impôt courants

Les actifs d'impôt exigibles au 31 décembre 2013 s'élèvent à 3,4 millions d'euros et correspondent à des acomptes d'IS et à des Crédits Impot Compétitivité Emploi (CICE) dont le Groupe doit demander le remboursement.

L'impôt sur les sociétés exigible, qui figure au poste « Passifs d'impôt courants », s'élève respectivement pour les exercices clos les 31 décembre 2013 et 2012 à 71 milliers d'euros et 2 604 milliers d'euros.

12.4 Impôts différés actifs non reconnus

Au 31 décembre 2013, les déficits fiscaux reportables cumulés s'élevaient à 2 316 millions d'euros, ce qui représentait un actif d'impôt théorique de 876 millions d'euros. Un impôt différé actif de 132,7 millions d'euros a été reconnu au 31 décembre 2013.

Le total des déficits fiscaux reportables peut être ventilé comme suit :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Ypso France et ses filiales (1)	1 857 400	1 852 028
Altice B2B France et ses filiales	413 401	402 544
Ypso Holding Lux	45 561	256 173
Total des déficits fiscaux reportables	**2 316 362**	**2 510 745**
Impôt différé actif calculé au taux normal	**876 217**	**851 103**
Dont impôt différé actif reconnu	*132 662*	-
Dont impôt différé actif non reconnu	*743 555*	*851 103*

(1) inclut des pertes contestées par l'administration fiscale (56 millions d'euros au 31 décembre 2013).

12.5 Contrôles fiscaux

Certaines filiales du Groupe, Ypso France, NC Numericable (y compris Numericable et Est Videocommunication fusionnées en 2013) font l'objet d'un contrôle fiscal par l'administration fiscale française pour les exercices clos du 31 décembre 2007 au 31 décembre 2010. Une provision pour risque fiscal d'un montant total de 24,9 millions d'euros est comptabilisée au 31 décembre 2013 (contre 25,1 millions d'euros au 31 décembre 2012) pour couvrir les risques relatifs à ces contrôles.

Au cours de l'année 2013, l'administration a entamé une vérification fiscale sur les entités Altice B2B France et Completel concernant les années 2010 et 2011 s'achevant par la remise le 19 décembre 2013 de propositions de rectifications. Ces dernières portent exclusivement sur le rejet de la charge de prestations de certains services d'actionnaires réalisées en 2009, 2010 et 2011. Une provision pour risques d'un montant total de 11,4 millions d'euros a été comptabilisée au 31 décembre 2013 afin de couvrir la totalité des redressements envisagés (Impôt sur les sociétés, TVA, retenue à la source, amendes, majorations et intérêts de retard).

Le montant total des provisions pour risques fiscaux s'élève ainsi à 36,3 millions d'euros au 31 décembre 2013, contre 25,1 millions d'euros au 31 décembre 2012.

13 Ecarts d'acquisition

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Montant comptabilisé, net		
Solde au début de l'exercice	1 458 686	1 458 638
Ecarts d'acquisition reconnus au cours de la période (1)	24 942	48
Solde à la clôture de l'exercice (2)	**1 483 628**	**1 458 686**

(1) Au 31 décembre 2013, l'écart d'acquisition supplémentaire de 24.9 millions d'euros s'explique par l'acquisition de LTI Telecom (comme indiqué dans la note 4.1.5). L'allocation du prix d'acquisition est provisoire et sera finalisée dans le délai de 12 mois suivant la date d'acquisition. Cet écart d'acquisition a été alloué à l'UGT Activités B2B.

(2) L'écart d'acquisition peut être ventilé comme suit :

Valeur nette comptable (en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Activités B2C	984 583	984 583
Activités B2B	499 045	474 103
Total	**1 483 628**	**1 458 686**

14 Autres immobilisations incorporelles

(en milliers d'euros)	Coûts de développement capitalisés	Droits d'usage, brevets et licences (a)	Droits commerciaux	Autres immobilisations incorporelles (b)	Total
Valeur brute					
Solde au 1er janvier 2013	5 848	720 735	42 030	39 847	**808 462**
Acquisitions	1 271	62 776	757	4 084	68 888
Reclassements	-	-	-	-	-
Regroupement d'entreprises	-	786	996	3 154	4 936
Solde au 31 décembre 2013	7 119	784 297	43 783	47 085	**882 284**
Amortissements et dépréciations cumulés					
Solde au 1er janvier 2013	(3 242)	(413 473)	(34 690)	(30 871)	**(482 275)**
Amortissements	(1 571)	(82 897)	(1 257)	(5 433)	(91 158)
Reclassements	-	-	-	-	-
Regroupement d'entreprises		(464)	(993)	(31)	(1 488)
Solde au 31 décembre 2013	(4 813)	(496 834)	(36 940)	(36 335)	**(574 922)**
Valeur comptable nette					
Solde au 1er janvier 2013	2 606	307 262	7 340	8 976	**326 187**
Solde au 31 décembre 2013	2 306	287 463	6 843	10 750	**307 362**

(en milliers d'euros)	Coûts de développement capitalisés	Droits d'usage, brevets et licences (a)	Droits commerciaux	Autres immobilisations incorporelles (b)	Total
Valeur brute					
Solde au 1er janvier 2012	5 384	649 724	35 949	39 392	**730 449**
Acquisitions	464	53 749	2 219	4 384	60 817
Reclassements	-	66	3 862	(3 929)	-
Application d'IFRIC 12*	-	17 195	-	-	17 195
Solde au 31 décembre 2012	5 848	720 735	42 030	39 847	**808 462**
Amortissements et dépréciations cumulés					
Solde au 1er janvier 2012	(2 043)	(322 439)	(34 690)	(25 222)	**(384 393)**
Amortissements	(1 199)	(78 726)	-	(6 190)	(86 115)
Reclassements	-	(12 299)	-	541	(11 758)
Application d'IFRIC 12*	-	(9)	-	-	(9)
Solde au 31 décembre 2012	(3 242)	(413 473)	(34 690)	(30 871)	**(482 275)**
Valeur comptable nette					
Solde au 1er janvier 2012	3 341	327 285	1 259	14 170	**346 056**
Solde au 31 décembre 2012	2 606	307 262	7 340	8 976	**326 187**

(a) La rubrique « Droits d'usage, brevets et licences » est principalement constitutée de droits d'usage. Ceux-ci correspondent principalement aux droits d'utilisation de l'infrastructure et des installations de génie civil construites par l'opérateur historique France Telecom ainsi qu'aux investissements réalisés au travers des DSP.

(b) Les autres immobilisations incorporelles intègrent principalement les fichiers clients (dont la clientèle Valvision acquise courant 2013, se référer à la Note 4.1.4) ainsi que la production immobilisée au titre des projets informatiques concernant le réseau.

(*) Comme expliqué dans la note 2.11, le Groupe applique l'interprétation de la norme IFRIC 12 en ce qui concerne le contrat de délégation du service public signé avec le département des Hauts-de-Seine (« DSP 92 »).

L'application de cette interprétation a eu les incidences suivantes sur le bilan consolidé 2012:

- Reclassement de la valeur nette comptable à fin 2011 en « Autres immobilisations incorporelles » pour 17,2 millions d'euros (26,6 millions d'euros d'investissements moins 9,5 millions d'euros de subventions reçues au 31 décembre 2011)
- Comptabilisation de 26,4 millions d'euros d'investissements en 2012 dans la rubrique « Droits d'usage, brevets et licences » (38,0 millions d'euros d'investissements moins 11,5 millions d'euros de subventions reçues en 2012)

Ces investissements d'un montant de 26,4 millions d'euros au titre de 2012 réalisés dans le cadre du contrat de délégation du service public signé avec le département des Hauts-de-Seine (Délégation de Service Public 92) sont classés parmi les activités d'investissement dans le tableau des flux de trésorerie consolidé.

A fin 2013, le montant total des investissements (nets des subventions) réalisés dans le cadre de la DSP 92 et classifié en immobilisations incorporelles s'élève à 71,8 millions d'euros.

15 Immobilisations corporelles

(en milliers d'euros)	Terrains	Bâtiments	Réseau et équipements techniques	Immobili sations en cours	Autres	Total
Valeur brute						
Solde au 1^{er} janvier 2013	1 322	142 176	2 601 954	81 022	105 275	**2 931 749**
Acquisitions	-	2 118	194 501	95 834	6 547	299 000
Cessions	(1)	(195)	(55 522)		(2 967)	(58 685)
Reclassements	-	(211)	68 204	(67 994)	1	-
Regroupements d'entreprises	-	-	18 740	-	792	19 532
Solde au 31 décembre 2013	1 321	143 888	2 827 877	108 862	109 648	**3 191 596**
Amortissements et dépréciations cumulés						
Solde au 1er janvier 2013	(2)	(113 499)	(1 331 752)	(4 688)	(91 876)	**(1 541 817)**
Amortissements	-	(4 250)	(197 668)	-	(7 209)	(209 127)
Dépréciations (dotations)	-	-	-	(3 698)	-	(3 698)
Cessions	-	26	40 073	-	2 953	43 052
Reclassements	-	214	(142)	(73)	1	-
Regroupements d'entreprises	-	-	(14 830)	-	(413)	(15 243)
Solde au 31 décembre 2013	(2)	(117 509)	(1 504 319)	(8 459)	(96 544)	**(1 726 833)**
Valeur comptable nette						
Solde au 1^{er} janvier 2013	1 320	28 677	1 270 202	76 334	13 399	**1 389 932**
Solde au 31 décembre 2013	1 319	26 379	1 323 558	100 403	13 104	**1 464 763**

(en milliers d'euros)	Terrains	Bâtiments	Réseau et équipements techniques	Immobili sations en cours	Autres	Total
Valeur brute						
Solde au 1^{er} janvier 2012	1 321	70 154	2 459 782	91 739	99 488	**2 722 484**
Acquisitions	1	4 083	244 244	2 470	8 934	259 732
Regroupements d'entreprises	-	-	-	-	-	-
Cessions	-	(1 496)	(31 058)	-	(625)	(33 179)
Reclassements	-	69 435	(62 919)	(4 087)	(2 522)	(93)
Application d'IFRIC 12	-	-	(8 095)	(9 100)	-	(17 195)
Solde au 31 décembre 2012	1 322	142 176	2 601 954	81 022	105 275	**2 931 749**
Amortissements et dépréciations cumulés						
Solde au 1er janvier 2012	0	(41 206)	(1 241 599)	(1 333)	(89 782)	**(1 373 920)**
Amortissements	(2)	(5 194)	(191 812)	-	(5 247)	(202 255)
Dépréciations (dotations)	-	-	-	(3 355)	-	(3 355)
Cessions	-	1 295	24 028	-	618	25 941
Reclassements	-	(68 394)	77 622	-	2 535	11 763
Application d'IFRIC 12	-	-	9	-	-	9
Solde au 31 décembre 2012	(2)	(113 499)	(1 331 752)	(4 688)	(91 876)	**(1 541 817)**
Valeur comptable nette						
Solde au 1^{er} janvier 2012	1 321	28 948	1 218 183	90 406	9 706	**1 348 564**
Solde au 31 décembre 2012	1 320	28 677	1 270 202	76 334	13 399	**1 389 932**

La valeur nette comptable des actifs détenus par le biais de contrats de location financement se décompose de la manière suivante :

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Terrains	1 029	1 029
Bâtiments	6 558	6 868
Réseau et équipements techniques	53 048	31 632
Autres	79	160
	60 714	**39 689**

16 Tests de dépréciation

16.1 Allocation de l'écart d'acquisition entre les unités génératrices de trésorerie (« UGT »)

Conformément à la norme IAS 36 *Dépréciations d'actifs* (« **IAS 36** »), l'écart d'acquisition a été réparti entre deux UGT, « Activités B2C » (essentiellement NC Numericable) et « Activités B2B » (principalement Completel SAS et LTI Telecom).

16.2 Principales hypothèses retenues pour déterminer la valeur recouvrable des UGT

Le test de dépréciation de l'écart d'acquisition a été réalisé sur la base des unités génératrices de trésorerie définies ci-dessus. Conformément à la norme IAS 36 relative à la dépréciation des actifs, le test de dépréciation est réalisé en comparant la valeur comptable et la valeur recouvrable. La valeur recouvrable est déterminée à partir de la valeur d'utilité calculée selon la méthode des flux de trésorerie actualisés.

La valeur d'utilité est déterminée en utilisant des projections de trésorerie fondées sur des budgets financiers validés par la Direction et portant sur des périodes de 5 ans.

Les projections en matière de nombre d'abonnés, de chiffre d'affaires, de coûts et d'investissements sont fondées sur des hypothèses raisonnables et correspondent aux meilleures estimations de la direction. Les principales hypothèses sont relatives aux nombre d'abonnés et au niveau de dépenses d'amélioration des infrastructures du réseau. Les projections sont fondées aussi bien sur l'expérience passée que sur le taux de pénétration anticipé pour les différents produits.

Comme indiqué dans la note 3, l'établissement de la valeur d'utilité dépend d'hypothèses en matière de taux d'actualisation et de taux de croissance à l'infini. Ces hypothèses peuvent évoluer, ce qui pourrait se traduire par une baisse de la valeur recouvrable en-deçà de la valeur comptable, ce qui entraînerait la constatation d'une dépréciation.

Aucune dépréciation n'a été constatée au 31 décembre 2013 et 2012.

La valeur d'utilité est déterminée à partir des estimations suivantes aux 31 décembre 2013 et 2012:

CGU « Opérations B2C »	**2013**	**2012**
Durée de la période de projection	5 ans	8 ans
Taux d'actualisation appliqué aux projections des flux de trésorerie	7,30%	7,56%
Taux de croissance à l'infini (« GTP ») utilisé pour le calcul de la valeur terminale	2,00%	1,75%

En termes de sensibilité des montants recouvrables, une variation à la hausse ou à la baisse de 0,25% du taux d'actualisation se traduirait par une diminution / augmentation de la valeur recouvrable d'environ 143 millions d'euros. De même, une variation à la hausse ou à la baisse de 0,25% du taux de croissance à l'infini se traduirait par une augmentation / diminution de la valeur recouvrable d'environ 116 millions d'euros.

Au 31 décembre 2013, la valeur recouvrable serait égale à la valeur comptable si les principales hypothèses évoluaient comme suit :

- augmentation du taux d'actualisation de 7,30% à 8,73%;
- diminution du taux de croissance à l'infini de 2,00% à 0,12% ;
- Baisse de la marge brute (calculée à partir de reportings internes) de 50,7% du chiffre d'affaires en moyenne à 46,0% en moyenne sur l'horizon de 5 ans.

CGU « Opérations B2B »	**2013**	**2012**
Durée de la période de projection	5 ans	6 ans
Taux d'actualisation appliqué aux projections des flux de trésorerie	7,14%	9,42%
Taux de croissance à l'infini (« GTP ») utiliés pour le calcul de la valeur terminale	2,00%	1,00%

En termes de sensibilité des montants recouvrables, une variation à la hausse ou à la baisse de 0,25% du taux d'actualisation se traduirait par une dimunution / augmentation de la valeur recouvrable d'environ 74 millions d'euros. De même, une variation à la hausse ou à la baisse de 0,25% du taux de croissance à l'infini se traduirait par une augmentation / une diminution de la valeur recouvrable d'environ 56 millions d'euros.

Au 31 décembre 2013, la valeur recouvrable serait égale à la valeur comptable si les hypothèses principales évoluaient comme suit:

- augmentation du taux d'actualisation de 7,14% à 10,62%;
- diminution du taux de croissance à l'infini de 2,00% à -3,70% ;
- baisse de la marge brute (calculée à partir de reportings internes) de 38,3% en moyenne à 32,1% en moyenne (sur l'horizon de 5 ans).

17 Titres mis en équivalence

Le Groupe exerce une influence notable sur Alsace Connexia Participation, une filiale intégrée selon la méthode de la mise en équivalence. Alsace Connexia Participation était à l'origine détenue à 38,14% par Ypso France, à 38,15% par LD Collectivités et à 23,71% par Sogetrel Réseaux. En 2009, LD Collectivités a acquis la participation de Sogetrel Réseaux, et détient désormais une participation majoritaire (61,86%) dans Alsace Connexia Participation.

Alsace Connexia Participation possède une participation de 70% dans Alsace Connexia. Cette dernière est titulaire d'un contrat de délégation de service public qui lui a été attribué par la Région Alsace, pour la conception, la réalisation, le financement, l'exploitation et la commercialisation d'une infrastructure de télécommunications sur la région pour une période de 15 ans. Le contrat de concession est entré en vigueur le 3 février 2005.

Le tableau ci-après détaille les actifs nets et les résultats opérationnels d'Alsace Connexia Participation :

(en milliers d'euros)	31 décembre 2013	31 décembre 2012
Actif net (1)	7 614	8 888
Quote-part de l'actif net	2 893	3 378

(en milliers d'euros)	2013	2012
Chiffre d'affaires (Alsace Connexia)	14 463	13 050
Résultat net	(1 274)	(524)
Quote-part de résultat	(484)	(199)

(1) Il est précisé qu'aucun écart d'acquisition n'a été reconnu dans l'actif net.

18 Autres actifs financiers courants et non courants

(en milliers d'euros)	Courants		Non courants	
	31 décembre 2013	**31 décembre 2012**	**31 décembre 2013**	**31 décembre 2012**
Instruments dérivés (1)	-	-	-	5
Participations dans des entités qui ne sont pas consolidées (2)	-	-	35	35
Autres actifs financiers (3)	4 020	4 034	7 228	6 791
Total des actifs financiers	**4 020**	**4 034**	**7 263**	**6 831**

(1) Comme indiqué dans la note 28.4, le Groupe disposait jusqu'à fin 2012 de contrats de cap de taux qui lui permettaient de limiter son exposition aux taux d'intérêts mais ces instruments n'étaient pas considérés comme des instruments de couverture au sens de la norme IAS 39. En conséquence, les variations de juste valeur de ces instruments dérivés étaient constatées immédiatement dans le compte de résultat en résultat financier car ces instruments sont directement liés à l'application de la politique de gestion des risques de taux d'intérêt du Groupe, même s'ils ne sont pas considérés comme des instruments de couverture au sens de la norme IAS 39.

Ces instruments dérivés sont classés dans les actifs financiers non courants car ils ne sont pas détenus dans le but principal de les revendre, mais détenus à des fins de couverture du risque de taux.

(2) Les participations dans des entités qui ne sont pas consolidées et classées comme actifs disponibles à la vente incluent notamment Câble Toulousain de Videocom, Médiamétrie Expansion, Rennes Cité Média et TV7 Bordeaux. Ces sociétés ne sont pas comprises dans le périmètre de consolidation car le Groupe n'a pas de contrôle ou d'influence notable sur celles-ci.

(3) Au 31 décembre 2013 et 2012, les autres actifs financiers incluent un gage de 4 millions d'euros accordé dans le cadre de la DSP 92 (classifié en courant, voir également la note 2.11). Le solde correspond à des dépôts de garantie versés par le Groupe notamment dans le cadre des locations de bâtiments.

19 Stocks

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Valeur brute	50 858	46 808
Provision pour dépréciation	(1 290)	(1 199)
Valeur nette comptable	**49 568**	**45 609**

Les stocks sont principalement composés de modems et décodeurs qui seront utilisés par les clients pour la réception des programmes. Le montant des dépréciations constatées pour ramener les stocks à leur valeur recouvrable est non significatif pour les exercices 2013 et 2012.

20 Créances clients et autres créances

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Créances clients	309 998	272 864
Provision pour dépréciation	(33 371)	(27 167)
Créances clients, nettes	**276 627**	**245 697**
Avances et acomptes	2 181	2 211
Créances fiscales et sociales	84 826	141 806
Charges constatées d'avance	32 256	18 025
Autres créances	6 998	9 632
Créances clients et autres créances, nettes	**402 888**	**417 371**

Les créances clients présentées ci-dessus sont évaluées au coût amorti. Les créances clients ayant une échéance courte, leur juste valeur et leur coût amorti sont équivalents à leur valeur nominale.
Les créances clients sont principalement liées aux clients individuels (B2C), qui constituent un très grand nombre de clients répartis dans un grand nombre de zones géographiques.

Clients B2C

Le délai moyen de règlement des clients individuels est de 5 jours. Aucun intérêt de retard n'est appliqué aux créances impayées. Au 31 décembre 2013, hors quelques cas spécifiques, le Groupe a provisionné les créances individuelles échues depuis plus de 90 jours à hauteur de 81% sur la base du taux de recouvrement historiquement observé sur ces créances qui s'élève à 19%. Les créances clients individuelles échues entre 0 et 90 jours sont également provisionnées au cas par cas sur la base de l'historique de recouvrement et d'une analyse de la situation financière du client.

Clients B2B

Au 31 décembre 2013, le Groupe a provisionné les créances clients B2B échues depuis plus de 90 jours à hauteur de 60% sur la base du taux de recouvrement historiquement observé sur ces créances qui s'élève à 40%.

Les créances clients présentées dans le tableau ci-dessus incluent des créances impayées à la clôture de l'exercice (se référer également à l'échéancier des créances clients ci-dessous), qui n'ont pas été provisionnées en l'absence de variation significative du risque de crédit et dans la mesure où les sommes sont toujours considérées comme recouvrables. Le Groupe ne dispose pas d'assurance crédit sur ces créances et ne peut légalement pas compenser ces créances avec les montants que le Groupe doit à la contrepartie.

Echéances des créances clients

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Non exigible	92 610	121 232
0-90 jours	67 888	62 825
> 90 jours	149 508	88 808
Total	**309 998**	**272 864**

La concentration du risque de crédit est limitée étant donné que la base de clients est vaste et disparate. Aucun client ne représente plus de 5% du total des créances clients.

La variation de la provision pour dépréciation des créances clients est comme suit:

(en milliers d'euros)	31 décembre 2013	31 décembre 2012
Solde au début de l'exercice	(27 167)	(26 770)
Dotation de l'exercice	(12 961)	(9 322)
Pertes sur créances irrécouvrables	8 000	8 925
Reprise de provision pour dépréciation	-	-
Créances classées dans les actifs déstinés à être cédés	-	-
Regroupements d'entreprises	(1 243)	-
Solde à la clôture de l'exercice	(33 371)	(27 167)

21 Trésorerie et équivalents de trésorerie

La trésorerie et les équivalents de trésorerie présentés dans le tableau des flux de trésorerie consolidé incluent les disponibilités et dépots à court-terme. La réconciliation entre la position de trésorerie présentée dans le tableau des flux de trésorerie consolidé et la trésorerie présentée dans la rubrique « Trésorerie et équivalents de trésorerie » du bilan consolidé est comme suit:

(en milliers d'euros)	31 décembre 2013	31 décembre 2012
Disponibilités	101 365	7 996
Equivalents de trésorerie	-	-
Trésorerie et équivalents de trésorerie présentés dans le bilan consolidé	**101 365**	**7 996**
Trésorerie des activités cédées ou en cours de cession	-	-
Découverts bancaires comptabilisés en dettes financières dans le bilan consolidé	-	-
Trésorerie et équivalents de trésorerie présentés dans le tableau des flux de trésorerie consolidé	**101 365**	**7 996**

Aux 31 décembre 2013 et 2012, aucun équivalent de trésorerie n'était détenu par le Groupe.

22 Capitaux propres

Au 31 décembre 2013, le capital social de Numericable Group s'élève, sur la base du nombre d'actions émises à cette date, à 123 942 012 euros, divisé en 123 942 012 actions ordinaires d'un montant nominal de 1 euro.

22.1 Evolution du capital

Le capital social a été constitué de la manière suivante au cours de l'exercice 2013 :

Date	Opération	Actions émises
Août 2013	Constitution par voie d'apports en numéraire	37 000
Novembre 2013	Apports en nature des actionnaires	113 772 229
Novembre 2013	Augmentation de capital par offre au public	10 080 645
Novembre 2013	Augmentation de capital par offre aux salariés	52 138
Total au 31 décembre 2013		**123 942 012**

22.2 Actions propres

Le Groupe n'a pas mis en œuvre de programme de rachat d'actions au cours des exercices 2013 et 2012.

De fait, il ne détenait aucune action propre au 31 décembre 2013 et au 31 décembre 2012.

22.3 Résultat par action

(en milliers d'euros)	**2013**	**2012**
Résultat net utilisé pour le calcul du résultat par action - de base	**64 550**	**86 377**
Impact des instruments dilutifs :		
Plan d'options de souscription d'actions (2)	-	-
Résultat net utilisé pour le calcul du résultat par action - dilué	**64 550**	**86 377**

Le tableau ci-dessous fournit le nombre moyen pondéré d'actions ordinaires utilisé pour le calcul du résultat de base et du résultat dilué par action :

(nombre d'actions)	**31 décembre 2013**	**31 décembre 2012**
Nombre moyen pondéré d'actions ordinaires (1)	**115 271 326**	**113 772 229**
Effet des instruments dilutifs:		
Plan d'options de souscription d'actions (2)	-	-
Nombre moyen pondéré d'actions en circulation et dilutives	**115 271 326**	**113 772 229**

(1) Le nombre moyen pondéré d'actions ordinaires retenu dans le calcul du résultat par action correspond, jusqu'à la date d'introduction en bourse, au nombre d'actions émises en rémunération des apports (se référer à la note 22.1 Evolution du capital). Les actions émises dans le cadre de l'offre au public et de l'offre aux salariés ont été retenues prorata temporis.

(2) L'ensemble des options de souscriptions d'actions accordées en 2013 (2 845 229 options) est non dilutif compte tenu du cours moyen de l'action entre la date d'attribution et la date de clôture de l'exercice et de la valorisation du plan.

22.4 Dividendes

Le Groupe n'a pas distribué de dividendes à ses actionnaires au cours des exercices 2013 et 2012.

23 Passifs financiers

Les passifs financiers se décomposent de la manière suivante :

(en milliers d'euros)		Courants		Non courants		Total	
	Note	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Passifs financiers dans le cadre du *Senior Facility Agreement*	23.1	42 575	93 187	2 589 784	2 707 498	2 632 359	2 800 685
Titres subordonnés à durée indéterminée	23.2	-	-	37 695	35 208	37 695	35 208
Passifs financiers dans le cadre de contrats de location-financement	30.2	20 578	19 432	20 915	7 886	41 493	27 318
Autres passifs financiers	23.4	1 096	2 113	1 568	131 234	2 664	133 347
Total des prêts et passifs financiers		**64 249**	**114 732**	**2 649 962**	**2 881 826**	**2 714 211**	**2 996 558**
Instruments dérivés		-	-	-	-	-	-
Dépôts de garantie reçus de clients	23.3	-	-	51 932	44 517	51 932	44 517
Découverts bancaires		-	-	-	-	-	-
Total des passifs financiers		**64 249**	**114 732**	**2 701 894**	**2 926 343**	**2 766 143**	**3 041 075**

23.1 Passifs financiers dans le cadre du Senior Facility Agreement

Senior Facility Agreement accordé à Ypso

Le Groupe a conclu un contrat dit *Senior Facility Agreement* (« **SFA** ») en date du 6 juin 2006 (notamment amendé le 2 mars 2007, le 9 décembre 2009, le 8 septembre 2011, le 31 juillet 2013 et le 22 novembre 2013) auprès de BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch et Morgan Stanley Bank International Limited, en tant que chefs de file, BNP Paribas en tant qu'agent et *security agent* et d'autres prêteurs. Certaines filiales du Groupe se sont portées garantes dans le cadre du SFA, chacune assumant, dans certaines limites, les obligations des autres emprunteurs et garants dans le cadre du SFA.

Des engagements financiers (*covenants*) sont attachés au SFA et pourraient avoir un impact sur les taux d'intérêt supportés par le Groupe ainsi que sur les marges applicables au SFA (voir détails ci-dessous).

En 2012, le Groupe a émis trois emprunts obligataires pour refinancer une partie de sa Dette Senior à court terme dans le cadre des SFA. L'émetteur des obligations est Numericable Finance & Co. S.C.A. (société de droit luxembourgeois). Le produit de ces émissions obligataires a été utilisé par Numericable Finance & Co. pour financer trois nouveaux emprunts auprès de la banque prêteuse (JP Morgan) dans le cadre du *Senior Facility Agreement* à destination du Groupe :

- une tranche « C-One » de 360 millions d'euros ;
- une tranche « C-Two A » de 225 millions d'euros ;
- une tranche « C-Two B » de 275 millions d'euros.

En décembre 2013, le Groupe a levé une nouvelle tranche de Dette Senior d'un montant total de 800 millions d'euros (Tranche D). Cette tranche est remboursable au 31 décembre 2018 et est rémunérée au taux Euribor plus une marge de 3,75%.

Le Groupe a utilisé les produits de cette émission (800 millions d'euros) ainsi que le produit issu de l'augmentation de capital réalisée dans le cadre de l'offre réservée au public (250 millions d'euros) pour procéder au remboursement de certaines de ses dettes existantes à savoir:

- la totalité de la Dette Senior souscrite à l'origine par Altice B2B France pour 451 millions d'euros ;
- l'intégralité de l'emprunt obligataire de 275 millions d'euros (Tranche C-Two B) souscrit en octobre 2012 ;
- une partie de l'emprunt obligataire de 225 millions d'euros (tranche C-Two A) souscrit en octobre 2012 (remboursement de 78,8 millions d'euros) – le solde de cet emprunt s'élève ainsi à 146,3 millions d'euros au 31 décembre 2013 ;
- une partie de l'emprunt obligataire de 360 millions d'euros (tranche C-One) souscrit en février 2012 (remboursement de 126,1 millions d'euros) – le solde de cet emprunt s'élève ainsi à 234,1 millions d'euros au 31 décembre 2013.

Le tableau ci-dessous récapitule les différentes tranches en place dans le cadre du contrat de Dette Senior à fin décembre 2013, leur maturité, le taux de marge applicable ainsi que le montant restant à rembourser au 31 décembre 2013:

Tranche	Maturité	Marge / Coupon (1)	Nominal décembre 2013 (2)
A2 et capex 2	Juin 2015	E + 3,875%	51,9
B1	Juin 2014	E + 3,50%	11,2
B2	Juin 2016	E + 4,75%	106,5
B3	Decembre 2017	E + 4,75%	672,1
C1	Decembre 2015	E + 4,00%	36,0
C2	Decembre 2017	E + 5,25%	42,3
C3	Decembre 2017	E + 4,75%	110,9
C4	Decembre 2018	E + 5,00%	426,8
D	Decembre 2018	E + 3,75%	800,0
C-ONE (Obligataire)	Février 2019	12,375%	234,1
C-TWOA (Obligataire)	Février 2019	8,750%	146,3

(1) Euribor ("E") + taux de marge aplicable à la tranche ;
(2) Nominal exprimé en millions d'euros au 31 décembre 2013, hors intérêts courus et hors impact du taux d'intérêt effectif.

Garanties et caution

Les tranches sont garanties sans condition et de façon irrévocable, conjointement et individuellement par chacun des garants (Ypso France SAS et ses filiales) dans le cadre du *Senior Facility Agreement*, sous réserve de certaines limites légales.

Les tranches sont garanties par des sûretés réelles, notamment un nantissement des actions d'Ypso France SAS et ses filiales.

Covenants

La mise à disposition des tranches senior mentionnées à la Note 23.1 ne dépend pas des notes de crédit du Groupe, mais de son respect des *covenants* financiers liés à la capacité du Groupe à générer suffisamment de trésorerie pour rembourser sa dette nette. En conséquence, le *Senior Facility Agreement* comprend des engagements opérationnels et financiers, avec des exceptions particulières, notamment des engagements limitant la capacité du groupe à :

- s'associer, fusionner ou intégrer toute autre société, faire l'objet d'une refonte ou modifier de manière significative la nature de l'activité du groupe dans son ensemble ;
- céder, transférer, louer, prêter ou renoncer à tout ou partie de ses actifs, ou signer un accord à ces fins ;
- entreprendre des transactions importantes non liées aux conditions commerciales normales et ce pour la totalité de la valeur marchande ;
- réaliser des acquisitions ou des investissements ;

- ouvrir ou conserver tout compte auprès d'une banque ou d'une institution financières proposant des services autres que ceux d'une banque ou institution de crédit autorisée à entreprendre des transactions bancaires en France, en Belgique ou au Luxembourg ;
- allouer ou émettre des actions ou des titres ;
- modifier la date de clôture de l'exercice.

Le *Senior Facility Agreement* oblige également le Groupe à se conformer aux engagements financiers suivants :

- un ratio maximum de dette nette consolidée rapporté à l'excédent brut d'exploitation (EBITDA) annualisé ;
- un ratio minimum de trésorerie consolidée rapporté au service de la dette;
- un ratio minimum d'EBITDA annualisé rapporté à la charge d'intérêts consolidée et
- un niveau maximum d'investissements annuel.

Le respect des engagements est vérifié tous les trimestres et un audit annuel au 31 décembre est réalisé lors de la préparation des comptes consolidés d'Ypso France établis conformément aux principes comptables français. Depuis la mise en œuvre du SFA, le groupe a toujours respecté les engagements financiers prévus par celui-ci.

Comme prévu dans le cadre du SFA, les covenants sont calculés sur la base d'agrégats financiers déterminés à partir des comptes consolidés établis par Ypso France conformément aux principes comptables français, et non pas aux normes IFRS. En conséquence, l'EBITDA utilisé pour le caclul des covenant est différent de celui présenté dans le compte de résultat consolidé du Groupe.

23.2 Titres Subordonnés à Durée Indéterminée

En 2006, un montant de 23,7 millions d'euros a été émis sous la forme de Titres Subordonnés à Durée Indéterminée (« **TSDI** ») par NC Numericable, une filiale du Groupe, à destination d'un seul souscripteur, GDF Suez Groupe (Vilorex)(intérets capitalisés exclus). Les fonds issus de cet emprunt sont destinés à financer la construction de prises des villes comprises dans la plaque sud du SIPPEREC (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*), un regroupement de villes situées dans l'agglomération parisienne. L'emprunt est rémunéré à un taux d'intérêt annuel de 7% appliqué sur le montant non amorti des TSDI. Les intérêts des titres sont capitalisés. Le remboursement est soumis à conditions. Le montant total des intérêts courus sur les TSDI s'élevait respectivement à 14,0 millions d'euros et 11,6 millions d'euros aux 31 décembre 2013 et 2012 et ont été classés dans les passifs financiers non courants dans le tableau figurant en note 23.

L'instrument contient une obligation contractuelle de remboursement en numéraire (intérêts inclus) dans le cas où les cash flows générés par l'activité permettraient au Groupe de rembourser le prêt. En vertu des stipulations du contrat, le paiement des intérêts et le remboursement de la dette dépendent du niveau de trésorerie généré mais le Groupe ne dispose pas de droit inconditionnel qui lui permettrait d'éviter le remboursement. En conséquence, l'instrument est considéré comme un passif financier évalué au coût amorti conformément à la norme IAS 32.

23.3 Dépôts de garantie reçus de clients

Les dépôts de garantie reçus de clients représentent respectivement 51,9 millions d'euros et 44,5 millions d'euros aux 31 décembre 2013 et 2012. Ces dépôts sont versés par les clients lorsqu'ils reçoivent les équipements fournis par le Groupe. Ce dépôt leur est remboursé à la fin de la période contractuelle si les factures sont acquittées et le matériel restitué.

23.4 Autres passifs financiers

Au 31 décembre 2013, les autres passifs fianciers incluent divers emprunts bancaires souscrits par Numericable à l'égard de plusieurs banques (principalement envers la *Caisse d'Épargne d'Alsace-Lorraine*) pour 1 648 milliers d'euros et par Completel auprès de divers établissements bancaires pour 609 milliers d'euros.

Au 31 décembre 2012, les autres passifs financiers incluaient également la dette d'Ypso Holding Lux S.à.r.l. à l'égard des actionnaires pour un montant de 128 962 milliers d'euros qui a été éteinte courant 2013 dans le cadre des apports effectués à Numericable Group.

24 Provisions et passifs éventuels

La décomposition et l'évolution des provisions pour les exercices clos au 31 décembre 2013 et 2012 sont comme suit:

(en milliers d'euros)	1er janvier 2013	Mouvement périmètre	Dotation	Utilisation	Reprise	Reclass	31 décembre 2013
Provisions pour retraites	8 455	157	1 556	-	-	-	10 168
Provisions pour litiges prudhommaux	4 068	40	1 309	(1 409)	(29)	-	3 979
Provisions pour litiges commerciaux	18 043	-	6 646	(5 245)	(2 071)	-	17 373
Provisions pour risques fiscaux	25 096	38	18 250	(7 087)	-	-	36 297
Autres (1)	10 720	76	1 876	(96)	(349)	-	12 227
Total	66 382	311	29 637	(13 837)	(2 449)	-	80 044
Part courante	2 409	-	6 161	(2 409)	-	250	6 411
Part non courante	63 973	311	23 476	(11 428)	(2 449)	(250)	73 633

(en milliers d'euros)	1er janvier 2012	Dotation	Utilisation	Reprise	Reclass	31 décembre 2012
Provisions pour retraites	6 101	2 357	-	(3)	-	8 455
Provisions pour litiges prudhommaux	3 604	1 183	(719)	-	-	4 068
Provisions pour litiges commerciaux	21 935	6 252	(8 829)	(1 315)	-	18 043
Provisions pour risques fiscaux	26 977	212	(2 093)	-	-	25 096
Autres	13 227	1 395	(3 902)	-	-	10 720
Total	71 845	11 399	(15 543)	(1 318)	-	66 382
Part courante	8 998	-	(8 998)	-	2 409	2 409
Part non courante	62 847	11 399	(6 545)	(1 318)	(2 409)	63 973

(1) Correspond principalement aux provisions pour risques relatives aux frais de non restitution de matériel.

Le Groupe est impliqué dans des procédures judiciaires, administratives ou réglementaires dans le cours normal de son activité.

Une provision est enregistrée par le Groupe dès lors qu'il est jugé probable que de tels litiges entraînent des coûts à la charge du Groupe et que le montant de ces coûts peut être raisonnablement estimé. Certaines sociétés du Groupe sont parties à un certain nombre de contentieux liés aux activités ordinaires du Groupe. Seuls les procédures et litiges les plus significatifs auxquels le Groupe est partie sont décrits ci-après.

Le Groupe n'a pas connaissance d'autres procédures gouvernementales, judiciaires ou d'arbitrage (y compris toute procédure dont le Groupe a connaissance, qui est en suspens ou dont le Groupe est menacé) que celles mentionnées ci-dessous au présent paragraphe, susceptibles d'avoir ou ayant eu au cours des douze derniers mois des effets significatifs sur la situation financière ou la rentabilité de la Société ou du Groupe.

24.1 Litiges fiscaux

L'administration fiscale française a procédé à des vérifications sur diverses sociétés du Groupe depuis 2005 en ce qui concerne les taux de TVA applicables aux offres multi-play du Groupe. En droit fiscal français, les services de télévision sont assujettis à un taux de TVA à 5,5%, qui a été porté à 7% à compter du 1er janvier 2012, tandis que les services internet et de téléphonie sont soumis à un taux de TVA de 19,6%. Lors de la commercialisation d'offres multi-play, le Groupe applique une réduction de prix par rapport au prix auquel il facturerait ces services sur une base individuelle. Le Groupe impute cette réduction de prix principalement sur la part du prix de ses offres multi-play correspondant aux services internet et de téléphonie, parce que ces services ont été plus récemment inclus dans le catalogue d'offres du Groupe . Par conséquent, la TVA facturée aux abonnés multi-play du Groupe est inférieure à celle qui leur serait facturée si la réduction de prix devait s'imputer principalement sur la part du prix de ses offres multi-play correspondant aux services de télévision ou au prorata sur l'ensemble des services.

L'administration fiscale française considère que ces réductions de prix auraient dû être imputées au prorata sur le prix individuel de chacun des services (télévision, internet haut débit, téléphonie fixe et/ou mobile) inclus dans les offres multi-play du Groupe et a adressé des propositions de rectification en ce sens pour les exercices 2006 à 2010.

Le Groupe a formellement contesté les redressements fiscaux relatifs aux exercices 2006 à 2009. Le Groupe a par ailleurs saisi le Ministère des Finances en décembre 2011 et a sollicité un règlement d'ensemble des rectifications opérées par l'administration concernant les différentes sociétés du Groupe pour la période 2006 à 2009. Suite à ces demandes, l'administration a revu à la baisse les montants des redressements pour les années 2008 et 2009 en incluant dans son calcul une limitation basée sur la règle du 50/50 applicable sur la TVA composite qui était en vigueur de 2008 à 2010. Les nouveaux montants des redressements s'élevant à 17,1 millions d'euros (hors pénalités de 40%) pour la période 2006 - 2009 ont été communiqués au Groupe fin août 2012.

En parallèle, en 2012, l'administration fiscale a initié une procédure de vérification du Groupe pour l'exercice 2010, dans les mêmes conditions et pour les mêmes raisons que les vérifications décrites ci-dessus dont le Groupe a fait l'objet dans le passé. Ces procédures ont donné lieu à l'établissement de propositions de rectifications fin juin 2013, calculées à l'identique de 2007 à 2009, pour un montant total de 6,1 millions d'euros (hors pénalités de 40%). Le Groupe a répondu le 21 août 2013 pour contester les rectifications proposées. L'administration a adressé des réponses aux observations du Groupe fin octobre 2013, aux termes desquelles elle maintient ses redressements. A ce jour, les années 2011 et suivantes ne font pas l'objet de contrôles en matière de TVA sur le périmètre Numericable.L'administration a également mis en recouvrement le rappel de l'année 2006 sur NC Numericable (soit environ 2 millions d'euros sur les 17,1 millions d'euros mentionné ci-dessus pour la période 2006-2009). Le Groupe a demandé un sursis de paiement et déposé une réclamation en septembre 2012 qui a été rejetée par l'administration fiscale le 27 juin 2013. Le Groupe a introduit une requête introductive d'instance en date du 20 août 2013.

Les règles de TVA applicables aux offres multiplay ont changé à compter du 1er janvier 2011.

Au 31 décembre 2013, une provision fiscale pour un montant total de 24,9 millions d'euros (contre 25,1 millions d'euros au 31 décembre 2012) est comptabilisée couvrant essentiellement la totalité des risques TVA (hors pénalités de 40% dont le montant s'élèverait à 7,1 millions d'euros) au titre des rectifications notifiées portant sur les exercices 2006 à 2010 (soit 23,5 millions d'euros). Le Groupe a répondu le 21 août 2013 pour contester les rectifications proposées).

Enfin, courant 2013, l'administration a entamé une vérification fiscale sur les entités Altice B2B France et Completel concernant les années 2010 et 2011 s'achevant par la remise le 19 décembre 2013 de propositions de rectifications. Ces dernières portent essentiellement sur la remise en cause de charges de prestations de services dont ont bénéficié les sociétés en 2009, 2010 et 2011. La totalité des redressements envisagés

(Impôt sur les sociétés, TVA, retenue à la source, amendes, majorations et intérêts de retard) est provisionnée au 31 décembre 2013 pour un total de 11,4 millions d'euros. De plus, la proposition de rectification se traduit par une réduction des déficits reportables pour 28,5 millions d'euros. Le Groupe a contesté l'ensemble des redressements envisagés le 17 février 2014.

Au 31 décembre 2013, une provision fiscale pour un montant total de 36,3 millions d'euros a été comptabilisée couvrant essentiellement la totalité des risques TVA (hors pénalités de 40% dont le montant s'élève à 7,1 millions d'euros) au titre des rectifications notifiées portant sur les exercices 2006 à 2010 (soit 24,9 millions d'euros) et les risques liés à la remise en cause de charges de prestations de services au titre des rectifications notifiées portant sur les exercices 2009 à 2011 (soit 11,4 millions d'euros).

24.2 Litiges civils et commerciaux

24.2.1 Enquête approfondie de la Commission européenne sur la cession par certaines collectivités d'infrastructures câblées.

Le 17 juillet 2013, la Commission européenne a indiqué avoir décidé d'ouvrir une enquête approfondie afin de déterminer si la cession d'infrastructures câblées publiques opérée entre 2003 et 2006 par plusieurs collectivités territoriales françaises à Numericable était conforme aux règles de l'Union Européenne en matière d'aides d'Etat. Dans le cadre de l'annonce de l'ouverture de cette enquête approfondie, la Commission européenne a indiqué qu'elle estime que la cession de biens publics à une entreprise privée sans compensation appropriée confère à celle-ci un avantage économique dont ne bénéficient pas ses concurrents et constitue par conséquent une aide d'Etat au sens des règles de l'Union Européenne et que la cession à titre grâcieux de réseaux câblés et de fourreaux opérés par 33 municipalités françaises, selon ses estimations, au profit de Numericable confère un avantage de ce type et comporte par conséquent une aide d'Etat. La Commission européenne a exprimé des doutes sur le fait que cette aide alléguée puisse être jugée compatible avec les règles de l'Union Européenne.
Le Groupe conteste fermement l'existence d'une quelconque aide d'Etat. En outre, cette décision d'ouverture d'enquête concerne un nombre relativement faible de prises réseaux (environ 200 000), dont la majorité n'a pas été rénové en EuroDocsis 3.0 et permet d'accéder seulement à un nombre limité des services de télévision du Groupe. La décision de la Commission européenne du 17 juillet 2013 a été publiée au journal officiel de l'Union européenne le 17 septembre 2013. Depuis lors, les échanges se poursuivent dans le cadre de cette procédure tant au titre des observations de tiers que de celles des parties à la procédure quant à l'allégation de l'existence d'une aide et de son étendue, le Groupe contestant pour sa part fermement l'existence d'une quelconque aide d'Etat.

24.2.2 Litige avec Orange concernant certains IRUs

Le Groupe a conclu quatre IRUs non-exclusifs avec Orange, les 6 mai 1999, 18 mai 2001, 2 juillet 2004 et 21 décembre 2004, dans le cadre de l'acquisition par le Groupe de certaines entreprises exploitant des réseaux câblés construits par Orange. Ces réseaux câblés sont accessibles uniquement grâce aux installations de génie civil d'Orange (principalement ses conduits) qui sont mises à la disposition du Groupe par Orange aux termes de ces IRUs non-exclusifs. Chacun de ces IRUs couvre une zone géographique différente et a été conclu pour une durée de 20 ans.

En application de la décision de l'ARCEP numéro 2008-0835 du 24 juillet 2008, Orange a publié, le 15 septembre 2008, une offre technique et tarifaire d'accès aux infrastructures de génie civil constitutives de la boucle locale filaire à destination des opérateurs de télécommunications permettant aux opérateurs de déployer leurs propres réseaux de fibre optique dans les conduits d'Orange. Les termes de cette offre technique et tarifaire obligatoire sont plus restrictifs que ceux dont le Groupe bénéficiait aux termes des IRUs qu'il a conclus avec Orange. Orange a ensuite demandé à Numericable de suivre les procédures générales d'accès aux installations de génie civil d'Orange, pour le maintien et l'amélioration de son réseau. Cette affaire a été portée devant l'ARCEP (le 4 novembre 2010) et la Cour d'appel de Paris (le 23 juin 2011) qui ont chacune statué en faveur d'Orange. Numericable a formé un pourvoi en cassation et, le 25 septembre 2012, la Cour de cassation, pour l'essentiel, a confirmé la décision de la Cour d'appel de Paris.

Par ailleurs, le 21 octobre 2011, l'ARCEP engagé une procédure de sanction à l'encontre de Numericable en raison du non-respect par Numericable de la décision de l'ARCEP du 4 novembre 2010. Par conséquent, en décembre 2011, Numericable a conclu des avenants aux IRUs avec Orange afin de se conformer à la décision de l'ARCEP du 4 novembre 2010 et d'aligner les procédures d'exploitation prévues au titre des IRUs avec les procédures définies dans l'offre technique et tarifaire générale publiée par Orange.

La conclusion des avenants aux IRUs n'a toutefois pas suspendu la procédure de sanction initiée par l'ARCEP et, le 20 décembre 2011, Numericable a été condamné à payer une amende de 5,0 millions d'euros pour non-respect de la décision de l'ARCEP du 4 novembre 2010. Cette amende a été intégralement payée au cours de l'exercice 2012. Numericable a déposé un recours devant le Conseil d'Etat à l'encontre de cette décision. Dans le cadre de ce recours, Numericable a soulevé une question préjudicielle de constitutionalité, renvoyée devant le Conseil constitutionnel, sur la conformité à la constitution de l'Article L. 36-11 du CPCE qui prévoit les pouvoirs de sanction de l'ARCEP. Le 5 juillet 2013, le Conseil constitutionnel a fait droit à la demande de Numericable et a invalidé les alinéas 1 à 12 de l'Article L. 36-11 du CPCE sur le fondement desquels la décision de sanction de l'ARCEP du 20 décembre 2011 mentionnée ci-dessus a été rendue. Numericable a demandé au Conseil d'Etat de tirer les conséquences de cette décision et d'annuler, en conséquence, la décision de l'ARCEP du 20 décembre 2011. Le 21 octobre 2013, le Conseil d'Etat a annulé la décision de sanction de l'ARCEP du 20 décembre 2011 qui avait condamnée Numericable et NC Numericable à une amende de 5 millions d'euros pour non-respect de la décision de l'ARCEP du 4 novembre 2010.

En parallèle, Numericable a assigné Orange devant le tribunal de commerce de Paris le 7 octobre 2010 et demande sa condamnation au paiement de la somme de 2,7 milliards d'euros à titre de dommages et intérêts pour le préjudice résultant de la violation et la modification des IRUs par Orange. Le 23 avril 2012, le tribunal de commerce de Paris s'est prononcé en faveur d'Orange et a rejeté les demandes en dommages et intérêts de Numericable, estimant qu'il n'y avait pas de différences significatives entre les procédures d'exploitation d'origine et les nouvelles procédures d'exploitation imposées à Numericable par Orange aux termes de son offre technique et tarifaire générale publiée le 15 septembre 2008. Numericable a interjeté appel de cette décision devant la Cour d'appel de Paris et demande le même montant de dommages et intérêts. Orange, de son côté, soutient que cette procédure a affecté de manière significative sa marque et son image et demande la condamnation de Numericable au paiement de la somme de 50 millions d'euros à titre de dommages et intérêts. La Cour d'Appel de Paris devrait rendre sa décision pendant le second trimestre de l'année 2014.

24.2.3 Litige avec Free concernant l'annonce d'une offre mobile

Une action a été intentée le 3 août 2011 à l'encontre de Numericable et NC Numericable devant le tribunal de commerce de Paris par l'opérateur de télécommunications Free concernant le lancement de l'offre mobile de Numericable au printemps 2011 au travers d'un évènement annoncé comme « La révolution du mobile continue ».

Free, qui a utilisé le terme « révolution » pour désigner ses services de téléphonie mobile et dont la dernière offre porte le nom de « Freebox Révolution », affirme, entre autres, que la campagne de Numericable a créé de la confusion chez les consommateurs et a porté atteinte à sa marque et à son image. Par deux assignations, Free demande la condamnation de Numericable et NC Numericable au paiement d'une somme globale s'élevant à 10 millions d'euros à titre de dommages et intérêts. A l'issue des plaidoiries, le tribunal a sollicité un avis de la direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF) concernant la réalité des allégations de Free au regard du droit de la publicité. La DGCCRF a rendu un avis dans lequel elle indique considérer que les points soulevés par Free ne constituent pas une publicité mensongère ou irrégulière non-conforme au droit de la publicité applicable. Toutefois, le 13 décembre 2013, le tribunal de commerce de Paris a condamné NC Numericable à payer à Free la somme de 6 391 000 euros. NC Numericable a interjeté appel de ce jugement. Le jugement étant exécutoire et la somme versée début 2014, le risque a été intégralement provisionné au 31 décembre 2013.

24.2.4 Litiges avec divers éditeurs de services à valeur ajoutée (SVA)

Par assignations groupées en date du 19 février 2013, cinq sociétés éditrices de services téléphoniques à valeur ajoutée qui proposent leurs services au public au moyen de numéros surtaxés (0899) de Completel, ont assigné Completel devant le tribunal de commerce de Nanterre et demandé sa condamnation au paiement de la somme globale de 350 000 euros à titre de remboursement de sommes correspondant à des retenues prélevées par Completel sur les sommes perçues pour leur compte. Completel a procédé à ces retenues en réponse aux pratiques de ces sociétés qu'elle estime contraires aux contrats conclus entre ces sociétés et Completel ainsi qu'aux règles déontologiques du secteur. Elles sollicitent en outre le versement de dommages et intérêts d'un montant global de 12 millions d'euros en réparation du préjudice prétendument subi à raison de la rétention des sommes par Completel.

Par ailleurs, Completel ayant décidé en novembre 2012 de mettre un terme à cette activité, elle a suspendu certains reversements et appliqué diverses pénalités contractuelles à des sociétés commercialisant ce type de services téléphoniques à valeur ajoutée. Certaines de ces sociétés ont assigné Completel devant divers tribunaux de commerce et demandé sa condamnation au paiement des sommes retenues par Completel ou la suppression des pénalités appliquées par Completel. Le montant global montant réclamé s'élève à environ 400 000 euros, représentant essentiellement des sommes perçues pour le compte des éditeurs.

24.2.5 Litige avec la Ligue de Football Professionnel

Par assignation du 26 avril 2013, la Ligue Professionnelle de Football (la « LFP ») demande au tribunal de commerce de Nanterre de constater que la société Numericable aurait abusé de sa position dominante et manqué à ses obligations de non-discrimination à l'égard de la LFP lorsque cette dernière éditait la chaîne CFoot. La LFP demande 4,1 millions d'Euros de dommages et intérêts en réparation de son préjudice à ce titre. Plus particulièrement la LFP reproche à Numericable le faible niveau de rémunération perçue pour la commercialisation de sa chaîne CFoot par comparaison avec les rémunérations de certaines chaînes de sport commercialisées au sein de bouquets de chaînes. L'audience de plaidoierie devrait intervenir durant l'année 2014.

24.2.6 Action de Colt, Free et Orange devant le tribunal de l'Union européenne concernant le projet DSP 92

Les sociétés Colt, Free, et Orange, par trois actes distincts d'introduction d'instance à l'encontre de la Commission européenne, ont saisi le tribunal de l'Union européenne aux fins d'annulation de la décision finale de la Commission européenne en date du 30 septembre 2009 (décision No. C (2009) 7426) qui a considéré que la compensation de charges de service public de 59 millions d'euros accordée pour l'établissement et l'exploitation d'un réseau de communications électroniques à très haut débit dans le département des Hauts de Seine ne constitue pas une aide d'Etat au sens des règles de l'Union Européenne. Le Groupe n'est pas partie à cette instance, la filiale du Groupe Sequalum agissant en qualité d'intervenant, de même que l'Etat français et le département des Hauts de Seine. Par trois arrêts en date du 16 septembre 2013, le tribunal de l'Union européenne a rejeté les recours des trois requérants et confirmé la décision de la Commission européenne mentionnée ci-dessus. Free et Orange ont formé un pourvoi devant la Cour de justice de l'Union européenne.

24.2.7 Réclamation de Bouygues Télecom

Fin octobre 2013, le Groupe a reçu une réclamation de la société Bouygues Télécom relative au contrat « marque blanche » conclu le 14 mai 2009, initialement pour cinq ans et prolongé une fois pour cinq ans de plus, entre ces sociétés pour la fourniture à Bouygues Télécom d'offres double- et triple-play très haut débit. Dans ce courrier, Bouygues Télécom réclame des dommages-intérêts d'un montant total de 53 millions d'euros à raison de ce contrat. Ainsi, Bouygues Télécom allègue un préjudice qui justifierait, selon Bouygues Télécom, des dommages-intérêts incluant (i) un montant de 17,3 millions d'euros à raison d'un dol pré-contractuel (communication d'informations erronées préalablement à la conclusion du contrat), (ii) un montant de 33,3 millions d'euros à raison de défaillances par les sociétés du Groupe dans l'exécution du contrat et (iii) un montant de 2,4 millions d'euros à raison d'un préjudice d'image subi par Bouygues Télécom. Le Groupe considère ces réclamations infondées, tant sur le plan des faits que sur le plan contractuel, et conteste tant les allégations de Bouygues Télécom que le montant des préjudices invoqués. Il entend néanmoins poursuivre les discussions opérationnelles se déroulant régulièrement entre les parties concernant le suivi de ce contrat, pour lequel Bouygues Télécom demande des aménagements contractuels dans le cadre de sa réclamation. Nonobstant cette réclamation qui n'a pas connu de suite judiciaire, les parties poursuivent leur collaboration quotidienne dans des conditions identiques à celles qui prévalaient avant octobre 2013. Ce contrat, qui court jusqu'en 2019, a généré 37,3 millions d'euros de chiffre d'affaires en 2012, soit 49,6% du chiffre d'affaire total marque blanche B2C de 75,3 millions d'euros et 2,8% du chiffre d'affaires total du Groupe.

24.2.8 Enquête par la Chambre Régionale des Comptes d'Ile-de-France concernant la DSP 92

Mi-novembre 2013, un certain nombre d'articles de presse ont rapporté que la Chambre Régionale des Comptes d'Ile-de-France aurait ouvert une enquête sur la gestion du département des Hauts-de-Seine entre 2004 et 2007. Les articles de presse rapportaient que cette enquête se concentrerait principalement sur l'attribution du projet DSP 92 à Numericable et en particulier sur l'octroi de 59 millions d'euros à titre de compensation de charges de service public pour l'établissement et l'exploitation d'un réseau de communications électroniques à très haut débit dans le département des Hauts de Seine. Le Groupe ne dispose d'aucune information concernant l'objet ou le calendrier de cette enquête et donc quant à sa nature exacte ou ses effets potentiels sur le Groupe. Néanmoins, le Groupe note, comme indiqué ci-dessus, que la DSP 92 a été validée par les juridictions administratives françaises, la Commission européenne et le tribunal de l'Union européenne devant lesquelles la DSP 92 était attaquée et qu'en outre, la Cour des Comptes n'a aucun pouvoir d'action à l'encontre d'une entité non-gouvernementale.

24.2.9 Litiges prud'homaux

Le Groupe est impliqué dans un certain nombre de litiges prud'homaux dont une part importante résulte de la dernière période de fusion survenue en 2006-2007, avec UPC-NOOS, qui a donné lieu, jusqu'en 2009, à des ajustements et harmonisations des pratiques sociales qui ont pu être conflictuels. Le Groupe encourt un risque global de condamnation d'environ 4 millions d'euros pour l'ensemble de ces contentieux. L'essentiel de ces contentieux consiste en une contestation par le salarié des motifs et ou de la forme de son licenciement.

25 Avantages du personnel

25.1 Provisions pour retraites

En France, les salariés du Groupe bénéficient d'un régime général de retraite. Le Groupe reverse ainsi à l'état les cotisations sociales dues dans le cadre de ces régimes généraux. Ce régime est considéré comme un régime à contribution définie tel que défini par la norme IAS 19 R. Les salariés du Groupe sont rattachés à la Convention Collective Nationale des Télécommunications, qui est utilisée pour calculer le montant de l'indemnité de retraite dûe lors du départ en retraite du salarié.

Les indemnités de départ à la retraite ont été évalués individuellement, sur la base de plusieurs paramètres et hypothèses, notamment l'âge, le poste occupé, l'ancienneté et le salaire, conformément à leur contrat de travail.

25.1.1 Hypothèses employées pour les plans à prestations définis

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Taux d'actualisation	3,0%	3,0%
Taux de croissance des salaires	3,0%	3,0%
Taux d'inflation	2,0%	2,0%
Taux de rotation des cadres (moyenne)	9,0%	7,0%
Taux de rotation des autres employés (moyenne)	18,0%	15,0%

Le taux de rotation peut fortement varier en fonction de l'ancienneté.

25.1.2 Composantes de la charge

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Coût des services rendus	881	713
Charge d'intérêt	253	287
Rendement attendu des actifs du plan	-	-
Reconnaissance des écarts actuariels	458	1 496
Coût des services passés	-	-
Regroupements d'entreprise	157	-
Réductions/Paiements	(36)	(57)
Charge au titre des avantages postérieurs à l'emploi	**1 714**	**2 439**
Dont pertes (gains) actuariels comptabilisés en autres éléments du résultat global	458	1 496
Exprimé en pourcentage de la valeur actuelle des engagements de retraites	4,5%	17,7%

Les gains et pertes actuariels découlant des variations des hypothèses actuarielles sont comptabilisés directement dans les autres éléments du résultat global.

25.1.2.1 Variation de l'engagement

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Engagement au titre des régimes à prestations définies à l'ouverture de l'exercice	**8,455**	**6,101**
Coût des services rendus	881	713
Charge d'intérêt	253	287

Apports versés	-	-
Ecarts actuariels	458	1 496
Prestations versées	(36)	(87)
Coût des services passés	-	-
Regroupement d'entreprises	157	-
Réductions/Paiements	-	(57)
Engagement au titre des régimes à prestations définies à la clôture de l'exercice	**10,168**	**8,455**

25.2 Plan d'options de souscription d'actions

Le conseil d'administration du 7 novembre 2013 a adopté un plan d'attribution d'options de souscription d'actions au profit de certains mandataires sociaux de Numericable Group et salariés du Groupe.

Ce plan porte sur un nombre total de 2 845 229 options de souscription d'actions équivalent à 2 845 229 actions. Le prix d'exercice de l'option est de 24,80 euros par action (soit le prix fixé lors de l'introduction en bourse de la société).

Le plan a une durée de huit ans à compter du 7 novembre 2013 et ce jusqu'au 7 novembre 2021.

L'exercice des options est soumis à des conditions de présence et de performance (basée sur les indicateurs chiffre d'affaires et EBITDA - capex du Groupe).

L'acquisition des options se fait en trois périodes :

- 50% en novembre 2015 ;
- 25% en novembre 2016 ;
- 25% en novembre 2017.

Au 31 décembre 2013, la juste valeur des options a été évaluée à 9 702 milliers d'euros. La charge reconnue en 2013 au titre du plan s'est elevée à 640 milliers d'euros.

Les principales hypothèses retenues pour la valorisation du plan sont reprises dans le tableau ci-dessus :

	Options de souscriptions - Novembre 2013
Juste valeur unitaire en date d'attribution	3,41
Prix de l'action en date d'attribution	24,80
Prix d'exercice de l'option	24,80
Volatilité attendue (moyenne pondérée)	25%
Date d'expiration (maturité)	Novembre 2021
Dividendes attendus	4%
Taux d'intérêt sans risque (basé sur les obligations d'État)	0,75%

26 Autres passifs non courants

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Produits constatés d'avance (à plus d'un an)	97 429	105 791
Dettes fournisseurs non courantes	4 874	5 175
Dettes fiscales et sociales non courantes	282	300
Autres passifs non courants	**102 585**	**111 266**

A la clôture de l'exercice, les produits constatés d'avance sont principalement constitués du chiffre d'affaires non reconnu provenant de la location du réseau.

Dans le cadre de certains contrats conclus avec des clients B2B, le Groupe reçoit des paiements d'avance relatifs à des contrats d'IRU et des frais d'accès aux services. Le chiffre d'affaires relatif à ces contrats est généralement étalé sur la durée du contrat.

La part non courante des produits constatés d'avance présentés dans le tableau ci-dessus correspond au chiffre d'affaires qui sera reconnu dans plus d'un an à compter de la date clôture.

La part courante des produits constatés d'avance (c'est-à-dire qui sera constatée dans les douze mois suivants la clôture de l'exercice) est classée dans la rubrique « Dettes fournisseurs et autres dettes » comme indiqué en note 27.

27 Dettes fournisseurs et autres dettes

(en milliers d'euros)	**31 décembre 2013**	**31 décembre 2012**
Dettes fournisseurs courantes	513 979	416 183
Dettes fournisseurs d'immobilisation	78 494	87 145
Avances et acomptes reçus	20 464	19 884
Comptes courants	49	21 219
Dettes fiscales	24 987	87 358
Dettes sociales	54 412	45 871
Produits constatés d'avance (à moins d'un an)	57 441	45 319
Autres dettes	7 592	3 054
Dettes fournisseurs et autres dettes	**757 418**	**726 033**

28 Instruments financiers

Les principales règles et méthodes comptables adoptées (critères de reconnaissance, méthodes d'évaluation et méthodes de reconnaissance des produits et charges) pour chaque classe d'actifs financiers, de passifs financiers et d'instruments de capitaux propres sont détaillées dans les notes 2.15 et 2.19.

28.1 Juste valeur des instruments financiers

Méthodes d'évaluation et hypothèses appliquées afin de déterminer la juste valeur des instruments dérivés

La juste valeur des instruments dérivés est calculée à l'aide de prix de marchés. Lorsque de tels cours ne sont pas disponibles, une analyse des flux de trésorerie actualisés est menée, en utilisant la courbe d'intérêt applicable pour la durée des instruments dans le cas de produits dérivés sans option, et des modèles d'évaluation des options dans le cas d'instruments dérivés optionnels. La juste valeur des swaps de taux d'intérêt est mesurée à la valeur actuelle des flux futurs de trésorerie estimés et actualisée selon les courbes de taux applicables dérivées des taux d'intérêts de marché.

Conformément aux amendements apportés à la norme IFRS 7, le Groupe classe ses instruments financiers évalués à la juste valeur selon trois niveaux (la hiérarchie de la juste valeur).

- Niveau 1 : l'évaluation de la juste valeur est dérivée de prix de marché (non ajustés) issus de marchés actifs pour des actifs ou passifs identiques.
- Niveau 2 : l'évaluation de la juste valeur est dérivée de données autres que les prix de niveau 1, qui sont observables pour l'actif ou le passif, soit directement (par exemple des prix), soit indirectement (par exemple, des éléments dérivant du prix).
- Niveau 3 : l'évaluation de la juste valeur est dérivée de techniques d'évaluation incluant des données sur l'actif ou le passif qui ne sont pas fondées sur des données observables sur le marché (informations non observables).

Les niveaux de juste valeur sont présentés dans les tableaux ci-dessous.

Evaluation de la valeur des autres actifs financiers

Compte tenu de leur courte échéance, la juste valeur de la trésorerie et des équivalents de trésoreries, des créances commerciales et autres actifs courants, des dettes commerciales et autres passifs courants est très proche de leur valeur nette comptable.

Les participations dans des entités non incluses dans le Groupe sont des titres non cotés. De ce fait, leur juste valeur ne peut pas être mesurée de manière fiable et ils sont donc évalués à leur coût d'acquisition.

Garanties financières

Dans le cadre du *Senior Facility Agreement*, les actifs du Groupe ont été donnés en garantie aux banques prêteuses.

28.2 Actifs financiers

		31 décembre 2013 – Actifs financiers				
(en milliers d'euros) – montants nets	Niveau de juste valeur	Disponibles à la vente	Prêts et créances	Evalués à la juste valeur par le compte de résultat	Détenus jusqu'à échéance	Total des actifs financiers
Créances clients et autres créances	2	-	402 888	-	-	402 888
Titres mis en équivalence	3	2 893	-	-	-	2 893
Actifs financiers non courants	2	35	7 228	-	-	7 263
Actifs financiers courants	2	-	4 020	-	-	4 020
Instruments dérivés		-	-	-	-	-
Trésorerie et équivalents de trésorerie	1	-	-	101 365	-	101 365
Actifs financiers		**2 928**	**414 136**	**101 365**	-	**518 429**

		31 décembre 2012 – Actifs financiers				
(en milliers d'euros) – montants nets	Niveau de juste valeur	Disponibles à la vente	Prêts et créances	Evalués à la juste valeur par le compte de résultat	Détenu jusqu'à échéance	Total des actifs financiers
Créances clients et autres créances	2	-	417 371	-	-	417 371
Titres mis en équivalence	3	3 377	-	-	-	3 377
Actifs financiers non courants	2	35	6 791	-	5	6 831
Actifs financiers courants	2	-	4 034	-	-	4 034
Instruments dérivés		-	-	-	-	-
Trésorerie et équivalents de trésorerie	1	-	-	7 996	-	7 996
Actifs financiers		**3 412**	**428 196**	**7 996**	**5**	**439 609**

28.3 Passifs financiers

A l'exception des instruments dérivés, les passifs financiers sont évalués à leur coût amorti, qui correspond à la valeur estimée du passif financier au moment de sa comptabilisation initiale, minorée des remboursements en principal, et minorée ou majorée de l'amortissement cumulé, déterminé selon la méthode du taux d'intérêt effectif, provenant de tout écart entre ce montant initial et le montant à la date de maturité, et déduction faite de toute provision pour dépréciation ou irrécouvrabilité.

Les instruments dérivés détenus jusqu'à échéance sont évalués à la juste valeur par le compte de résultat.

Les emprunts obligataires sont côtés sur l'Irish Stock Exchange, leur cours au 31 décembre 2013 sont les suivants :

- Tranche CONE, coupon 12.375%, échéance février 2019 : 122,83 ;
- Tranche CTWOA, coupon 8. 75%, échéance février 2019 : 113,94.

28.4 Objectifs de gestion des risques financiers

Objectif de la fonction de trésorerie du Groupe

Le service trésorerie du Groupe fournit des services, coordonne l'accès aux marchés financiers nationaux et internationaux, évalue et gère les risques financiers liés aux activités du Groupe par le biais de rapports internes, qui analysent l'exposition aux différents risques financiers. Ces risques comprennent les risques de marché (principalement les risques de taux d'intérêt, puisque les activités du Groupe ne l'exposent pas aux risques de change), les risques de crédit et les risques de liquidité. L'objectif du Groupe est de limiter ces risques au maximum en utilisant des instruments financiers dérivés pour couvrir les risques d'exposition. Le Groupe ne dispose d'aucun instrument financier, dérivés incorporés, ni n'opère de transaction sur ceux-ci, à des fins spéculatives.

Gestion des risques liés au taux d'intérêt

Le Groupe est exposé aux risques liés au taux d'intérêt car il emprunte des fonds, la plupart du temps à un taux d'intérêt variable. Le Groupe limite ces risques en concluant, lorsqu'il le juge approprié, des contrats de swap de taux d'intérêt et des contrats de cap de taux. Bien que le Groupe n'applique pas les dispositions de la norme IAS 39 en matière de comptabilité de couverture, la stratégie de couverture est régulièrement revue de manière à l'adapter à l'évolution prévisible des taux d'intérêt, de manière à garantir une stratégie de couverture la plus efficace possible, conformément aux exigences du SFA.

L'exposition du Groupe aux taux d'intérêt sur les actifs et passifs financiers est détaillée dans le paragraphe intitulé « Gestion du risque de liquidité » de la présente note.

Analyse de la sensibilité au taux d'intérêt

L'analyse de sensibilité présentée ci-après a été réalisée sur la base de l'exposition aux taux d'intérêt des instruments dérivés et non dérivés à la clôture de l'exercice. Pour les dettes à taux variables, l'analyse a été réalisée en estimant que le solde à rembourser à la clôture de l'exercice était constant sur l'ensemble de l'exercice. Une hausse ou une baisse de 50 points de base est utilisée pour la présentation interne du risque de taux d'intérêt à la direction. Il s'agit de l'estimation de la Direction en matière d'évolution possible des taux d'intérêt.

Si les taux d'intérêt avaient varié à la baisse (ou à la hausse) de l'ordre de 50 points de base, toutes choses égales par ailleurs, le résultat net du Groupe au 31 décembre 2013 aurait été majoré (ou minoré) de 12 millions d'euros. Cette variation découle principalement de l'exposition du Groupe aux taux d'intérêt sur la partie de ses emprunts à taux variable.

Contrats de swap de taux d'intérêt

Dans le cadre des contrats de swap de taux d'intérêt, le Groupe échange un taux d'intérêt variable contre un taux fixe pour un montant notionnel donné. Ces contrats permettent au Groupe de limiter le risque d'évolution du taux d'intérêt sur la juste valeur de la dette à taux fixe et l'exposition au risque sur flux de trésorerie relatifs aux dettes à taux variable. A la clôture de l'exercice, la juste valeur des swaps de taux est déterminée en actualisant les flux de trésorerie futurs avec les courbes d'intérets à la clôture de l'exercice et le risque de crédit inhérent au contrat.

Il est précisé que le Groupe ne détenait aucun contrat de Swap au cours des exercices clos le 31 décembre 2013 et 2012.

Gestion du risque de crédit

Le risque de crédit désigne le risque que la contrepartie ne respecte pas ses obligations contractuelles, ce qui se traduirait par une perte financière pour le Groupe.

Les instruments financiers qui pourraient augmenter le risque de crédit sont principalement les créances clients, la trésorerie et les équivalents de trésorerie, les investissements et les instruments financiers dérivés. L'exposition maximale du Groupe au risque de crédit correspond à la valeur comptable des actifs financiers comptabilisés dans le bilan consolidé, nets des dépréciations comptabilisées.

Comme indiqué dans la note 20, le Groupe estime qu'il a une exposition extrêmement limitée à la concentration du risque de crédit pour ce qui concerne les créances clients en raison à la fois du nombre et de la diversité des clients (clients individuels et institutions publiques) qui opèrent de surcroit dans des secteurs d'activité variés et sont localisés partout en France. Le risque maximal de crédit sur ces actifs financiers équivaut à leur valeur nette comptable. L'analyse du risque de crédit sur les créances clients nettes échues est mentionnée en note 20.

Le Groupe est attaché à investir sa trésorerie, ses équivalents de trésorerie ainsi que ses titres négociables dans des institutions financières ou des groupes industriels disposant d'une note de crédit « A-/A3 » au minimum.

Pourtant, en septembre 2008, la banque Lehman Brothers a fait faillite. Une partie des passifs financiers du Groupe étaient couverts par des contrats de swap de taux d'intérêt conclus avec Lehman Brothers. A la suite de sa faillite, Lehman Brothers a fait défaut sur ces swaps. Le Groupe a formulé une demande de remboursement auprès de Lehman Brothers pour un montant total d'environ 11,2 millions d'euros. En 2012, le Groupe avait reçu une première tranche de 2,8 millions d'euros dans le cadre de cette demande. En 2013, le Groupe a reçu deux nouveaux versements pour un montant total de 7,1 millions d'euros. Le solde non reçu à ce jour, soit environ 1,3 millions d'euros représente un gain potentiel pour le Groupe mais n'a pas été constaté dans les comptes clos au 31 décembre 2013.

Gestion du risque de liquidité

La gestion du risque de liquidité relève en premier lieu de la responsabilité de la Direction, qui a établi un cadre approprié de gestion du risque de liquidité pour faire face aux besoins en financements à court, moyen et long terme du Groupe. Le Groupe gère ses liquidités en maintenant un niveau adéquat de liquidités, de facilités de crédit, en supervisant en permanence les prévisions de flux de trésorerie et les flux réels de trésorerie, et en adaptant les profils de maturités des actifs et passifs financiers.

Les tableaux ci-après présentent les maturités contractuelles auxquelles les passifs financiers du Groupe devront faire l'objet de remboursements (hors coût amorti et intérêts futurs). Les tableaux ont été construits à partir des flux de trésorerie non actualisés pour les passifs financiers sur la base de la date d'exigibilité de remboursement. La date de maturité contractuelle correspond à la date la plus proche à laquelle le Groupe pourrait être contraint à rembourser le passif.

	31 décembre 2013			
(en milliers d'euros)	Moins de un an	1-5 ans	Plus de 5 ans	Total
Passifs financiers dans le cadre du *Senior Facility Agreement*	47 341	2 226 717	380 380	2 654 438
Titres subordonnés à durée indéterminée	-	-	37 695	37 695
Passifs financiers dans le cadre de contrats de location-financement	20 578	19 799	1 116	41 493
Autres passifs financiers	1 096	1 568	-	2 664
Total obligations et prêts	**69 015**	**2 248 084**	**419 191**	**2 736 290**
Instruments dérivés	-	-	-	-
Dépôts de garantie reçus de clients	-	51 932	-	51 932
Découverts bancaires	-	-	-	-
Total des passifs financiers	**69 015**	**2 300 016**	**419 191**	**2 788 222**

	31 décembre 2012			
(en milliers d'euros)	Moins de un an	1-5 ans	Plus de 5 ans	Total
Passifs financiers dans le cadre du *Senior Facility Agreement*	98 545	1 869 210	860 199	2 827 955
Titres subordonnés à durée indéterminée	-	-	35 208	35 208
Passifs financiers dans le cadre de contrats de location-financement	19 432	6 359	1 527	27 318
Autres passifs financiers	2 113	2 012	129 222	133 347
Total obligations et prêts	**120 090**	**1 877 581**	**1 026 156**	**3 023 828**
Instruments dérivés	-	-	-	-
Dépôts de garantie reçus de clients	-	44 517	-	44 517
Découverts bancaires	-	-	-	-
Total des passifs financiers	**120 090**	**1 922 098**	**1 026 156**	**3 068 344**

Le Groupe considère que sa trésorerie disponible et la trésorerie opérationnelle anticipée qui sera générée par l'activité opérationnelle sont suffisants pour couvrir ses dépenses, ses investissements et les engagements financiers liés à sa dette pour les douze prochains mois.

29 Transactions avec les parties liées

Les actionnaires majoritaires du Groupe sont les fonds d'investissement privés Altice, Cinven et Carlyle.

Les soldes bilanciels et flux réciproques entre les entités du Groupe ont été éliminés lors de la préparation des Comptes Consolidés. Les détails des transactions entre le Groupe et les autres parties liées sont présentés ci-dessous.

29.1 Opérations de financement et prestations de services

Au cours de l'exercice, les entités du Groupe ont conclu les transactions suivantes avec des parties liées qui ne font pas partie du périmètre de consolidation :

(en milliers d'euros)	*Prestations de services*		*Montants dus par les parties liées*		*Montants dus aux parties liées*	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Actionnaires						
Cinven	474	610	-	-	639	-
Altice	181	1 214	-	-	-	-
Carlyle	450	600	-	-	900	450
Sociétés affiliées						
Alsace Connexia Participation SAS	-	-	2 280	2 235	-	-

Des management fees ont été versés aux actionnaires (Cinven, Altice and Carlyle) en lien avec certains services de gestion, de financement et de conseils fournis (pour respectivement 1 106 milliers d'euros, et 2 424 milliers d'euros en 2013 et 2012). Ces contrats ont pris fin au 30 septembre 2013 dans le contexte de l'IPO.

Par ailleurs, comme évoqué en Note 4.1.1, lors de la restructuration de la dette du Groupe qui a eu lieu en 2009 et au cours de laquelle les actionnaires du Groupe avaient acquis certains prêts au titre du SFA Ypso France, Ypso Holding Sàrl avait procédé à l'émission de titres financiers, souscrits par les actionnaires, et notamment 132.664.023 certificats d'actions à intérêts prioritaires subordonnés (subordinated interest preferred equity certificates) (les « Super PEC »), d'une valeur nominale d'un euro et dont les intérêts étaient capitalisables.

Cinven, Carlyle et Altice ont fait apport de ces SuperPEC le 7 novembre 2013 à Numericable Group, dans le cadre des opérations juridiques liées à l'introduction en Bourse. Cette dette a par conséquent été éteinte en contrepartie d'une remise de titres nouvellement émis. Consécutivement, des frais d'extinction de dettes (« Premium ») ont été comptabilisés en charges financières pour un montant de 81,6 millions d'euros. Cette charge n'a eu aucun impact sur la trésorerie du groupe.

29.2 Relations avec les parties liées

(1) Relations avec les actionnaires du Groupe

Relations avec Altice

Altice détient des réseaux câblés dans les Antilles françaises et le Groupe reverse des frais de terminaisons d'appel à ces réseaux pour les appels émis par les abonnés de son réseau à destination des abonnés des réseaux Antillais. Le Groupe perçoit à l'inverse des frais de terminaison d'appel pour les appels émis par les abonnés de ces réseaux à destination des abonnés du Groupe.

Enfin, Altice détient la société Auberimmo qui loue des infrastructures au Groupe. Auberimmo a pour seul client Completel SAS, membre du Groupe. Les loyers refacturés au titre de 2013 ont représenté 1 132 milliers d'euros TTC contre 1 081 milliers d'euros TTC en 2012.

Relations avec Carlyle

Sagemcom, l'un de nos principaux fournisseurs de décodeurs, a été acheté par des fonds gérés par Carlyle le 17 août 2011.

Completel et NC Numericable ont par ailleurs conclu le 31 décembre 2013 un contrat de prestation de services avec les sociétés B&B Hôtels et Econonich (ensemble, le « Groupe B&B Hôtels »), groupe acquis par Carlyle en 2010. Ce contrat a été conclu pour une durée de cinq années, au terme de laquelle les parties se rencontreront pour une éventuelle prolongation de contrat. Aux termes de ce contrat, Completel et NC Numericable se sont engagés à fournir les services suivants :

- fourniture d'accès à internet haut débit ;
- création d'un réseau IP regroupant tous les sites concernés ;
- services de sécurité;
- services de téléphonie fixe ;
- services de télévision ; et
- prestations transverses liées aux autres services fournis.

(2) Relations avec Coditel, entité détenue par Altice ainsi que par d'autres parties non liées au Groupe

Dans le cadre de la cession de Coditel Belgium et de Coditel Luxembourg en juin 2011, le Groupe a conclu un accord de service et un accord de licence de marque avec Coditel Holding S.A. afin de garantir la poursuite de l'activité de ces sociétés.

Accord de service

Le 30 juin 2011, Numericable a conclu un accord de service avec Coditel ("Coditel Services Agreement"). Selon les termes de l'accord, le Groupe continue de fournir à Coditel tous les services qu'il fournissait avant sa cession, incluant:

- services de plateforme de vidéo à la demande et services de contenu de vidéo à la demande ;
- services d'ingénierie de voix, d'IP et télévisuels ;
- assistance technique pour l'achat de matériel et appareils nécessaire à son activité, notamment décodeurs, logiciels, modems, routeurs et combinés de téléphonie mobile, ainsi que contenus de télévision et de vidéo à la demande ;
- livraison de signaux de chaînes de télévision et de flux de données existants le réseau du Groupe;
- mise à jour du logiciel de facturation de Coditel ; et
- poursuite de l'assistance aux systèmes Coditel actuellement situés dans les locaux du Groupe ou actuellement assistés par les systèmes du Groupe.

En contrepartie des services fournis, Coditel a accepté de verser au Groupe un montant total de 100.000 euros par an. En outre, Coditel doit reverser au Groupe 10% de son chiffre d'affaires mensuel généré par les vidéos à la demande.

Accord de licence de marque

Le 30 juin 2011, Coditel et Numericable ont également conclu un accord de licence de marque ("Trade Mark Agreement"). Selon les termes de l'Accord de licence de marque, le Groupe fournit une licence à Coditel pour l'utilisation de la marque « Numericable », enregistré sous Ma14502, exclusivement en Belgique et au Luxembourg en lien avec l'offre, la promotion et la commercialisation de produits et services de téléphonie, d'Internet et télévisuels. Les frais de licence sont inclus dans les 100.000 euros annuels de l'Accord de service. L'Accord de licence prend fin de manière automatique au 30 juin 2017, à la fin de tous les services couverts par l'Accord de service ou à l'échéance de l'Accord de services.

29.3 Rémunération de la Direction

La rémunération des membres du Comité exécutif s'est élevée respectivement à 2 226 milliers d'euros et 2 100 milliers d'euros au cours des exercices 2013 et 2012 respectivement. Ce montant ne comprend que les avantages à court terme comme les salaires, traitements et bonus.

Le Groupe a par ailleurs provisionné 303 milliers d'euros au 31 décembre 2013, pour les indemnités de départ à la retraite (régime général) des membres du comité exécutif.

Enfin, la charge relative au plan de stock options (contribution patronale + charge IFRS 2) représente 3 409 milliers d'euros pour les membres du comité exécutif au titre de l'exercice 2013 (néant en 2012).

30 Contrats de location

30.1 Lorsque le Groupe est bailleur

Location financement

Le Groupe n'a pas conclu de contrat de location financement en tant que bailleur.

Location simple

La location simple se rapporte principalement aux infrastructures du réseau détenues par le Groupe et louées à d'autres sociétés du secteur des télécommunications, sur des durées comprises entre 15 et 30 ans. Tous les contrats de location contiennent des clauses de révision de marché dans le cas où le preneur exercerait son option de renouvellement. Le preneur ne dispose d'aucune option d'achat à l'issue du bail.

Les revenus futurs relatifs à ces contrats de location simple (comptabilisés en produits constatés d'avance) sont ventilés comme suit:

(en milliers d'euros)	Montant futur minimum des loyers	
	31 décembre 2013	31 décembre 2012
A un an au plus	53 930	45 318
Plus d'un an et moins de 5 ans	42 224	40 930
Plus de 5 ans	54 997	64 545
Total	**151 151**	**150 793**

30.2 Lorsque le Groupe est locataire

Location financement

Le Groupe a conclu divers accords de location financement liés à des biens immobiliers, pour lesquels le bail est généralement d'une durée de 20 à 30 ans et liés à des équipements de bureau pour lesquels le bail est généralement d'une durée de 4 ans.

Les principaux contrats de location financement se rapportent à des équipements de réseau achetés à Cisco et à la location de l'immeuble occupé par le Groupe à Champs-sur-Marne pour lequel le Groupe dispose d'une option d'achat à l'issue du bail, à un prix qui devrait être suffisamment inférieur à la juste valeur à la date où l'option pourra être exercée.

Tous les contrats sont libellés en euros. Certains contrats de location financement immobilière spécifient qu'au début du bail, les paiements annuels seront fixés à un montant donné, mais qu'au cours des années suivantes, ce montant sera augmenté à un taux d'inflation (soit un pourcentage d'augmentation).

(en milliers d'euros)	Versements locatifs minimum		Valeur actuelle des versements locatifs minimum	
	31 décembre 2013	31 décembre 2012	31 décembre 2013	31 décembre 2012
Un an au plus tard	22 100	11 685	21 257	11 302
Plus d'un an et moins de 5 ans	21 069	13 883	19 246	12 830
Plus de 5 ans	1 342	721	989	595
	44 510	**26 288**	**41 492**	**24 728**
Dont charges financières futures	(3 018)	(1 560)	-	-
Valeur actuelle des versements locatifs minimum	41 492	24 728	41 492	24 728
Passifs financiers liés aux contrats de location-financement - part courante			21 257	11 302
Passifs financiers liés aux contrats de location-financement – part non courante			20 235	13 426

Le taux d'intérêt implicite du contrat de location est fixé à la date de signature du contrat et ce pour l'ensemble de la durée du contrat. Le taux d'intérêt effectif annuel moyen s'élève à environ 3,96% et 3,24% respectivement pour 2013 et 2012.

Location simple

Le Groupe a également des engagements de location simple concernant des véhicules et biens immobiliers. La durée pour ces contrats de location simple est généralement de 3, 6 ou 9 ans, soit une durée standard de bail immobilier commercial en France. Le contrat de location pour les véhicules est d'une durée de 3 ans.

Les contrats de location d'IRU (droits irrévocables d'utilisation de boucle ou de réseau) d'équipement et de réseaux ou les autres contrats de location (droits de passage) pour lesquels le Groupe est preneur sont considérés comme non significatif.

Dans le cadre de ses activités de divertissement, le Groupe a également conclu des accords de location et d'achat de programmes télévisés.

Au 31 décembre 2013, les engagements de location simple non résiliables s'élevaient à :

(en milliers d'euros)

	31 décembre 2013
Un an au plus tard	10 381
Plus d'un an et moins de 5 ans	34 798
Plus de 5 ans	12 978
	58 156

31 Actifs non courants détenus en vue de la vente et activités cédées ou en cours de cession

Néant.

32 Engagements et obligations contractuelles

32.1 Engagements contractés

Garanties liées au Senior Facility Agreement

Dans le cadre du *Senior Facility Agreement* conclu par les filiales du Groupe, les engagements suivants ont été donnés aux banques prêteuses :

- Respect des engagements financiers ;
- Maintien d'un périmètre d'intégration fiscale stable ;
- Respect des conditions concernant l'acquisition, la cession, l'utilisation et le contrôle des actifs.

Tous les actifs des filiales du Groupe ont été nantis auprès des banques.

Engagements lies à l'activité opérationnelle

Le Groupe s'est engagé à construire 75.000 prises pour un montant total de 4,5 millions d'euros pour la ville du Havre.

Pour opérer des réseaux de télécommunication, le Groupe a besoin de licences, d'autorisations ou de droits d'usage des infrastructures du domaine public ou privé. Le Groupe paie donc généralement des droits à l'administration publique responsable de la gestion des infrastructures ou au propriétaire privé. Dans le cadre de ses activités commerciales normales, le Groupe a par ailleurs conclu des accords de sous-traitance, en particulier pour certains services de maintenance de réseau.

Engagements de location liés aux activités opérationnelles

Comme indiqué en note 30, le Groupe a conclu divers accords de location simple.

Obligations contractuelles

Le tableau suivant récapitule les engagement financiers par maturité au titre des dettes financières et contrats de location simple contractés par le Groupe (se référer également aux notes correspondantes) :

			Maturité		Total
(en milliers d'euros)	**Note**	< 1 an	1 – 5 ans	> 5 ans	31 décembre 2013
Prêts et engagements financiers	**23**	64 249	2 283 075	418 818	2 766 142
Contrats de location opérationnelle	**30**	10 381	34 798	12 978	58 157
Total		**74 630**	**2 317 873**	**431 796**	**2 824 299**

32.2 Engagements reçus

Le Groupe a reçu un engagement d'un montant total de 25 millions d'euros de GDF Suez pour la souscription à des obligations à taux variable à durée indéterminée (TSDI), qui financeront la construction du réseau Sipperec. Au 31 décembre 2013, le Groupe a déjà perçu 23,8 millions d'euros en principal de GDF Suez.

33 Evénements postérieurs à la clôture

33.1 Contrat de liquidité conclu avec Exane BNP Paribas

Début 2014, le Groupe a conclu un Contrat de liquidité avec Exane BNP Paribas en vue de favoriser la liquidité de ses titres et la régularité de leurs cotations sur le marché NYSE Euronext Paris. Un compte de liquidité d'un montant de 3 millions d'euros a ainsi été ouvert pour permettre à Exane BNP Paribas de réaliser leur interventions prévues par le contrat de liquidité.

33.2 Attribution d'un nouveau plan d'options de souscription d'actions

Le conseil d'administration du 10 janvier 2014 a adopté un nouveau plan d'attribution d'options de souscription d'actions au profit de certains mandataires sociaux de Numericable Group et salariés du Groupe.

Ce plan porte sur un nombre total de 287 618 options de souscription d'actions équivalent à 287 618 actions.

Le prix d'exercice est de 27,62€ par action.

33.3 Négociations exclusives avec Vivendi en vue du rachat de SFR

Le 14 mars 2014, le conseil de surveillance du Groupe Vivendi a annoncé qu'il avait décidé d'entrer en négociations exclusives avec Altice, actionnaire majoritaire de Numericable Group, pour une période de trois semaines, en vue d'un rachat éventuel de sa filiale SFR.

Numericable Group

Consolidated financial statements
for the year ended December 31, 2013

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Numericable Group S.A.

Registered office: Tour Ariane—5, place de la Pyramide—92088 Paris La Défense Cedex

Share capital: €.123 942 012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your by-laws and Shareholders' general meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Numericable Group S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 Opinion on the consolidated financial statements

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 consolidated financial statements are free of 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year 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 matter set out in the following notes to the consolidated financial statements:

- Notes 1.2 «Basis of preparation of the consolidated financial statements» and 1.3 «Comparative information» describe respectively the accounting treatment of the contribution operations to the group and their impact on the preparation and presentation of the consolidated financial statements and the comparative information;
- Notes 4.1.2 «IPO and capital increase» and 4.1.6 «Refinancing of Senior Debt» describe the initial public offering and the refinancing operations which occurred at the end of 2013 and their impact on

the hypothesis made to adopt the going concern assumption for the group as described in note 1.5 «Going concern assumption»;

- Notes 1.3 «Comparative information» and 2.1 «Accounting principles governing the preparation of the consolidated financial statements» describe the change in accounting method resulting from the first implementation of the revised IAS 19 standard.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code *(Code de commerce)*, we bring to your attention the following matters:

Note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements describes the critical accounting policies and main sources of uncertainty in respect to estimates. This note also states that 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. Amongst the significant estimates, there are goodwill and deferred tax assets:

- The company systematically performs, at each closing date, impairment tests on goodwill according to the methods described in note 2.14 «Impairment of goodwill and non-current assets» and note 3 «Critical accounting judgment and key sources of uncertainty in respect of estimates» to the consolidated financial statements.

  We examined the methods used to test for impairment as well as cash flow projections and assumptions used and ensured that note 16 «Impairment testing» provides appropriate disclosures thereon.

- The Group presents in its statement of financial position deferred tax assets for an amount of 132.7 million euros as at December 31, 2013, as described in note 4.1.7 «Recognition of deferred tax assets» to the consolidated financial statements.

  We assessed the information and assumptions used for the forecasted future use of tax losses to carry forward, reviewed the calculations performed by the company and ensured that Note 3, 4.17 and 12 provide appropriate disclosures thereon.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3 Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory auditors

Paris La Défense, April 2, 2014	Neuilly-sur-Seine, April 2, 2014
KPMG Audit *Department of KPMG S.A.* *French original signed by* Grégoire Menou *Partner*	Deloitte & Associés *French original signed by* Christophe Saubiez *Partner*

Numericable Group

CONSOLIDATED STATEMENT OF INCOME

	Notes	2013	2012
		(in thousands of euros)	
Revenue	6	**1,314,242**	**1,302,425**
Purchases and subcontracting services	7	(611,016)	(602,121)
Staff costs and employee benefits expense	8	(154,631)	(141,475)
Taxes and duties		(33,896)	(32,396)
Provisions		(20,466)	(6,219)
Other operating income	9	86,321	89,229
Other operating expense	10	(20,466)	(17,178)
Operating income before depreciation and amortization (EBITDA)		**560,088**	**592,265**
Depreciation and amortization		(304,042)	(291,724)
Operating income		**256,046**	**300,541**
Financial income		9,704	4,326
Interest relative to gross financial debt		(184,839)	(183,057)
Other financial expense		(148,513)	(32,699)
Finance costs, net	11	**(323,648)**	**(211,430)**
Income tax expense (income)	12	132,792	(2,486)
Share in net income (loss) of associates	17	(484)	(199)
Net income (loss) from continuing operations		**64,706**	**86,426**
Net income (loss) from discontinued operations		—	—
Net income (loss)		**64,706**	**86,426**
—Attributable to owners of the entity		64,550	86,377
—Attributable to non-controlling interests		156	49
Earnings per share (in euros) attributable to owners of the entity	22.3		
Net income (loss)			
—basic		0.56	0.76
—diluted		0.56	0.76

Numericable Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
	(in thousands of euros)	
Net income (loss) attributable to owners of the entity	64,550	86,377
Items that may subsequently be reclassified in profit or loss:		
Cumulative translation adjustments	—	—
Change in fair value of available-for-sale financial assets	—	—
Tax on items recognized directly in other comprehensive income	—	—
Items that will not *subsequently be reclassified in profit or loss:*		
Actuarial gains and losses[1]	(458)	(1,496)
Tax on items recognized directly in other comprehensive income	—	—
Total other comprehensive income (loss) attributable to owners of the entity	64,092	84,881

As the Group operates only in France, the functional and presentation currency of all the entities within the Group is the euro. As a result, no cumulative translation adjustments were recognized as of December 31, 2013 or 2012.

Available-for-sale financial assets consist of various investments in unlisted entities not included in the scope of consolidation (see Note 17) and for which there are no reliable indicators allowing the Group to determine a fair value other than its share of equity. Due to the fact that these investments are not material, these investments are measured at historical cost; accordingly, no unrealized gain or loss is recognized in the consolidated statement of comprehensive income.

---

(1) As indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, by recognizing actuarial gains and losses in "Other comprehensive income."

The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements (see Note 1.3).

Numericable Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2013	December 31, 2012
		(In thousands of euros)	
ASSETS			
Goodwill	13	1,483,628	1,458,686
Other intangible assets	14	307,362	326,187
Property, plant and equipment	15	1,464,763	1,389,932
Investments in associates	17	2,893	3,377
Other non-current financial assets	18	7,263	6,831
Deferred tax assets	12	132,662	—
Non-current assets		**3,398,571**	**3,185,013**
Inventories	19	49,568	45,609
Trade receivables and other receivables	20	402,888	417,371
Other current financial assets	18	4,020	4,034
Income tax receivable	12	3,410	6
Cash and cash equivalents	21	101,365	7,996
Assets classified as held for sale		—	—
Current assets		**561,251**	**475,016**
TOTAL ASSETS		**3,959,822**	**3,660,029**

	Notes	December 31, 2013	December 31, 2012
		(In thousands of euros)	
EQUITY AND LIABILITIES			
Share capital		123,942	—
Additional paid-in capital		2,108,037	—
Reserves		(1,978,611)	—
Net invested equity attributable to owners of the parent[a]		**253,368**	**(287,364)**
Non-controlling interests		193	33
Total invested equity	22	**253,561**	**(287,331)**
Non-current financial liabilities	23	2,701,894	2,926,343
Non-current provisions	24/25	73,633	63,973
Deferred tax liabilities	12	—	—
Other non-current liabilities	26	102,585	111,266
Non-current liabilities		**2,878,112**	**3,101,582**
Current financial liabilities	23	64,249	114,732
Current provisions	24/25	6,411	2,409
Trade payables and other current liabilities	27	757,418	726,033
Current income tax liabilities	12	71	2,604
Liabilities classified as held for sale		—	—
Current liabilities		**828,149**	**845,778**
TOTAL EQUITY AND LIABILITIES		**3,959,822**	**3,660,029**

(a) See the statement of changes in equity for the reconciliation of combined equity as of December 31, 2012 (see Note 1.2) with consolidated equity as of December 31, 2013.

Numericable Group

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	Capital	Additional paid-in capital	Reserves	Net invested equity attributable to owners of the parent	Non-controlling interests	Total invested equity
Total combined equity as of December 31, 2011	—	—	(372,233)	(372,233)	(57)	(372,290)
Dividends paid						
Comprehensive income	—	—	84,881	84,881	49	84,930
Issuance of shares	—	—	—	—	—	—
Acquisition of non- controlling interests	—	—	(12)	(12)	41	29
Total combined equity as of December 31, 2012	—	—	(287,364)	(287,364)	33	(287,331)
Dividends paid	—	—	—	—	—	—
Comprehensive income	—	—	64,092	64,092	156	64,248
Contribution of Ypso and Altice B2B(1)	113,772	1,881,717	(1,995,489)	—	—	—
Issuance of new shares(2)	10,170	226,320	—	236,490	—	236,490
Stock option plan(3)	—	—	640	640	—	640
Transactions with shareholders(4)	—	—	239,508	239,508	—	239,508
Other	—	—	2	2	4	6
Consolidated equity as of December 31, 2013	123,942	2,108,037	(1,978,611)	253,368	193	253,561

---

(1) Contributions of Ypso Holding SARL and Altice B2B Luxembourg SARL to Numericable Group, which resulted in a capital increase of 1,995.5 million euros (see Note 4.1.1);

(2) Capital increases carried out within the framework of the Company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO, which were charged to additional paid-in capital in the amount of 14.6 million euros (expenses recorded without tax effect) (see Note 4.1.2);

(3) Cost of the stock option plan granted on November 7, 2013 in favor of certain officers and employees of the Group (see Note 4.1.3);

(4) Extinguishment of shareholders debts within the framework of the contributions made to Numericable Group prior to the IPO (Super PECs) (see Note 4.1.1).

Numericable Group

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Net income (loss) from continuing operations		**64,706**	**86,426**
Non-cash items			
Share in net income (loss) of associates	17	484	199
Depreciation and amortization		316,920	286,993
Gains and losses on disposals	9-10	9,688	3,565
Income tax expense (income)	12.1	(132,792)	2,486
Cost of gross financial debt	11	184,839	183,516
Other non-cash items(1)		110,073	3,028
Change in working capital and other payments			
Change in working capital		20,653	(31,911)
Income tax paid		(4,292)	(3,342)
Net cash provided (used) by operating activities		**570,279**	**530,960**
Purchases of property, plant and equipment and intangible assets(2)	14-15	(330,090)	(299,890)
Proceeds from disposals of property, plant and equipment and intangible assets	9	5,078	3,816
Decrease (increase) in loans and other non-current financial assets	414	(568)	(3,440)
Investments in companies included in the scope of consolidation, net of cash acquired(3)	4.1.5	(27,337)	(6)
Investment subsidies and grants received		10,260	14,303
Net cash provided (used) by investing activities		**(342,657)**	**(285,217)**
Capital increases of the parent company(4)	4.1.2	236,490	—
Issuance of debt(5)	4.1.6	797,223	830,975
Repayment of debt(6)	4.1.6	(987,420)	(957,189)
Interest paid		(180,546)	(152,113)
Net cash provided (used) by financing activities		**(134,253)**	**(278,327)**
Net cash flow from continuing operations		**93,369**	**(32,584)**
Net cash flow from discontinued operations		—	—
Net increase (decrease) in cash and cash equivalents		**93,369**	**(32,584)**
Cash and cash equivalents—opening balance		**7,996**	**40,580**
Cash and cash equivalents—closing balance		**101,365**	**7,996**

---

(1) In 2013, other non-cash items mainly relate to:

- expenses relating to the extinguishment of shareholder debts ("premiums" relative to the cancellation of Super PECs) in the amount of 81.6 million euros (see Note 4.1.1);
- the staggering of borrowing costs using the amortized cost method, with no effect on cash, in the amount of 20.0 million euros.

(2) Investments in property, plant, equipment and intangible assets financed through finance leases in the amount of 39 million euros (21 million euros in 2012) had no impact on the statement of cash flows at the time of the purchases.

(3) Mainly the price paid in connection with the acquisitions of LTI (25.5 million euros) and Valvision (3.3 million euros), net of cash acquired (1.5 million euros). See Notes 4.1.4 and 4.1.5.

(4) Capital increases carried out within the framework of the company's IPO (public offer in the amount of 250 million euros and offer reserved for employees in the amount of 1 million euros) net of expenses incurred in connection with the IPO in the amount of 14.6 million euros (see Note 4.1.2).

(5) Mainly the implementation of the new Tranche D in the amount of 800 million euros net of expenses paid in the amount of 10 million euros (see Note 4.1.6).

(6) This amount primarily reflects debt extinguished during refinancing transactions in December 2013 (bonds in the amount of 480 million euros, Altice B2B senior debt in the amount of 451 million euros, see Note 4.1.6).

Numericable Group
Consolidated Financial Statements
for the year ended December 31, 2013

1 Basis of preparation of the consolidated financial statements

1.1 Numericable Group

Numericable Group (hereinafter referred to as "the **Company**") is a limited company incorporated under French law in August 2013, and is headquartered in France.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

Ypso France, 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 also provides French residential customers with broadband Internet, fixed telephony and mobile telecommunications services.

Altice B2B France, through its main operational entity, Completel SAS, operates the largest alternative fiber-to-the-office ("FTTO") network in France, constituting the third-largest alternative Digital Subscriber Line ("DSL") network in France. Completel SAS provides business customers with a comprehensive service offering, including data transmission, very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

1.2 Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2013, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted in the European Union as of December 31, 2013. These international standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and their interpretations (SIC and IFRIC).

The consolidated accounts were prepared under the responsibility of the Board of Directors, and approved by the Board of Directors on April 1st, 2014.

In accordance with French law, the consolidated financial statements will be considered final once they have been approved by the Group's shareholders at the Ordinary Shareholders' Meeting in May 2014.

As Ypso Holding SARL and Altice Lux Holding SARL, before being contributed to Numericable Group and after the IPO, were and remained entities under joint control (controlled by the Carlyle, Cinven and Altice private equity funds acting in concert), the contribution transactions do not constitute an acquisition within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction in carrying amounts, and the consolidated financial statements are prepared as if the contribution of the equity securities of Ypso Holding SARL and Altice Lux Holding SARL had occurred before January 1, 2012, the opening of the comparative period presented. The consolidated financial statements as of December 31, 2013 accordingly cover a period of 12 months.

1.3 Comparative information

The comparative data presented in respect of the 12 months ended December 31, 2012 correspond—with the exception of the application of IAS 19R (as disclosed hereafter)—to the combined financial statements of the two subgroups Ypso and Altice B2B (hereinafter referred to as the "**Two Groups**").

Before being contributed to Numericable Group on November 7, 2013, the Two Groups were entities under common control (controlled by the Carlyle, Cinven and Altice private equity funds).

1 Basis of preparation of the consolidated financial statements (Continued)

Accordingly, the financial datas presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Ypso and Altice B2B, which formed two separate groups as of December 31, 2012.

Moreover, as indicated in Note 2.1, the Group has applied IAS 19R from 1 January 2013, recognizing actuarial gains and losses in "Other comprehensive income." The application of IAS 19R has resulted in a change in accounting policy that has also been reflected in the 2012 financial statements.

The impact of this adjustment on the items and main aggregates of the 2012 statement of income is set out in the following table (reconciliation of the 2012 combined financial statements with the restated 2012 financial statements presented for comparison purposes in this document).

	Reported 2012 financial statements	IAS 19R adjustment	Restated 2012 financial statements
	(In thousands of euros)		
Provisions	(7,715)	1,496	(6,219)
Operating income before depreciation and amortization (EBITDA)	590,769	1,496	592,265
Operating income	299,045	1,496	300,541
Net income (loss)	84,930	1,496	86,426
Other comprehensive income	0	(1,496)	(1,496)
Comprehensive income	84,930	—	84,930

1.4 List of entities included in the scope of consolidation

Subsidiaries

Consolidated entities are companies controlled by the Group (including special-purpose entities), i.e. entities in which the Group has the power to govern financial and operating policies so as to obtain benefits. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control commences until the date at which control ceases. Non-controlling interests in subsidiaries are identified separately in the statement of changes in equity.

Associates

Investments, in which the Group exercises significant influence, but not control or joint control, are accounted for under the equity method. Such investments are referred to as "associates" throughout these consolidated financial statements. Significant influence is the power to participate in the financial and operating policy decisions of the associate, but not control or joint control over said decisions. Associates are initially recognized at historical cost. The consolidated financial statements include the consolidated Group's share of income and expenses, from the date at which significant influence commences until the date at which significant influence ceases.

As of December 31, 2013 and 2012, the consolidated financial statements include the following entities:

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Numericable Group	5 Place de la Pyramide—92088 Paris La Défense	Parent company	100%	N/A	100%	N/A

Numericable Group
Consolidated Financial Statements
for the year ended December 31, 2013 (Continued)

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Ypso Holding SARL	3 boulevard Royal L-2449 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso France SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
NC Numericable SAS	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	100%	100%	100%	100%
Numericable SAS(1)	10, rue Albert Einstein—77420 Champs-sur-Marne	Full consolidation	N/A(1)	100%	N/A(1)	100%
Est Vidéocommunication SAS(1)	14 rue des Mercuriales—67450 Lampertheim	Full consolidation	N/A(1)	100%	N/A(1)	100%
ENO Belgium	26, Rue des deux Eglises—1000 Bruxelles	Full consolidation	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Full consolidation	100%	100%	100%	100%
Numericable Finance SARL	Luxembourg	Full consolidation	100%	100%	100%	100%
Stichting Ypso 1	Netherlands	Full consolidation	100%	100%	100%	100%
Stichting Ypso 2	Netherlands	Full consolidation	100%	100%	100%	100%
ENO Holding	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%
Coditel Debt	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Ypso Finance SARL	121, avenue de la Faïencerie, L-1511 Luxembourg	Full consolidation	100%	100%	100%	100%
Sequalum Participation SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Sequalum SAS	5, place de la Pyramide—92800 Puteaux	Full consolidation	95%	95%	95%	95%
Alsace Connexia Participation	40-42 Quai du Point du Jour—92100 Boulogne	Equity method	38.15%	38.15%	38.15%	38.15%

1 Basis of preparation of the consolidated financial statements (Continued)

Company and legal form of incorporation	Registered office	Basis of consolidation as of December 31, 2013	% control		% interest	
			2013	2012	2013	2012
Altice B2B France	102 Avenue des Champs Elysées—75008 Paris	Full consolidation	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide—92088 Paris La Défense	Full consolidation	100%	100%	100%	100%
LTI Telecom[2]	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
Invescom[2]	300 route Nationale, 6 Le Bois des Côtes—69760 Limonest	Full consolidation	100%	N/A	100%	N/A
B3G NV	Netherlands	Full consolidation	100%	100%	100%	100%

---

(1) Numericable and Est Vidéocommunications were merged in NC Numericable in December 2013.

(2) Invescom and LTI Telecom were acquired on October 31, 2013, as mentioned in "Significant events."

1.5 Going concern assumption

The Group was formed by a series of acquisitions, funded mainly by external borrowings. The construction and subsequent modernization of the network have also required substantial investments. These two factors explain the Group's financial structure, namely the significant proportion of financial liabilities in relation to consolidated equity, as well as the significant interest expense.

The Group currently services its debt and funds its investments through net cash from operations. Furthermore, the Group's covenants under its loan agreements require it to comply with certain liquidity ratios (see section 23.1) and to maintain certain cash levels.

Furthermore, as explained in Note 4.1.6, the Group refinanced its Senior Debt in 2013, rescheduling a large portion of its debt.

Under these conditions, and in view of the updated cash flow projections, the Board of Directors believes that the Group will be able to finance its cash requirements for the 12 months from the close of the 2013 consolidated financial statements, and to meet its obligations in respect of its debt during this period.

As a result, the consolidated financial statements for the year ended December 31, 2013 have been prepared on a going concern basis.

2 Significant accounting policies

2.1 Accounting principles governing the preparation of the consolidated financial statements

Standards and interpretations applied by the Group as of December 31, 2013

The accounting policies for recognition and measurement used in preparing the consolidated financial statements for the year ended December 31, 2013 are the same as those used for the combined financial statements of Numericable Group, prepared in accordance with IFRS.

As mentioned in Note 1, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), with

2 Significant accounting policies (Continued)

mandatory application for annual periods ended December 31, 2013. The recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union have been applied in preparing the consolidated 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, 2013 are similar to the standards and interpretations published by the International Accounting Standards Board ("**IASB**"), with the exception of IAS 39 *Financial Instruments: Recognition and Measurement* ("**IAS 39**") and the following standards and interpretations adopted by the EU but not yet mandatory in the EU from December 31, 2013.

Standards and interpretations mandatory for the year ended December 31, 2013

- IAS 19R (revised in 2011) *Employee Benefits* (applicable no later than January 1, 2013 for the Group) ("**IAS 19R**")

The main changes resulting from this revision are:

- the recognition of actuarial gains and losses through "Other comprehensive income." This results in a change in accounting principles, as the Group previously recognized actuarial gains and losses through profit or loss;
- the modification of the calculation of the financial component, due to the removal of the expected return on plan assets, which did not have an impact on the Group's financial statements;
- the immediate expensing of non-vested past service costs.

In accordance with the provisions of IAS 19R, the Group has applied the new provisions retrospectively. The effect of the changes is described in Note 1.3 above.

Other amendments and interpretations applicable from December 31, 2013, but without material impact on the Group are as follows:

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* and *Separate Financial Statements*

  This amendment to IAS 1 requires changing the presentation of other comprehensive income in the consolidated statement of comprehensive income, in order to present items liable to be reclassified in profit or loss separately from items that will never be reclassified in this manner. Comparative information is also presented in the same way.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* ("**IFRIC 20**")
- Amendments to IFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*
- Amendments to IFRS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- IFRS 13 *Fair value Measurement* ("**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 lists disclosure requirements in respect of fair value measurements, including the fair value hierarchy currently set out in IFRS 7 *Financial Instruments: Disclosures*.

  In accordance with the transitional provisions of IFRS 13, the Group has applied the new provisions in respect of fair value prospectively.

2 Significant accounting policies (Continued)

Standards and Interpretations mandatory after December 31, 2013 and not adopted early

The following are standards and interpretations that had been issued by the IASB and the IFRS Interpretations Committee and adopted by the EU at the date of these consolidated financial statements but which are not yet mandatory. The Group has not elected to adopt them early.

- IAS 27 (revised in 2011) *Separate Financial Statements* (applicable no later than January 1, 2014 for the Group) ("**IAS 27 Revised**")

This standard sets out recognition and disclosure provisions for separate financial statements, i.e. financial statements prepared by a parent, an investor, a joint venture or an associate, when such investments are carried at acquisition cost or in accordance with IAS 39. The standard also outlines the accounting requirements for dividends, and contains numerous disclosure requirements.

- IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (applicable no later than January 1, 2014 for the Group) ("**IAS 28 Revised**")

This standard relates to the consolidation of joint ventures and associates under the equity method.

Some clarifications have been included with respect to accounting for changes in ownership interests (with or without loss of control). These disclosures are now covered by IFRS 12 *Disclosure of Interests in Other Entities*.

- IFRS 10 *Consolidated Financial Statements* (applicable no later than January 1, 2014 for the Group) ("**IFRS 10**")

IFRS 10 supersedes SIC-12 *Consolidation of Special-Purpose Entities* and IAS 27 for the part relating to consolidated financial statements. This standard deals with the consolidation of subsidiaries and special-purpose entities, and redefines control, which is the basis of consolidation.

- IFRS 11 *Joint Arrangements* (applicable no later than January 1, 2014 for the Group) ("**IFRS 11**")

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

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 sharing control.

Joint arrangements are classified into two categories: (i) joint ventures, where each party has an interest in the net assets of the entity, which is accordingly consolidated at equity, a method already applied by the Group; and (ii) joint operations, where each party has direct rights to the assets and direct obligations in respect of the liabilities of the entity, which is consolidated in accordance with the contractual arrangement.

- IFRS 12 *Disclosure of Interests in Other Entities* (applicable no later than January 1, 2014 for the Group) ("**IFRS 12**")

IFRS 12 replaces provisions relating to disclosures previously included in IAS 27, IAS 28 and IAS 31.

This standard combines and supplements disclosures related to subsidiaries, joint ventures, associates, consolidated and unconsolidated SPEs.

- Amendment to IAS 32 *Disclosures: Offsetting Financial Assets and Financial Liabilities* (applicable on a mandatory basis for annual periods beginning on or after 1 January 2014)

Management is currently assessing the potential impact of the application of these standards and amendments on the statement of income, the statement of financial position, the statement of cash flows and the notes to the financial statements, but at this stage does not anticipate any material effect related to the application of these standards, interpretations and amendments.

2 Significant accounting policies (Continued)

The 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 consolidated financial statements are presented in euros, the functional currency of the Group. All financial data are rounded to the nearest thousand 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 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 or loss.

2.3 *Revenue*

Revenue from the Group's activities is mainly composed of:

- TV subscriptions, broadband Internet, basic cable services, telephony and installation 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 services, including indefeasible rights of use ("IRUs") arrangements and bandwidth capacity on the network, provided to other telecommunications operators, as well as the 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 Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales between entities included in the scope of consolidation.

Revenue is recognized and presented as follows, in accordance with IAS 18 *Revenue* (IAS 18):

- Revenues from subscriptions for basic cable services, digital pay TV, Internet and telephony are recognized on a straight-line basis over the subscription period; revenues from telephone calls made outside plans are recognized when the service is rendered.
- When a promotion not related to a customer's past consumption and purchases (such as a discount on the subscription price or free subscription for a given period) is offered to a customer, the Group recognizes the total amount of billable revenue on a straight-line basis over the term of the contract provided that the Group has the enforceable and contractual right to deliver the products after the free promotional period offered 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 promotional period in the amount of the consideration received or receivable, as the customer's continuance is not assured.
- Installation and set-up fees (including connection) for residential customers are recognized as revenues when the service is rendered.

2 Significant accounting policies (Continued)

- 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 duration of the customer relationship, based on statistical data. They are generally staggered over the term of the contract.
- The revenue related to transmission capacity on terrestrial cables under IRU arrangements are recognized on a straight-line basis over the term of the contract.

2.4 Deferred revenue

For certain arrangements entered into with its non-residential customers, the Group receives up-front cash payments in relation to IRUs and connection fees. For these arrangements, the revenue is generally recognized on a straight-line basis over the term of the contract. Deferred revenue at the end of the reporting period represents unrecognized network lease revenue.

2.5 Operating income before depreciation and amortization

The Group has included the aggregate "Operating income before depreciation and amortization" or "EBITDA" in the consolidated statement of income because management believes that this aggregate is useful: it provides a measure of operating results that excludes non-cash items such as depreciation and amortization, thereby enhancing the predictive value of the financial statements.

Furthermore, EBITDA is an indicator used internally by management to measure the Company's operational and financial results, to make investment and resource-allocation decisions, and to assess the performance of management personnel.

EBITDA may not be comparable with similarly named measures used by other entities. Further, this aggregate should not be considered as a proxy for operating income, as the effects of depreciation, amortization and impairment, which are excluded from this measure, ultimately have an impact on operating income, which is also presented in the consolidated financial statements in accordance with IFRS 1.

2.6 Financial income and expense

Financial income and expense primarily comprise:

- interest expense and other expenses paid for financing transactions recognized at amortized cost and changes in the fair value of interest rate derivative instruments that do not qualify as hedges within the meaning of IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), and which are recognized in "Interest relative to gross financial debt" in the consolidated statement of income;
- interest income relating to cash and cash equivalents.

2.7 Segment information

IFRS 8 *Operating Segments* requires segment information to be presented on the same basis as that used for internal reporting purposes. The Group has identified the following three segments:

- B2C Operations
- B2B Operations
- Wholesale Services

2 Significant accounting policies (Continued)

B2C Operations

The Group provides residential and business customers with TV subscription services, broadband Internet, basic cable services, telephony and installation services.

B2B Operations

The Group provides business customers with a comprehensive service offering, including data transmission and very high speed Internet, telecommunications services, convergence and mobility solutions, through fiber and DSL networks.

Wholesale Services

The Group sells network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators, as well as the related maintenance services.

2.8 *Income taxes*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except if it relates to items recognized directly in equity, in which case it is recognized in equity (see Note 4.1.7).

Current tax is the tax payable on the taxable income for the year, estimated 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 in respect of 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, joint ventures and associates when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for companies included in the scope of consolidation, a deferred tax liability may be recognized in respect of prospective dividend payments 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 at 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 if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities when the taxable entity intends to settle current tax liabilities and assets on a net basis or when tax assets and liabilities are to be realized simultaneously.

Deferred taxes are reviewed at each reporting date to take into account changes in tax legislation and the possibility of recovering deductible temporary differences and tax losses. A deferred tax asset is recognized when it is probable that future taxable profits against which the temporary difference can be utilized will be available within a foreseeable timeframe.

2.9 *Government grants and investment subsidies*

Entities of the Group may receive government grants and investment subsidies in the form of direct or indirect funding of investment projects, mainly provided by local and regional authorities. These grants are deducted from the cost of the related assets and recognized in the consolidated statement of

2 Significant accounting policies (Continued)

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 3R are recognized at their fair value at the acquisition date, except for non-current assets (or groups earmarked for disposal), which are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and measured at the lower of their carrying amount and fair value less costs to sell.

The consideration transferred corresponds to the fair value, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued by the 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 acquirer's previously held equity interest in the target, and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is recognized in assets in the consolidated statement of financial position. When the difference is negative, it is directly recognized through profit or loss.

The secondary costs directly attributable to an acquisition giving control are recorded in expenses in the period during which the costs are incurred, except for the borrowing costs, which must be recorded in accordance with 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 the provisional values within 12 months of the acquisition date are recognized in goodwill.

With respect to the acquisition of non-controlling interests (i.e. non-controlling interests in a subsidiary that is already included in the scope of combination), the Group fully allocates the difference between the price paid and the share in net assets acquired to equity in accordance with IAS 27, with no revaluation of the assets and liabilities acquired.

Goodwill resulting from the acquisition of subsidiaries or joint ventures is presented separately in the consolidated statement of financial position. Impairment relative to this goodwill is presented on the "Depreciation and amortization" line of the consolidated statement of income.

Goodwill resulting from the acquisition of associates is included in the carrying amount of the investment. Impairment relative to this goodwill is presented on the "Share in net income (loss) of associates" line.

Goodwill is not amortized, but is subject to impairment testing whenever there is any indication that an asset may be impaired, and at least once a year in accordance with the methods and assumptions described in Note 16.

After initial recognition, goodwill is recorded at cost less accumulated impairment losses.

2.11 Intangible assets

Recognition and measurement principles

Intangible assets are measured at cost less accumulated amortization and impairment losses. Cost comprises all directly attributable costs necessary to buy, create, produce and prepare the asset for use.

2 Significant accounting policies (Continued)

Intangible assets consist mainly of indefeasible rights of use, patents, and purchased and internally developed 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 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 amortized 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 developed intangible asset is the sum of personnel expenses 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 is recognized 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;
- its intention of completing the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the capacity of the intangible asset to generate probable future economic benefits. Among other things, the Group must 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 developed intangible asset arising from the development phase of an internal IT project is amortized on a straight-line basis over its expected useful life, which generally does not exceed three years.

Agreements entered into with local authorities

To set up and operate its networks, the companies of the Group have in the past (and often before entering the Group) entered into various agreements with 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 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 equipment and civil engineering work reverts to the local authorities at the end of the concession.

The EU Telecoms Directives of 2002, known as the "Telecoms Package," establish 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 that existing agreements be brought into compliance by the end of July 2007 at

2 Significant accounting policies (Continued)

the latest, removing all exclusive rights clauses and ensuring the shared use of public civil engineering infrastructure.

Only a minority of agreements entered into with local authorities were liable to be classified in the category of public service concessions when these agreements were concluded. As such, IFRIC 12 *Service Concessions* applies solely to the public service concession 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 Group, was selected in 2007 by the department of Hauts-de-Seine to plan, deploy and operate a Fiber To The Home ("FTTH") high-capacity fiber network throughout the department under a public service concession arrangement (*Délégation de Service Public*—DSP) known as 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 revenue generated by 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 by 2015—and maintain and operate the network to a specified standard for 25 years. At the end of the 25th year, the service arrangement will end.

Sequalum provides construction services to the department of Hauts-de-Seine in exchange for an intangible asset, i.e. a right to collect revenue from the network users. In accordance with IAS 38 and IFRIC 12, Sequalum recognizes the intangible asset at cost, net of grants, i.e. the fair value of the 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:

Control and regulation of prices	Origin of revenues	Subsidy granted by grantor	Residual value	End of agreement	Accounting model
Rates are defined in the service agreement	Users	59 million euro subsidy to finance the construction	The network will be returned to the grantor with no indemnity, except for some assets (*actifs de reprise*)	Contract will end after 25 years	Intangible assets

2.12 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated. Buildings and premises are amortized on a straight-line basis over 20 years.

2 Significant accounting policies (Continued)

When property, plant and equipment include significant components with different useful lives, the components are recorded and amortized separately. With respect to network and technical equipment, depreciation is calculated on a straight-line basis. The main depreciation periods are as follows:

Network and technical 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 the difference between the profit from the disposal and the carrying amount of the asset and are recognized in the caption "Other operating income/expenses" of the consolidated statement of income.

2.13 Lease arrangements

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

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables in the amount of the 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 Group's net investment 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 term of the lease.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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 expensed in the period in which they are incurred.

Operating lease payments are expensed on a straight-line basis over the term of the lease, 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 expensed in the period in which they are incurred. In the event that 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 Significant accounting policies (Continued)

2.14 *Impairment of goodwill and non-current* assets

Whenever events or changes in the economic environment indicate a risk of impairment of goodwill, or other intangible assets, property, plant and equipment and assets in progress, the Group re-examines the value of these assets. In addition, goodwill, other intangible assets with indefinite useful lives and intangible assets in progress are subject to annual impairment testing during the second half of each fiscal year.

This testing is performed in order to compare the recoverable amount of an asset or a Cash Generating Unit ("**CGU**") with its carrying amount.

An asset's or CGU's recoverable amount is the greater of its fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those derived from other assets or groups of assets. In that case, the recoverable amount is determined for the CGU to which the asset belongs.

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs for the Group are "B2C Operations," "B2B Operations" and "Wholesale Services."

The value in use of each asset or group of assets is determined as the present 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.

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

2.15 *Financial* assets

The Group classifies financial assets in four categories: available-for-sale; loans and receivables; held-to-maturity; and financial assets at fair value through profit and loss. They are classified as current assets and non-current assets in accordance with IAS 1.

Purchases and sales of all financial assets are recognized 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 sold or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is reclassified in profit or loss for the period.

Available-for-sale financial assets consist mainly of shares in companies that are not included in the scope of consolidation. Fair value corresponds to the quoted price for listed securities. 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 profit or loss. 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

2 Significant accounting policies (Continued)

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.

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the statement of financial position.

Loans and receivables

Loans and receivables are initially recognized 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 method.

This category mainly includes trade and other 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.

Held-to-maturity financial assets

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

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

The 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 that the 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 and technical equipment, are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method, and includes the acquisition cost of materials.

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 bank accounts and deposits.

Cash equivalents consist of highly liquid investments not subject to significant changes in value and with an original maturity date generally less than three months from the time of purchase.

2 Significant accounting policies (Continued)

2.18 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract resulting in a residual interest in the assets of an entity after deducting all of its liabilities. The equity instruments issued by the Group are recorded for the proceeds received, net of direct issuance costs.

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 and bank overdrafts.

They are measured at amortized cost, using the effective interest method in accordance with IAS 39. The effective interest rate is the internal rate or return 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. Accrued interest is included in "Current portion of financial liabilities" in the statement of financial position.

2.19 Derivative instruments

Derivatives are initially recognized at fair value on the date of inception of a derivative contract, and are subsequently remeasured at their fair value.

The Group enters into interest rate swaps and caps to manage its interest rate exposure. The objective is to convert variable rate financial instruments into fixed 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, under financial income and expenses.

2.20 Employee benefits, provisions and contingent liabilities

Provisions are recognized when the 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 an outflow of resources will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. Provisions are 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. Contingent liabilities are disclosed in the notes, but are not recognized.

2 Significant accounting policies (Continued)

Employee benefits

The Group provides employee benefits through contributions to defined-contribution plans and defined-benefit plans. The Group recognizes pension costs related to defined-contribution plans as they are incurred in personnel expenses in the statement of income.

Estimates of the Group's pension and end-of-service benefit obligations are calculated annually, in accordance with the provisions of IAS 19 Revised *Employee Benefits* ("**IAS 19R**"), with the assistance of independent actuaries, using the projected unit credit method and considering actuarial assumptions including the probable turnover of beneficiaries, salary increases, expected life expectancy, the probable future length of 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 other comprehensive income.

Litigation

The amount of provisions for litigation is based on the Group's assessment of the level of risk, and depends on its assessment of the basis for the claims.

Restructuring

Provisions for restructuring expenses are recognized when restructuring plans have been finalized and approved by the Group's management, and when the Group has raised a valid expectation among the employees concerned that it will carry out the plan either by starting to implement the plan or announcing its main features. These provisions only include direct expenditure arising from restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly related to the closure of facilities.

2.21 *Share-based payment*

The Group has granted options that will be settled as equity instruments. In accordance with IFRS 2, the benefit granted to employees under stock option plans, assessed at the time of the grant of the option, is additional remuneration.

Plans granting instruments settled as equity instruments are measured at the grant date based on the fair value of the equity instruments granted. They are recognized as personnel expenses over the vesting period, taking into account an estimate of the number of options that will vest at the end of the period. In addition, for plans based on non-market performance conditions, the probability of achieving the performance objective is assessed each year and the expense adjusted accordingly.

The fair value of options granted is determined using the Black-Scholes valuation model, which takes into account an annual reassessment of the expected number of exercisable options. The expense recognized is adjusted accordingly.

2.22 *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. The Group notes that it does not take a substantial amount of time to get assets ready for their intended use because of the incremental deployment of the network. IAS 23 *Borrowing Costs* consequently has no impact on the consolidated financial statements.

2.23 *Earnings per share*

Basic earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, excluding any treasury shares held by the Group.

2 Significant accounting policies (Continued)

Diluted earnings per share are calculated by dividing the profit attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the period, based on the assumption that all potentially dilutive instruments are converted and that the assumed proceeds from the conversion of these instruments has been used to acquire shares of the Group at the average market price for the period during which these instruments were outstanding.

Potentially dilutive instruments include stock options, if dilutive.

3 Critical accounting judgments and key sources of uncertainty in respect of estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Group to make a certain number of estimates and assumptions that are realistic and reasonable.

In applying accounting policies during the preparation of the consolidated financial statements 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 in view of the current economic environment. In the prevailing 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 valuation of certain assets and liabilities in the preparation of these financial statements required management to make estimates and assumptions, particularly in respect of:

- *Revenue recognition:* as indicated in Note 2.3, revenue is recognized at the fair value of the consideration received or to be received when the risks and rewards of ownership of a product have been substantially transferred to the buyer or when the service is rendered. With respect to contracts that include installation, connection and set-up fees for residential customers, significant judgments must be made as to whether the recognition criteria set out in IAS 18 should be applied separately and whether installation, set-up and connection should be considered separable services. With respect to service access fees for business customers, revenue is recognized on a straight-line basis over the term of the contract. Accordingly, depending upon how judgment is exercised and how estimates are determined, the timing and amount of revenue recognized can 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 three years). The Group must therefore evaluate the commercial and technical feasibility of its development projects and estimate the useful lives of the products resulting from these projects. Should a product fail to substantiate these assumptions, the Group may be required to impair or write off some of the capitalized development costs in the future. Note 14 provides information on the amount of capitalized costs in the consolidated statement of financial position.
- *Fair value of financial instruments* (see Note 28.3): fair value is determined by reference to the market price at the end of the period. For financial instruments for which there is no active market such as interest rate swaps, which the Group currently uses to hedge its interest rate risk, fair value is estimated based on models that rely on observable market data or by the use of various valuation techniques, such as discounted future cash flows.
- *Recognition of deferred tax assets on unrealized tax loss carryforwards* (see Notes 2.8, 4.1.7 and 12): deferred tax assets relate primarily to tax loss carryforwards. The assets relating to tax loss carryforwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be offset. Evaluation of the Group's capacity to utilize tax loss carry-forwards relies on an in-depth review. The Group analyzes past events, and the positive and

3 Critical accounting judgments and key sources of uncertainty in respect of estimates (Continued)

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, 2013 the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

- *Impairment tests* (see Notes 2.10 and 16): the determination of recoverable amounts of the CGUs assessed in the annual impairment test requires an estimate of their fair value less costs to sell 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 discount rates.

  The determination of the value in use is based on assumptions such as the weighted average cost of capital and the perpetual growth rate beyond the projection period. These assumptions can vary, potentially causing the recoverable amount to fall below the carrying amount, and as such requiring the recognition of an impairment loss.

  As of December 31, 2013 and 2012, the assumptions used to determine the value in use of the CGUs for which goodwill is allocated were as follows:

CGU "B2C Operations"	2013	2012
Length of forecast period	5 years	8 years
Discount rate	7.30%	7.56%
Growth rate beyond forecast period for terminal value	2.00%	1.75%

CGU "B2B Operations" and "Wholesale"	2013	2012
Length of forecast period	5 years	6 years
Discount rate	7.14%	9.42%
Growth rate beyond forecast period for terminal value	2.00%	1.00%

  The calculation of value in use is based on financial budgets approved by management, the period of which was reduced to five years in 2013 in accordance with the recommendations of IAS 36. Projections in respect of subscribers, revenue, costs, and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers, average revenue per user and the level of upgraded network infrastructure. The projections are based on both past experience and the expected future market penetration of the various products.

4 Significant events

4.1 Year ended December 31, 2013

4.1.1 Constitution of Numericable Group

Numericable Group was established in July 2013 by way of cash contributions in an initial amount of 37 thousand euros.

On November 7, 2013, Numericable Group received, within the framework of the Company's prospective IPO, the contribution of two holding companies incorporated in Luxembourg, Ypso Holding SARL and Altice Lux Holding SARL, the parent companies of Ypso France and Altice B2B France respectively.

The contributions of Ypso and Altice B2B Numericable Group increased the capital of the Company by a total of 1,995,489 thousand euros, breaking down into a 113,772 thousand euro increase in share capital and a 1,881,717 thousand euro increase in additional paid-in capital.

4 Significant events (Continued)

Following the contributions, the Company's share capital accordingly amounted to 113,809 thousand euros, and additional paid-in capital to 1,881,717 thousand euros.

Moreover, during the restructuring of the Group's debt in 2009, during which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates ("Super PECs") with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Subsequently, the expense related to the extinguishment of the debt ("Premium") was recognized as financial expense in the amount of 81.6 million euros. This expense had no impact on the Group's cash position.

4.1.2 IPO and capital increases

On October 25, 2013, the Board of Directors of Numericable Group decided in principle to undertake an initial public offering of the Company on NYSE Euronext Paris.

On November 7, 2013, the Board of Directors:

- priced the IPO at 24.80 euros per share;
- decided to increase share capital by a total amount of 250,000 thousand euros through a public offering (including a 10,081 thousand euro capital increase through the issuance of new shares and 239,919 thousand euros in additional paid-in capital);
- proposed a capital increase reserved for employees, which was ultimately carried out in the amount of 1,034 thousand euros (including a 52 thousand euro capital increase through the issuance of new shares and 982 thousand euros in additional paid-in capital).

Trading on the shares began on November 8, 2013.

The costs incurred in connection with the IPO were fully charged to additional paid-in capital in a total amount of 14,582 thousand euros. These costs, borne entirely by Numericable Group, were accounted for without tax effect.

Following the IPO, the Numericable Group's share capital amounted to 123,942 thousand euros, and additional paid-in capital to 2,108,037 thousand euros. See Note 22.1 for information on the constitution of the share capital of Numericable Group.

4.1.3 Granting of stock option plans

On November 7, 2013, the Board of Directors also adopted a stock option plan in favor of certain officers and employees of Numericable Group.

The plan covers a total of 2,845,229 options for 2,845,229 shares.

As of December 31, 2013, the fair value of options granted was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

See Note 25.2 for further details on this stock option plan.

4.1.4 Acquisition of Valvision

On 27 June 2013, the Group acquired 100% of the share capital of Valvision, a cable operator operating in eastern France.

4 Significant events (Continued)

The difference between the acquisition price (3,340 thousand euros) and the share of equity acquired (219 thousand euros), representing the acquired customer base, was 3,121 thousand euros. It was fully allocated to "Other intangible assets," and will be amortized over a period of three years.

No additional payment is provided for under the acquisition agreement.

4.1.5 Acquisition of LTI Telecom

On October 31, 2013, the Group acquired 100% of the shares of Invescom, a holding company that owns 100% of LTI, a B2B telecom operator.

The acquisition price amounted to 25,550 thousand euros for a share of equity acquired of 609 thousand euros. No additional payment is provided for under the acquisition agreement.

In view of the date of the acquisition, the allocation of the price to identifiable assets acquired and liabilities assumed had not been finalized as of December 31, 2013. The Company has until September 30, 2014 to finalize this process.

Therefore, the difference of 24,941 thousand euros between the acquisition price and the share of equity as reflected in the accounts of the acquired subgroup was recognized as goodwill as of December 31, 2013 (see Note 13).

4.1.6 Refinancing of Senior Debt

Amendments in July-August 2013

In July and August 2013, the Group amended its Senior Facility Agreements, allowing a large portion of its debt to be rescheduled. This renegotiation also led to a change in certain contractual conditions, including the margin applicable to the Senior Debt of Altice B2B.

This renegotiation of Senior Debt is a simple modification of existing debt. As such, the costs stemming from the renegotiation (6.2 million euros) have been measured at amortized cost in accordance with the effective interest method pursuant to IAS 39.

Refinancing in December 2013

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debt, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;
- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the 225 million euro bond issue (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros);
- part of the 360 million euro bond issue (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros).

The renegotiation of Senior Debt represents the settlement of existing debt. Accordingly:

- the cost of settling bonds ("Premium") incurred by the Group were recognized in other financial expenses in the amount of 28.0 million euros;

4 Significant events (Continued)

- costs relating to the implementation of the extinguished debt in December 2013, which were originally recorded at amortized cost, has been recognized in other financial expenses in the amount of 15.2 million euros;
- costs relating to the implementation of the new Tranche D (7.25 million euros) have been recognized at amortized cost using the effective interest method in accordance with IAS 39.

Following the refinancing in 2013, the maturity of Senior Debt was as follows as of December 31, 2013 (nominal amounts):

Maturity	2014	2015	2016	2017	2018	2019	Total
in millions of euros	42.6	63.4	102.1	821.0	1,223.2	380.0	2,632.4

4.1.7 Recognition of deferred tax assets

In the year ended December 31, 2013, the Group recognized deferred tax assets in a total amount of 132.7 million euros in respect of loss carryforwards whose future use was deemed probable within the forecast period of five years.

In view of the large amount of unrecognized deficits remaining as of December 31, 2013 (see Note 12.4), all of the deferred tax income recognized in 2013 was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses recognized in other comprehensive income or capital increase expenses charged to additional paid-in capital.

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

On July 17, 2013 the European Commission signaled that it had decided to open an investigation to verify whether the transfer of public cable infrastructure to Numericable by several French municipalities between 2003 and 2006 was in line with European Union State aid rules. The European Commission expressed doubts as to the compatibility of such aid with EU rules because of the economic advantage conferred on Numericable by virtue of the conditions of the transfer.

As the Group disputes this position, and as the potential risk relating to this investigation cannot be measured reliably, no provision was recorded in the financial statements as of December 31, 2013.

4.1.9 Leaseback of modems

In May 2013 and June 2013, the Group entered into two sale and leaseback contracts with Lease Expansion, in respective amounts of 12.7 million euros and 5.9 million euros for new modems known as "La Box."

The term of the lease is three years for each contract.

4.1.10 Tax audits

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments stem exclusively from the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

4 Significant events (Continued)

4.1.11 Lehman Brothers compensation

The Group received two further payments of 4.5 million euros and 2.6 million euros in June 2013 and December 2013 respectively, as part of its claim following the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4).

4.1.12 Cancellation of the 5 million euro fine imposed by ARCEP

In July 2013, the Constitutional Court ruled that the power to sanction held by the French regulator (*Autorité de régulation des communications électroniques et des postes*—ARCEP) did not meet the principles of independence and impartiality required by the Constitution.

On October 21, 2013, the Group obtained the annulment by the Council of State of the penalty imposed by ARCEP on December 20, 2011, which condemned Numericable and NC Numericable to a fine of 5 million euros for non-compliance with the ARCEP decision of November 4, 2010.

The Group recorded the proceeds relative to the annulment of the fine in the financial statements for the year ended December 31, 2013 under "Other operating income" (see Note 9).

4.1.13 Litigation with Free

On December 13, 2013, the Commercial Court of Paris condemned the Group to pay the sum of 6,411 thousand euros to Free as part of a dispute over an advertising campaign run by Numericable that Free claimed harmed its brand and its image (see Note 24.2 for details on the procedure). The Group appealed this decision.

The Group recognised a provision for the entire fine in the consolidated financial statements for the year ended December 31, 2013. The decision having been executed in early January 2014, the provision was classified under "Current provisions" in the consolidated statement of financial position as of December 31, 2013.

4.2 Year ended December 31, 2012

4.2.1 Bond issues

In 2012, the Group issued several bonds to refinance part of its existing financial debt.

In February 2012, the Group issued a 360 million euro bond. The issuer was Numericable Finance & Co. SCA, 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 of the notes were 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, in favor of the Group, and which allowed it to reimburse certain facilities under the SFA in the amount of 350 million euros.

The notes mature on February 15, 2019 and bear interest at 12.375%. Interests on the notes are paid semiannually on February 15 and August 15 of each year.

In February 2012, the Group also obtained a new Revolving Credit Facility under the SFA. The maximum amount that can be drawn is 65 million euros ("Revolving Credit Facility"). It matures in March 2016. The amount used under this facility bears interest equal to Euribor plus 4.5%. The amount not used under this facility, which amounted to 65 million euros as of December 31, 2013, bears interest equal to a commitment fee of 2.25%.

According to the terms of the amendment of the September 2011 Senior Facility Agreement, maturities of certain lenders' commitments were extended by two years (comprising one-half of Tranche A and the Capex Facility and two-thirds of Tranches B & C). Along with the extension of the maturities, the

4 Significant events (Continued)

amendment changed the margin on the extended tranches and put a new set of financial covenants in place. The September 2011 Senior Facility Agreement became effective on February 15, 2012.

In October 2012, the Group issued another two bonds in amounts of 225 and 275 million euros respectively through the same issuer, Numericable Finance & Co. SCA. The proceeds of the notes were 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, in favor of the Group, which allowed it to reimburse certain facilities under the SFA in the amount of 490 million euros.

The "C-Two A facility" amounts to 225 million euros. It matures on February 15, 2019 and bears a fixed interest rate of 8.75% per annum. Interest is paid semiannually on February 15 and August 15 of each year, commencing on February 15, 2013.

The "C-Two B facility" amounts to 275 million euros. It matures in October 2018 and bears a floating interest rate equal to three-month Euribor plus 7.85% per annum. Interest is paid quarterly on January 15, April 15, July 15 and October 15 of each year, commencing on January 15, 2013.

The Group paid 55 million euros in fees in connection with the implementation of these new facilities (C-One, C-Two A and C-Two B) and the amendments relative to the Senior Facility Agreement. This amount includes:

- bond issuance costs of 30.2 million euros, which are amortized over the length of the notes using the effective interest method;
- waiver fees of 17.4 million euros, which are recorded in "Other financial expense" in the consolidated statement of income for the period ended December 31, 2012;
- advisory fees of 7.4 million euros, which are recorded in "Other operating expenses" in the consolidated statement of income for the period ended December 31, 2012.

4.2.2 Purchase of the Nice network

In April 2012, the Group signed an agreement with the city of Nice for the purchase of the cable network of Nice for 20 million euros.

The purchase price repayment is scheduled as follows:

- 2.5 million euros in July 2012 and 2.5 million euros in January 2013;
- the remaining 15 million euros payable over 20 years (0.75 million euros each year from 2013 to 2032), with interest of 4%.

4.2.3 Tax audits

During the third quarter of 2012, the tax audits mentioned in Note 12.5 were extended to fiscal year 2010. Tax penalties related to the fiscal years 2005 to 2009 have been reduced.

As of December 31, 2012, the amount of the provision recognized in relation to these tax audits had 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.

5 Segment information

As stated in Note 2.7, the Group has three operating segments:

- B2B Operations
- B2C Operations
- Wholesale Services

5 Segment information (Continued)

5.1 Statement of income

The following tables provide, for each period presented, the contribution of each segment to the statement of Income (from "Revenue" to "Operating income before depreciation and amortization").

Intra-segments sales have been eliminated under the column "Eliminations."

2013	B2C	B2B	Wholesale	Eliminations	2013 Total
	(in thousands of euros)				
Revenue	869,448	**312,640**	200,794	(68,640)	**1,314,242**
Purchases and subcontracting services	(415,127)	(180,195)	(84,333)	68,640	(611,016)
Staff costs and employee benefits expense	(87,144)	(60,504)	(6,982)	—	(154,631)
Taxes and duties	(20,469)	(8,073)	(5,355)	—	(33,896)
Provisions	(8,616)	(11,567)	(283)	—	(20,466)
Other operating income	65,499	20,763	59	—	86,321
Other operating expense	(18,588)	(1,878)	—	—	(20,466)
Operating income before depreciation and amortization (EBITDA)	385,003	71,186	103,900	—	560,088

2012	B2C	B2B	Wholesale	Eliminations	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	(19,901)	(7,569)	(4,926)	—	(32,396)
Provisions	(4,516)	(1,323)	(380)	—	(6,219)
Other operating income	68,095	21,108	26	—	89,229
Other operating expense	(16,030)	(1,148)	—	—	(17,178)
Operating income before depreciation and amortization (EBITDA)	396,564	99,968	95,733	—	592,265

5.2 *Goodwill*

Goodwill breaks down by segment as follows as of December 31, 2013 and 2012:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C	984,583	984,583
B2B	499,045	474,103
Wholesale	—	—
Total	1,483,628	1,458,686

5 Segment information (Continued)

5.3 Investments

Investments on property, plant and equipment and intangible assets (net of investment grants received) break down by segment as follows as of December 31, 2013:

	December 31, 2013
	(in thousands of euros)
B2C	165,473
B2B	73,904
Wholesale	80,452
Total	319,829

6 Revenue

Consolidated revenue breaks down by segment as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2B revenue	864,589	826,171
B2B revenue	309,646	323,201
Wholesale revenue	140,007	153,053
Total revenues	1,314,242	1,302,425

It is stipulated that all revenues are generated in France.

7 Purchases and subcontracting services

Purchases and subcontracting services break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
TV content, Internet and telephony costs	(315,318)	(332,853)
Outsourcing and purchased services	(98,082)	(90,752)
Advertising	(38,834)	(30,120)
Fees paid to other third parties	(35,991)	(31,936)
Royalties and license fees paid	(12,183)	(12,089)
Rights of way paid	(14,936)	(15,316)
Rental and leasehold charges	(27,023)	(25,790)
Energy	(25,846)	(23,938)
Bad debt expense	(8,000)	(9,173)
Postal expense	(4,389)	(4,378)
Transportation expense	(4,654)	(4,286)
Repair and maintenance expense	(11,830)	(11,911)
Miscellaneous operating expense	(13,930)	(9,579)
Purchases and subcontracting services	(611,016)	(602,121)

8 Personnel expenses

Personnel expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Wages and salaries	(99,947)	(91,343)
Social security charges	(45,923)	(43,889)
Employee profit-sharing	(5,210)	(6,243)
Costs related to the stock option plan[a]	(3,551)	—
Staff costs and employee benefits expense	(154,631)	(141,475)

(a) Includes 2.9 million euros in respect of employer contributions due on the allocation of shares and 0.6 million euros for the cost of the plan recognized in 2013 (see Note 4.1.3).

As of December 31, 2013, the Group employed a total of 2,182 people (of which 2,077 permanent contracts), compared with 1,979 as of December 31, 2012 (of which 1,910 permanent contracts).

The following table breaks down the numbers of permanent contracts by occupational category as of December 31, 2013 and 2012:

Occupational category	December 31, 2013	December 31, 2012
Managers	1,096	1,015
Senior technicians and supervisors	356	322
Operators, employees and technicians (Non Managers)	625	573
Total	2,077	1,910

9 Other operating income

Other operating income breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Own work capitalized[a]	75,853	82,217
Proceeds from sale of assets	5,078	3,817
Other[b]	5,390	3,195
Other operating income	86,321	89,229

(a) Own work capitalized work on the network performed by employees of the Group with a view to upgrading the cable network.

(b) In 2013, this item included the repayment of the 5 million euro fine imposed by ARCEP in 2012. In 2012, this item mainly included various transfers of expenses in the amount of 2.7 million euros.

10 Other operating expense

Other operating expenses break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount of assets sold	(14,741)	(7,382)
Fees paid in connection with refinancing	(4,619)	(7,372)
Management fees paid to shareholders[a]	(1,106)	(2,424)
Miscellaneous operating expenses	—	—
Other operating expense	**(20,466)**	**(17,178)**

(a) Until the date of IPO, after which the agreements were terminated.

11 Finance costs, net

Net finance costs broke down as follows as of December 31, 2013 and 2012:

	Note	December 31, 2013	December 31, 2012
		(in thousands of euros)	
Interest income received on cash and cash equivalents		111	106
Other financial income	11.1	9,593	4,220
Financial income		9,704	**4,326**
Change in fair value of interest rate derivatives		—	—
Interest expense on financing determined using the effective interest method		(184,839)	(183,057)
Interest relative to gross financial debt		**(184,839)**	**(183,057)**
Other financial expense	11.2	(148,513)	(32,699)
Finance costs, net		**(323,648)**	**(211,430)**

11.1 Other financial income

As of December 31, 2013, other interest income broke down primarily as follows:

- Payments received within the framework of the compensation sought after the bankruptcy of Lehman Brothers in September 2008 (see Note 28.4) in the amount of 7.1 million euros (compared with 2.8 million euros in 2012);
- Reversals of provisions for financial risks and charges in the amount of 1.9 million euros.

11.2 Other interest expense

As of December 31, 2013, other interest expense broke down primarily as follows:

- the cost of settling bonds ("Premium") incurred by the Group in the amount of 28 million euros through the reimbursement of the Senior Facilty Agreement as explained in Note 4.1.6 above;
- the costs incurred with respect to the settlement of SuperPecs in the amount of 81 million (without impact on the Group's cash position as this debt was extinguished through the issuance of shares in the context of the IPO as explained in Note 4.1.1 above);
- the unamortized portion of costs related to the debt settled in December 2013 (initially measured at amortized cost) in the amount of 15.2 million euros;

11 Finance costs, net (Continued)

- the amortization of fees paid for the establishment of funding still in place at end-2013 in the amount of 8.3 million euros;
- penalties for late customer deployments in the amount of 4 million euros.

As of December 31, 2012, other interest expense broke down primarily as follows:

- early repayment of penalties paid in connection with debt refinancing in the amount of 17.4 million euros;
- amortization of fees paid for the establishment of funding in the amount of 6.2 million euros valued using the effective interest method;
- default interest in the amount of 5.6 million euros.

12 Income tax

12.1 Income tax expense

Income tax expense breaks down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current tax expense/income	130	(2,486)
Deferred tax expense/income	132,662	—
Tax expense/income	132,792	(2,486)

12.2 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net income (loss) before tax	(68,086)	88,912
Less: Share of net income (loss) of associates	484	199
	67,602	89,111
Corporate tax rate in France	38%	34.43%
Income tax expense calculated at 38%	25,689	(30,681)
Reconciliation of income tax expense		
Deferred tax assets	132,662	—
Effect of revenue that is exempt from taxation and effect of expenses that are not deductible in determining taxable profit(1)	(26,231)	(13,315)
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	—	41,083
Tax credits	673	420
Effect of other differences	—	8
Income tax expense recognized in profit or loss	132,792	(2,486)
Effective tax rate(2)	(196.43)%	2.79%

---

(1) Consists primarily of interest expense not deductible under thin capitalization rules (15.2 million euros as of December 31, 2013, compared with 9.9 million euros as of December 31, 2012).

(2) The effective tax rate in 2013 was negative taking into account deferred tax assets during the year.

12 Income tax (Continued)

In view of the large amount of unrecognized tax losses remaining as of December 31, 2013 (see Note 12.4), the deferred tax income recognized in 2013 in respect of tax loss carryforwards whose future use is considered probable within the five-year forecast period was recorded in the statement of income, and no deferred tax assets were recorded in respect of actuarial gains and losses, which are recognized in other comprehensive income, or capital increase expenses, which are charged to additional paid-in capital.

12.3 Current tax assets and liabilities

Current tax assets as of December 31, 2013 amounted to 3.4 million euros, corresponding to installments of income tax and competitiveness and employment tax credits (CICE), for which the Group must request reimbursement.

The income tax payable is classified in "Current tax liabilities," and amounts to 71 thousand euros and 2,604 thousand euros as of December 31, 2013 and 2012 respectively.

12.4 Unrecognized deferred tax assets

Aggregate unused tax loss carryforwards amounted to 2,316 million euros as of December 31, 2013, representing a theoretical tax asset of 876 million euros. A deferred tax asset of 132.7 million euros was recognized as of December 31, 2013.

Total net tax loss carryforwards break down as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Ypso France and its subsidiaries[1]	1,857,400	1,852,028
Altice B2B France and its subsidiaries	413,401	402,544
Ypso Holding Lux	45,561	256,173
Total tax loss carryforwards	**2,316,362**	**2,510,745**
Deferred tax assets calculated at the standard rate	**876,217**	**851,103**
Of which deferred tax assets recognized	*132,662*	—
Of which deferred tax assets not recognized	*743,555*	*851,103*

---

(1) Including tax losses contested by the tax authorities (56 million euros as of December 31, 2013).

12.5 Tax audits

Certain subsidiaries of the Group, Ypso France, NC Numericable (including Numericable and Est Videocommunication, merged in 2013) were subject to a tax audit by the French tax authorities for the fiscal years ended from December 31, 2007 to December 31, 2010. As a result, a tax contingency provision in the amount of 24,9 million euros was recognized as of December 31, 2013 (compared with 25.1 million euros as of December 31, 2012) to cover the risk represented by this audit.

In 2013, the tax administration initiated a tax audit of Altice B2B France and Completel in respect of fiscal years 2010 and 2011, resulting in the submission of proposed adjustments on December 19, 2013. The adjustments focus exclusively on the rejection of the deductibility of certain shareholder services expensed in 2009, 2010 and 2011. A tax contingency provision totaling 11.4 million euros was recorded as of December 31, 2013 to cover the proposed adjustments (income tax, VAT, withholding tax, fines, penalties and default interest).

The total tax contingency provision was 36.3 million euros as of December 31, 2013, compared with 25.1 million euros as of December 31, 2012.

13 Goodwill

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Net carrying amount		
Balance at beginning of year	1,458,686	1,458,638
Additional goodwill recognized during the period(1)	24,942	48
Balance at end of year(2)	**1,483,628**	**1,458,686**

---

(1) The additional goodwill of 24.9 million euros recognized as of December 31, 2013 was attributable to the acquisition of LTI Telecom (described in Note 4.1.5). The allocation of the acquisition price is provisional, and will be finalized within 12 months of the date of acquisition. The goodwill was allocated to the B2B Operations CGU.

(2) Goodwill breaks down as follows:

Carrying amount	December 31, 2013	December 31, 2012
	(in thousands of euros)	
B2C Operations	984,583	984,583
B2B Operations	499,045	474,103
Total	1,483,628	1,458,686

14 Other intangible assets

	Capitalized development costs	Rights of use, patents and licenses(a)	Commercial rights	Other intangible assets(b)	Total
	(in thousands of euros)				
Gross amount					
Balance as of January 1, 2013	5,848	720,735	42,030	39,847	808,462
Capital expenditure and additions	1,271	62,776	757	4,084	68,888
Reclassification	—	—	—	—	—
Business combinations	—	786	996	3,154	4,936
Balance as of December 31, 2013	7,119	784,297	43,783	47,085	882,284
Cumulative amortization and impairment					
Balance as of January 1, 2013	(3,242)	(413,473)	(34,690)	(30,871)	**(482,275)**
Amortization expense	(1,571)	(82,897)	(1,257)	(5,433)	(91,158)
Reclassification	—	—	—	—	—
Business combinations		(464)	(993)	(31)	(1,488)
Balance as of December 31, 2013	(4,813)	(496,834)	(36,940)	(36,335)	**(574,922)**
Net carrying amount					
Balance as of January 1, 2013	2,606	307,262	7,340	8,976	326,187
Balance as of December 31, 2013	2,306	287,463	6,843	10,750	**307,362**

14 Other intangible assets (Continued)

	Capitalized development costs	Rights of use, patents and licenses[a]	Commercial rights	Other intangible assets[b]	Total
	(in thousands of euros)				
Gross amount					
Balance as of January 1, 2012	5,384	649,724	35,949	39,392	730,449
Capital expenditure 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 carrying amount					
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

(a) Rights of use represent the majority of "rights of use, patents and licenses." They reflect the rights to use civil engineering installations and infrastructure built by the incumbent operator, France Telecom, as well as investments made through the DSP.

(b) Other intangible assets primarily include customer lists (including the customers of Valvision, acquired in 2013, see Note 4.1.4) and capitalized production within the framework of IT projects relating to the network.

* As explained in note 2.11, the Group applied IFRIC 12 with respect to the contract entered into in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92).

The application of this principle had the following impacts on the 2012 consolidated statement of financial position:

- Recognition of the net carrying amount of 17.2 million euros classified in "Other intangible assets" (26.6 million euros of investments less 9.5 million euros of grants received as of December 31, 2011);
- Recognition of 26.4 million euros of capital expenditure in 2012 in "Rights of use, patents and licenses" (38.0 million euros of investments less 11.5 million euros of grants received in 2012).

In addition, 26.4 million euros of capital expenditure in relation to the public service concession arrangement with the department of Hauts-de-Seine (DSP 92). This amount is classified in investing activities in the consolidated statement of cash flows.

As of December 31, 2013, the total amount of investments (net of subsidies) made under DSP 92 and classified as intangible assets amounted to 71.8 million euros.

15 Property, plant and equipment

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2013	1,322	142,176	2,601,954	81,022	105,275	**2,931,749**
Capital expenditure and additions	—	2,118	194,501	95,834	6,547	299,000
Disposals	(1)	(195)	(55,522)		(2,967)	(58,685)
Reclassification	—	(211)	68,204	(67,994)	1	—
Business combinations	—	—	18,740	—	792	19,532
Balance as of December 31, 2013	1,321	143,888	2,827,877	108,862	109,648	**3,191,596**
Cumulative depreciation and impairment						
Balance as of January 1, 2013	(2)	(113,499)	(1,331,752)	(4,688)	(91,876)	**(1,541,817)**
Depreciation expense	—	(4,250)	(197,668)	—	(7,209)	(209,127)
Impairment losses	—	—	—	(3,698)	—	(3,698)
Disposals	—	26	40,073	—	2,953	43,052
Reclassification	—	214	(142)	(73)	1	—
Business combinations	—	—	(14,830)	—	(413)	(15,243)
Balance as of December 31, 2013	(2)	(117,509)	(1,504,319)	(8,459)	(96,544)	**(1,726,833)**
Net carrying amount						
Balance as of January 1, 2013	1,320	28,677	1,270,202	76,334	13,399	**1,389,932**
Balance as of December 31, 2013	1,319	26,379	1,323,558	100,403	**13,104**	**1,464,763**

	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
			(in thousands of euros)			
Gross amount						
Balance as of January 1, 2012	1,321	70,154	2,459,782	91,739	99,488	**2,722,484**
Capital expenditure 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 depreciation and impairment						
Balance as of January 1, 2012	0	(41,206)	(1,241,599)	(1,333)	(89,782)	**(1,373,920)**
Depreciation expense	(2)	(5,194)	(191,812)	—	(5,247)	(202,255)
Impairment losses	—	—	—	(3,355)	—	(3,355)
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 carrying amount						
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**

15 Property, plant and equipment (Continued)

The carrying amount of assets classified as finance leases breaks down as follows:

	December 31, 2013	December 31, 2012
	(In thousands of euros)	
Land	1,029	1,029
Buildings	6,558	6,868
Network and technical equipment	53,048	31,632
Other	79	160
	60,714	39,689

16 Impairment testing

16.1 Allocation of goodwill between cash-generating units ("CGU")

In accordance with IAS 36 *Impairment of Assets* ("IAS 36"), goodwill has been allocated to two CGUs: "B2C Operations" (mainly NC Numericable) and "B2B Operations" (mainly Completel SAS and LTI Telecom).

16.2 Key assumptions used to determine the recoverable amount of the CGUs

Impairment testing of goodwill is done within the cash-generating units defined above. In accordance with IAS 36 *Impairment of Assets*, impairment testing is performed by comparing the carrying amount with the recoverable amount. The recoverable amount is determined based on the value in use using a discounted cash flow model.

The determination of the value in use is established using cash flow projections based on financial budgets approved by senior management covering a planning period of five years.

Projections of subscribers, revenue, costs and capital expenditure are based on reasonable and acceptable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of expenditure on network infrastructure upgrades. The projections are based on both past experience and the expected future market penetration of 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, potentially causing the recoverable amount to fall below the carrying amount, and as such the recognition of an impairment loss.

No impairment was recognized for either of the periods presented.

The determination of the value in use is based on the following estimates as of December 31, 2013 and 2012:

CGU "B2C Operations"	2013	2012
Length of forecast period	5 years	8 years
Discount rate applied to cash flow projections	7.30%	7.56%
Perpetual growth rate used to calculate terminal value	2.00%	1.75%

In terms of the 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 143 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 116 million euros.

16 Impairment testing (Continued)

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.30% to 8.73%;
- Reduction in the perpetual growth rate from 2.00% to 0.12%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 50.7% to an average of 46.0% over the five-year period.

CGU "B2B Operations"	2013	2012
Length of forecast period	5 years	6 years
Discount rate applied to cash flow projections	7.14%	9.42%
Growth rate beyond projection period for terminal value	2.00%	1.00%

In terms of the 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 74 million euros. Likewise, a change of plus or minus 0.25% in the perpetual growth rate would increase or decrease the recoverable amount by approximately 56 million euros.

As of December 31, 2013, the amounts by which the key assumptions would have to change for the recoverable amount to equal the carrying amount were as follows:

- Increase in WACC from 7.14% to 10.62%;
- Reduction in the perpetual growth rate from 2.00% to-3.70%;
- Reduction in gross margin (calculated based on internal reporting) from an average of 38.3% to an average of 32.1% over the five-year period.

17 Investments in associates

The Group exercises significant influence over Alsace Connexia Participation, an associate consolidated under the equity method. Alsace Connexia Participation's initial shareholding structure was as follows: 38.14% held by Ypso France, 38.15% by LD Collectivités and 23.71% by Sogetrel Réseaux. In 2009, LD Collectivités bought the interest held by Sogetrel Réseaux, giving it 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, 2013	December 31, 2012
	(in thousands of euros)	
Net assets[1]	7,614	8,888
Share of net assets	2,893	3,378

17 Investments in associates (Continued)

	2013	2012
	(in thousands of euros)	
Revenues (Alsace Connexia)	14,463	13,050
Net income (loss)	(1,274)	(524)
Share of net income (loss)	(484)	(199)

---

(1) No goodwill is recognized in net assets.

18 Other current and non-current financial assets

	Current		Non-current	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Derivative instruments(1)	—	—	—	5
Investments in entities that are not consolidated(2)	—	—	35	35
Other financial assets(3)	4,020	4,034	7,228	6,791
Total financial assets	4,020	4,034	7,263	6,831

---

(1) As indicated in Note 28.4, the Group held until the end of 2012 interest rate cap contracts that allowed it to limit its exposure to interest rates, but these instruments were not considered as hedging instruments within the meaning of IAS 39. Consequently, changes in the fair value of these derivative instruments were recognized immediately in the statement of income under financial income (expense), the instruments in question being directly related to the implementation of the management of the Group's interest rate risk, even though they do not qualify for hedge accounting under IAS 39.

These interest-rate derivatives are presented as non-current financial assets because they are not held for trading purposes, but under a non-qualifying hedge accounting relationship.

(2) Investments in entities that are not consolidated and are classified as available-for-sale financial assets include Câble Toulousain de Vidéocommunication, Médiamétrie Expansion, Rennes Cité Média and TV7 Bordeaux. These companies are not included in the scope of consolidation due to the Group's lack of control or influence over them.

(3) As of December 31, 2013 and 2012 other financial assets include 4 million euros of cash pledged within the framework of DSP 92 (classified as current, see also Note 2.11). Remaining amounts correspond to deposits made by the Group for building leases.

19 Inventories

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Gross amount	50,858	46,808
Impairment losses	(1,290)	(1,199)
Net carrying amount	**49,568**	**45,609**

Inventories are primarily comprised of set-top boxes used by customers to receive programming distributed via digital channels. The amount of impairment recognized to bring inventories down to their recoverable amount was not material in fiscal 2013 or 2012.

20 Trade receivables and other receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Trade receivables	309,998	272,864
Impairment losses	(33,371)	(27,167)
Trade receivables, net	**276,627**	**245,697**
Advances and down payments	2,181	2,211
Tax and social security receivables	84,826	141,806
Prepaid expenses	32,256	18,025
Other receivables	6,998	9,632
Trade receivables and other receivables, net	**402,888**	**417,371**

Trade receivables disclosed above are measured at amortized cost. Due to their short-term maturity, fair value and amortized cost are a proxy for the nominal amount of trade receivables.

Trade receivables are primarily from B2C customers, a large number of customers spread across diverse geographical areas.

B2C Customers

The average credit term for residential customers is five days. No interest is charged on outstanding balances. As of December 31, 2013, excluding some specific cases, the Group had depreciated 81% of B2C customer receivables that were over 90 days past due, based on historical experience implying that 19% of receivables over 90 days past due are recoverable. Provisions on residential customer receivables due between 0 and 90 days are also depreciated on a case-by-case basis, based on historic collection data and analysis of the customer's financial situation.

B2B Customers

As of December 31, 2013, the Group had depreciated 60% of the B2B customer receivables that were over 90 days past due, based on historical experience implying that 40% of receivables over 90 days past due are recoverable.

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 Group has not recognized a provision for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The 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 Group to the counterparty.

Ageing of past due receivables

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Not due	92,610	121,232
0-90 days	67,888	62,825
> 90 days	149,508	88,808
Total	**309,998**	**272,864**

The concentration of credit risk is limited due to the customer base being large and unrelated. No customer represents more than 5% of the total balance of trade receivables.

20 Trade receivables and other receivables (Continued)

Change in impairment losses for trade receivables is as follows:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Balance at beginning of year	(27,167)	(26,770)
Impairment during the year	(12,961)	(9,322)
Losses on irrecoverable receivables	8,000	8,925
Reversal of impairment losses	—	—
Receivables classified as held for sale	—	—
Business combinations	(1,243)	—
Balance at end of year	(33,371)	(27,167)

21 Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows include cash on hand and short-term deposits. Reconciliation between cash and cash equivalents presented in the consolidated statement of cash flows and cash and cash equivalents presented in the consolidated statement of financial position is presented below:

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Cash	101,365	7,996
Cash equivalents	—	—
Cash and cash equivalents presented in the consolidated statement of financial position	101,365	7,996
Cash from discontinued operations	—	—
Bank overdrafts classified as financial liabilities in the consolidated statement of financial position	—	—
Cash and cash equivalents presented in the consolidated statement of cash flows	101,365	7,996

As of December 31, 2013 and 2012, the Group had no cash equivalents.

22 Equity

As of December 31, 2013, Numericable Group's share capital, based on the number of shares issued at that date, amounted to 123,942,012 euros, comprising 123,942,012 ordinary shares with a par value of 1 euro each.

22.1 *Change in share capital*

The share capital broke as follows as of December 31, 2013:

Date	Transaction	Shares issued
August 2013	Constitution through cash contributions	37,000
November 2013	In-kind contributions from shareholders	113,772,229
November 2013	Capital increase by public offering	10,080,645
November 2013	Capital increase reserved for employees	52,138
Total as of December 31, 2013		123,942,012

22 Equity (Continued)

22.2 *Treasury shares*

The Group did not implement a share buyback program in 2013 or 2012.

Accordingly, it did not hold any treasury shares as of December 31, 2013 or December 31, 2012.

22.3 *Earnings per share*

	2013	2012
	(in thousands of euros)	
Net income used for calculating basic earnings per share	64,550	86,377
Impact of dilutive instruments:		
Stock option plans[2]	—	—
Net income used for calculating diluted earnings per share	64,550	86,377

The following table shows the weighted average number of ordinary shares used for calculating basic and diluted earnings per share:

	December 31, 2013	December 31, 2012
	(number of shares)	
Weighted average number of ordinary shares outstanding[1]	115,271,326	113,772,229
Impact of dilutive instruments:		
Stock option plans[2]	—	—
Weighted average number of shares outstanding—diluted	115,271,326	113,772,229

---

(1) The weighted average number of ordinary shares used in calculating earnings per share corresponds, until the date of the IPO, to the number of shares issued in exchange for contributions (see Note 22.1 "Change in share capital"). Shares issued as part of the public offering and capital increase reserved for employees were prorated.

(2) Stock options granted in 2013 (2,845,229 options) are non-dilutive in view of the average share price between the grant date and the balance sheet date, and the valuation ot the plan.

22.4 *Dividends*

The Group did not pay dividends to its shareholders in 2013 or 2012.

23 Financial liabilities

Financial liabilities break down as follows:

		Current		Non-current		Total	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
				(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	23.1	42,575	93,187	2,589,784	2,707,498	2,632,359	2,800,685
Perpetual subordinated notes	23.2	—	—	37,695	35,208	37,695	35,208
Financial liabilities under finance leases	30.2	20,578	19,432	20,915	7,886	41,493	27,318
Other financial liabilities	23.4	1,096	2,113	1,568	131,234	2,664	133,347
Total loans and financial liabilities		64,249	114,732	2,649,962	2,881,826	2,714,211	2,996,558
Derivative instruments		—	—	—	—	—	—
Deposits received from customers	23.3	—	—	51,932	44,517	51,932	44,517
Bank overdrafts		—	—	—	—	—	—
Total financial liabilities		64,249	114,732	2,701,894	2,926,343	2,766,143	3,041,075

23.1 Financial liabilities under Senior Facility Agreements

Senior Facility agreement granted to Ypso

The Group entered into a Senior Facility Agreement ("SFA") dated June 6, 2006 (as amended March 2, 2007, December 9, 2009, September 8, 2011, July 31, 2013 and November 22, 2013) 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. In addition, certain subsidiaries of the Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors within the SFA.

The SFA contains financial covenants that may affect the interest rates to be paid by the Group as well as the applicable margins on the SFA (see details below).

In 2012, the Group issued three bonds to refinance a portion of its current Senior Debt under the SFA. The issuer was Numericable Finance & Co. SCA, a Luxembourg company. The proceeds from the bonds were used by Numericable Finance & Co. to fund three new loans issued if favor of the Group by the Lending Bank (JP Morgan) under the Senior Facility Agreement:

- a C-One facility of 360 million euros;
- a C-Two A facility of 225 million euros;
- a C-Two B facility of 275 million euros.

In December 2013, the Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debts, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;

23 Financial liabilities (Continued)

- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the bond issue of 225 million euros (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros)—the balance of this bond amounted to 146.3 million euros as of December 31, 2013;
- part of the bond issue of 360 million euros (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros)—the balance of this bond amounted to 234.1 million euros as of December 31, 2013.

The table below summarizes the various tranches in place under the Senior Debt contract as of end-December 2013, their maturity, the applicable margin and the outstanding amount of the debt as of December 31, 2013:

Facility	Maturity	Margin/ Coupon(1)	Nominal (December) 2013(2)
A2 and capex 2	June 2015	E + 3.875%	51.9
B1	June 2014	E + 3.50%	11.2
B2	June 2016	E + 4.75%	106.5
B3	December 2017	E + 4.75%	672.1
C1	December 2015	E + 4.00%	36.0
C2	December 2017	E + 5.25%	42.3
C3	December 2017	E + 4.75%	110.9
C4	December 2018	E + 5.00%	426.8
D	December 2018	E + 3.75%	800.0
C-One (Bond)	February 2019	12.375%	234.1
C-Two A (Bond)	February 2019	8.750%	146.3

---

(1) Euribor ("E") + margin applicable to the facility;

(2) Nominal amount expressed in millions of euros as of December 31, 2013, excluding accrued interest and the impact of the effective interest rate.

Guarantees and Security

The Term Facilities are guaranteed irrevocably and unconditionally on a joint and several basis by each guarantor (Ypso France SAS and its subsidiaries) under the Senior Facility Agreement, subject to certain legal limitations.

The Term Facilities are secured by various security interests, such as a pledge on the shares of Ypso France SAS and its subsidiaries.

Covenants

The availability of the senior facilities mentioned in Note 23.1 is not dependent upon the Group's credit ratings, but is conditioned on its compliance with financial covenants related to the capacity of the Group to generate sufficient cash to repay its net debt. Accordingly, the Senior Facility Agreement contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of the Group to, among other things:

- amalgamate, merge or consolidate with any other company or be the subject of any reconstruction or materially change the nature of the business of the Group as a whole;
- sell, transfer, lease out, lend or otherwise dispose of any of its assets or agree to do so;
- enter into a material transaction that is not on an arm's length basis and for full market value;

23 Financial liabilities (Continued)

- 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 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 interest expense;
- 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 the consolidated financial statements of Ypso France prepared in accordance with French GAAP are released. Since the SFA was established, the Group has complied every year with the financial covenants set out in the agreement.

As agreed under the SFA, the covenants are calculated on the basis of financial aggregates determined from the consolidated accounts drawn up by Ypso France in accordance with French GAAP and not IFRS. Accordingly, the EBITDA used to calculate the covenant is different from that presented in the Group's consolidated statement of income.

23.2 Perpetual subordinated notes ("TSDI")

In 2006, 23.65 million euros of perpetual subordinated notes ("*Titres Subordonnés à Durée Indéterminée*"—"TSDI") were issued by a subsidiary of the Group, NC Numericable, to a single subscriber, GDF Suez (Vilorex) (excluding capitalized interest). The proceeds of this borrowing were to be used to finance 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*"), 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 14 million euros and 11.6 million euros as of December 31, 2013 and 2012 respectively, and is classified as non-current in the table above in Note 23.

The instrument includes a contractual obligation to deliver cash (including interest) when cash inflows arising from revenues allow the Group to reimburse the notes. 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 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 in accordance with IAS 32.

23.3 Deposits received from customers

Deposits received from customers amounted to 51.9 million euros and 44.5 million euros as of December 31, 2013 and 2012 respectively. Deposits are made when customers receive equipment from the Company, and are reimbursed when customers terminate their subscriptions if the customers have paid all outstanding invoices and have returned the equipment.

23 Financial liabilities (Continued)

23.4 *Other financial liabilities*

As of December 31, 2013, other financial liabilities included various bank borrowings by Numericable against several banks (mainly *Caisse d'Epargne d'Alsace-Lorraine*) in the amount of 1,648 thousand euros and by Completel against various banks in the amount of 609 thousand euros.

As of December 31, 2012, other financial liabilities also included the debt of Ypso Holding Lux SARL against shareholders in the amount of 128,962 thousand euros, which was settled in 2013 as part of contributions to Numericable Group.

24 Provisions and contingent liabilities

The breakdown and change in provisions for the years ended December 31, 2013 and 2012 are as follows:

	January 1, 2013	Change in scope	Increase	Utilization	Reversal	Reclassification	December 31, 2013
				(in thousands of euros)			
Provisions for retirement benefits	8,455	157	1,556	—	—	—	10,168
Provisions for litigation with employees	4,068	40	1,309	(1,409)	(29)	—	3,979
Provisions for commercial litigation	18,043	—	6,646	(5,245)	(2,071)	—	17,373
Provisions for tax contingencies	25,096	38	18,250	(7,087)	—	—	36,297
Other[1]	10,720	76	1,876	(96)	(349)	—	12,227
Total	66,382	311	29,637	(13,837)	(2,449)	—	80,044
Current portion	2,409	—	6,161	(2,409)	—	250	6,411
Non-current portion	63,973	311	23,476	(11,428)	(2,449)	(250)	73,633

---

[1] Mainly provisions for risks relating to the cost of customers failing to return equipment.

	January 1, 2012	Increase	Utilization	Reversal	Reclassification	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
Provisions for tax contingencies	26,977	212	(2,093)	—	—	25,096
Other	13,227	1,395	(3,902)	—	—	10,720
Total	71,845	11,399	(15,543)	(1,318)	—	66,382
Current portion	8,998	—	(8,998)	—	2,409	2,409
Non-current portion	62,847	11,399	(6,545)	(1,318)	(2,409)	63,973

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

24 Provisions and contingent liabilities (Continued)

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

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

24.1 Tax audits

The French tax authorities have conducted audits of various companies of the 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 Group allocates a price reduction compared with 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 Group had deemed the price reduction to apply primarily to the television portion of its packages.

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

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

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

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

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

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

As of December 31, 2013, a tax contingency provision of 36.3 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which represents 7.1 million euros) related to the adjustments notified for fiscal years 2006-2010 (i.e. 24.9 million euros) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (11.4 million euros).

24.2 Commercial disputes

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

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

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

24.2.2 Litigation with Orange relating to IRUs

The 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 Group of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

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

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

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

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of 2.7 billion euros 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 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 euros. The Commercial Court of Paris is expected to hear this case during the second quarter of 2014.

24.2.3 Litigation with Free relating to an advertising campaign

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

Free, which used the term "revolution" to refer to its launch of mobile phone services and whose latest offering was named the "Freebox Revolution," argues that Numericable's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of 10.0 million euros. After the hearing, the Court asked for an opinion from the French competition authority ("*Direction générale de la concurrence, de la consommation et de la répression des fraudes*"—DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of 6,391,000 euros. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

24 Provisions and contingent liabilities (Continued)

24.2.4 Litigation with several editors of value-added services (AVS)

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay 350,000 euros in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of 12 million euros in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately 400,000 euros, mainly representing sums collected for these companies.

24.2.5 Dispute with the Ligue de Football Professionnel

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

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

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

24.2.7 Complaint of Bouygues Telecom

In late October 2013, the Group received a claim from Bouygues Telecom on the "white label" contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Télécom claimed damages totaling 53 million euros as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of 17.3 million euros due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of 33.3 million euros as a result of alleged failure by Group companies in the execution of the contract and (iii) an amount of 2.4 million euros to repair the alleged damage to Bouygues Telecom's image. The Group considers

24 Provisions and contingent liabilities (Continued)

these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013. The contract, which runs until 2019, generated 37.3 million euros in revenues in 2012, 49.6% of total white label B2C revenues of 75.3 million euros and 2.8% of the Group's total revenues.

24.2.8 Investigation of DSP 92 by the Regional Auditor of Ile-de-France

In mid-November 2013, a number of press articles reported that the Regional Auditor of Ile-de-France had opened an investigation into the management of the department of Hauts-de-Seine between 2004 and 2007. The articles reported that the investigation would focus primarily on the DSP 92 project awarded to Numericable, and in particular the granting of 59 million euros in consideration for public service costs for the establishment and operating of a high-capacity electronic communications network in Hauts de Seine. The Group has no information as to the object or the timing of the investigation, and as such to its exact nature or its potential impact on the Group. However, the Group notes, as indicated above, that DSP 92 has been validated by French administrative courts, by the European Commission and by the General Court of the European Union, before which action against the DSP 92 contract has successively been brought, and that the Court of Auditors has no power to act against a non-governmental entity.

24.2.9 Litigation with employees

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

25 Employee benefits

25.1 Provisions for retirement benefits

In France, the employees of the Group benefit from a general pension plan. Accordingly, the Group contributes to mandatory social security plans. This regime is considered to be a defined-contribution plan within the meaning of IAS 19. The employees of the Group are covered by the Telecom Industry Collective Bargaining Agreement ("*Convention Collective Nationale des Télécommunications*," which determines the amount of the pension due 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 Group and salary, according to the terms of their employment agreement.

25 Employee benefits (Continued)

25.1.1 Assumptions used for defined-benefit plans

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Discount rate	3.0%	3.0%
Expected salary increase rate	3.0%	3.0%
Inflation rate	2.0%	2.0%
Turnover—managers (mean)	9.0%	7.0%
Turnover—other employees (mean)	18.0%	15.0%

The turnover rate can vary significantly depending on length of service.

25.1.2 Components of Net Periodic Benefit (Cost)

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Service cost	881	713
Interest cost	253	287
Expected return on plan assets	—	—
Recognition of actuarial net (gain) loss	458	1,496
Past service cost	—	—
Amounts recognized due to plan combinations	157	—
Curtailments/Settlements	(36)	(57)
Expense in respect of post-employment benefits	1,714	2,439
Including losses (gains) recognized in other comprehensive income	458	1,496
Percentage of present value of plan liabilities	4.5%	17.7%

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

25.1.3 Change in defined-benefit obligations

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Defined-benefit obligations—beginning of year	8.455	6.101
Service cost	881	713
Interest cost	253	287
Contributions paid	—	—
Amortization of actuarial net gain (loss)	458	1,496
Benefits paid	(36)	(87)
Past service cost	—	—
Business combinations	157	—
Curtailments/Settlements	—	(57)
Defined benefit obligation—end of year	10.168	8.455

25.2 Stock option plans

On November 7, 2013, the Board of Directors adopted a stock option plan in favor of certain officers and employees of Numericable Group.

25 Employee benefits (Continued)

The plan covers a total of 2,845,229 options for 2,845,229 shares. The exercise price of the option is 24.80 euros per share (the price set at the Company's IPO).

The plan has a term of eight years from November 7, 2013 until November 7, 2021.

The exercise of options is subject to conditions of presence and performance (based on consolidated revenue and EBITDA—Capex).

The vesting occurs in three periods:

- 50% in November 2015;
- 25% in November 2016;
- 25% in November 2017;

As of December 31, 2013, the fair value of options was estimated at 9,702 thousand euros. An amount of 640 thousand euros was expensed in 2013 in respect of this plan.

The main assumptions used for the valuation of the plan are listed in the table below:

	Stock options—November 2013
Unit fair value at the grant date	3.41
Share price at the grant date	24.80
Exercise price of the option	24.80
Anticipated volatility (weighted average)	25%
Expiry date (maturity)	November 2021
Anticipated dividends	4%
Risk-free interest rate (government bonds)	0.75%

26 Other non-current liabilities

	December 31, 2013	December 31, 2012
	(In thousands of euros)	
Non-current deferred revenue (more than one year)	97,429	105,791
Non-current trade payables	4,874	5,175
Non-current tax and social security payables	282	300
Other non-current liabilities	**102,585**	**111,266**

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 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 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 liabilities."

27 Trade payables and other liabilities

	December 31, 2013	December 31, 2012
	(in thousands of euros)	
Current trade payables	513,979	416,183
Trade payables—acquisition of assets	78,494	87,145
Advances and down payments received	20,464	19,884
Current accounts payables	49	21,219
Liabilities related to tax and duties	24,987	87,358
Corporate and social security contributions	54,412	45,871
Current deferred revenue (less than one year)	57,441	45,319
Other payables	7,592	3,054
Trade payables and other liabilities	757,418	726,033

28 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis 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.

28.1 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 market 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 estimated future cash flows, discounted based on the applicable yield curves derived from market interest rates.

In accordance with the amendments to IFRS 7, the 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 market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than market 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).

Levels of fair value are presented in the tables below.

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 liabilities, is a proxy for the net carrying amount.

Investments in entities not included in the combination are unlisted equity securities. As a result, their fair value cannot be measured reliably, and these investments are accordingly measured at cost.

Financial guarantees and collateral

Under the SFA, the Group's assets have been pledged as collateral to bank lenders.

28 Financial instruments (Continued)

28.2 Financial assets

		December 31, 2013—Financial assets				
	Level of fair value	Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivables and other receivables	2	—	402,888	—	—	402,888
Investments in associates	3	2,893	—	—	—	2,893
Non-current financial assets	2	35	7,228	—	—	7,263
Current financial assets	2	—	4,020	—	—	4,020
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	101,365	—	101,365
Financial assets		2,928	414,136	101,365	—	518,429

		December 31, 2012—Financial assets				
	Level of fair value	Available for sale	Loans and receivables	Designated at fair value through profit and loss	Held to maturity	Total financial assets
		(in thousands of euros)				
Trade receivable and other receivables	2	—	417,371	—	—	417,371
Investments in associates	3	3,377	—	—	—	3,377
Non-current financial assets	2	35	6,791	—	5	6,831
Current financial assets	2	—	4,034	—	—	4,034
Derivative instruments		—	—	—	—	—
Cash and cash equivalents	1	—	—	7,996	—	7,996
Financial assets		3,412	428,196	7,996	5	439,609

28.3 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 less 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 less any reduction for impairment or irrecoverability.

Interest-rate derivatives held to maturity are measured at fair value through profit and loss.

Bonds are traded on the Irish Stock Exchange, market prices as of December 31, 2013 are as follows:

- Tranche C-One, coupon 12.375%, maturing February 2019: 122.83;
- Tranche C-TwoA, coupon 8.75%, maturing February 2019: 113.94.

28.4 Financial risk management objectives

Objective of the Corporate Treasury function

The 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 Group through internal reports that analyze exposures by degree and magnitude of risks. These risks include market risk (primarily interest rate risk since the Group's activities do not expose it to risks of changes in foreign currency exchange rates), credit risk and liquidity risk. The Group

28 Financial instruments (Continued)

seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group does not hold or trade in financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group is exposed to interest rate risk because the Group borrows funds, mostly at floating interest rates. The risk is managed by the Group, when deemed appropriate, through the use of interest rate swaps and interest rate caps. Even though the 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 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 decrease is used when reporting interest rate risk internally to key management personnel. This represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been roughly 50 basis points higher (lower) and all other variables were held constant, the Group's net income (loss) for the year ended December 31, 2013 would have decreased (increased) by 12 million euros. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the 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.

The Group did not hold any swap contracts during the years ended December 31, 2013 and 2012.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Financial instruments that could potentially subject the 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 Group's maximum exposure to credit risk.

As mentioned in Note 20, the Group considers that it has 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

28 Financial instruments (Continued)

recognized net carrying amount. An analysis of credit risk on net trade receivables past due is provided in Note 20.

The 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.

However, in September 2008, Lehman Brothers filed for bankruptcy. Part of the 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 euros. In 2012, the Group received a first payment 2.8 million euros in relation to this claim. In 2013, the Group received two further installments in a total amount of 7.1 million euros. As such a contingent gain of 1.3 million euros remains for the Group, but has not been recognized as of December 31, 2013.

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 Group's short-, medium- and long-term funding and liquidity management requirements. The 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 Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods (excluding amortized costs and future interests). The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	December 31, 2013			
	Less than 1 year	1-5 years	More than 5 years	Total
	(in thousands of euros)			
Financial liabilities under Senior Facility Agreements	47,341	2,226,717	380,380	2,654,438
Perpetual subordinated notes	—	—	37,695	37,695
Financial liabilities under finance leases	20,578	19,799	1,116	41,493
Other financial liabilities	1,096	1,568	—	2,664
Total bonds and loans	69,015	2,248,084	419,191	2,736,290
Derivative instruments	—	—	—	—
Deposits received from customers	—	51,932	—	51,932
Bank overdrafts	—	—	—	—
Total financial liabilities	69,015	2,300,016	419,191	2,788,222

28 Financial instruments (Continued)

	December 31, 2012			
	Less than 1 year	1-5 years	More than 5 years	Total
		(In thousands of euros)		
Financial liabilities under Senior Facility Agreements	98,545	1,869,210	860,199	2,827,955
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	**120,090**	**1,877,581**	**1,026,156**	**3,023,828**
Derivative instruments	—	—	—	—
Deposits received from customers	—	44,517	—	44,517
Bank overdrafts	—	—	—	—
Total financial liabilities	**120,090**	**1,922,098**	**1,026,156**	**3,068,344**

The Group considers that its available cash and cash equivalents and the anticipated cash flows from operations are sufficient to cover its operating expenses, capital expenditure and its financial debt requirements for the next twelve months.

29 Related party transactions

The majority shareholders of the Group are a group of investment and private equity firms: Altice, Cinven and Carlyle.

Balances and transactions between entities forming the Group have been eliminated in preparing the consolidated financial statements and are not disclosed herein. Details of transactions between the Group and other related parties are disclosed below.

29.1 Trading and financing transactions

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

	Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012	2013	2012
			(in thousands of euros)			
Shareholders						
Cinven	474	610	—	—	639	—
Altice	181	1,214	—	—	—	—
Carlyle	450	600	—	—	900	450
Associate						
Alsace Connexia Participation SAS	—	—	2,280	2,235	—	—

Management fees have been paid to the shareholders (Cinven, Altice and Carlyle) in relation to certain management, financing and advisory services provided (1,106 thousands euros in 2013 and 2,424 thousand euros in 2012). These contracts ended on September 30, 2013 within the framework of the IPO.

Moreover, as mentioned in Note 4.1.1, during the restructuring of the Group's debt in 2009, in which the Group's shareholders acquired certain loans in respect of SFA Ypso France, Ypso Holding SARL issued securities subscribed by the shareholders, including 132,664,023 subordinated interest preferred equity certificates ("Super PECs") with a nominal value of 1 euro each, the interest on which was capitalized.

Cinven, Carlyle and Altice contributed the Super PECs to Numericable Group on November 7, 2013, within the framework of the legal transactions related to the IPO. This debt was therefore extinguished in exchange for newly issued securities. Consecutively, the expense related to the extinguishment of the debt ("Premium") was recognized as financial expense in the amount of 81.6 million euros. This charge had no impact on the Group's cash position.

29.2 Related-party relationships

(1) Relationships with shareholders

Relationships with Altice

Altice owns cable networks in the French West Indies (Antilles), and the Group pays call termination charges to these networks for calls made by subscribers of its network to subscribers of networks in the West Indies. Conversely, the Group receives call termination charges for calls made by subscribers of these networks to subscribers of the Group.

Finally, Altice owns Auberimmo, which is a company that rents infrastructures to the Group. Auberimmo has a sole client, Completel SAS, which is a member of the Group. Rents invoiced in 2013 amounted to 1,132 thousand euros, compared with 1,081 thousand euros in 2012.

Relationships with Carlyle

Sagemcom, one of the Group's key suppliers of set-top boxes, was acquired by funds managed by Carlyle on August 17, 2011.

NC Numericable and Completel also signed a contract for services with B&B Hotels and Econonich (together, "Group B&B Hotels"), acquired by Carlyle Group in 2010, on December 31, 2013. The contract was concluded for a period of five years, after which the parties will meet for a possible contract extension. Under the terms of the contract, NC Numericable and Completel have committed to provide the following services:

- access to broadband internet;
- creation of an IP network on all relevant sites;
- security services;
- fixed telephony services;
- TV services; and
- various other cross-cutting services.

(2) Relationships with Coditel, an entity owned by Altice and by other parties unrelated to the Group

As part of the sale of Coditel Belgium and Coditel Luxembourg in June 2011, the Group entered into a service agreement and a trademark license agreement with Coditel Holding S.A. to ensure the continuity of its operations.

29 Related party transactions (Continued)

Service agreement

On June 30, 2011, Numericable SAS entered into a service agreement (the "Coditel Service Agreement") with Coditel. Pursuant to the Coditel Service Agreement, the Group will continue to provide Coditel with all the services it provided prior to its sale, including:

- VOD platform services and VOD content services;
- 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 the Group's backbone;
- upgrade of Coditel's billing software; and
- continued support of Coditel's systems currently located in the Group's premises or currently supported from the Group's systems.

In consideration of the services provided, Coditel agreed to pay the Group a total of 100,000 euros per year. In addition, Coditel will pay the Group 10% of its monthly VOD revenues.

Trademark License Agreement

On June 30, 2011, Coditel and Numericable also entered into a trademark license agreement (the "Trademark Agreement"). Pursuant to the Trademark Agreement, the Group will provide Coditel with a license to use the "Numericable" trademark, 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 annual fee of 100,000 euros under the Service Agreement. The Trademark Agreement terminates automatically on June 30, 2017, upon termination of all services under the Service Agreement or upon expiry of the Service Agreement.

29.3 Compensation of key management personnel

Compensation of members of the Executive Committee amounted to 2,226 thousand euros and 2,100 thousand euros in 2013 and 2012 respectively. This amount includes only short-term benefits such as salaries, wages and bonuses.

The Group has also recorded 303 thousand euros as of December 31, 2013 for retirement benefits (general regime) for Executive Committee members.

Lastly, the expense related to stock option plan (employer contribution + IFRS 2 expense) represents 3,409 thousand euros for members of the Executive Committee for 2013 (nil in 2012).

30 Lease arrangements

30.1 The Group as lessor

Finance leases

The Group has not any contracted finance leases as a lessor.

Operating leases

Operating leases relate to the investment property owned by the 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.

30 Lease arrangements (Continued)

Future revenues related to these leases (recorded in deferred income) break down as follows:

	Future minimum amount of rents	
	December 31, 2013	December 31, 2012
	(In thousands of euros)	
Not later than 1 year	53,930	45,318
Later than 1 year and not later than 5 years	42,224	40,930
More than 5 years	54,997	64,545
Total	151,151	150,793

30.2 The Group as lessor

Finance leases

The Group has 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 main finance lease arrangements relate to network equipment bought from Cisco and the property lease for the headquarters offices of the Group in Champs-sur-Marne, for which the 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 stipulate that the annual payments will be set at a fixed amount at the beginning of the lease, but will be increased in line with the inflation rate in subsequent years (i.e. a percentage increase).

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(in thousands of euros)			
Not later than 1 year	22,100	11,685	21,257	11,302
Later than 1 year and not later than 5 years	21,069	13,883	19,246	12,830
More than 5 years	1,342	721	989	595
	44,510	26,288	41,492	24,728
Less future finance charges	(3,018)	(1,560)	—	—
Present value of minimum lease payments	41,492	24,728	41,492	24,728
Financial liabilities related to finance leases—current portion			21,257	11,302
Financial liabilities related to finance leases—non-current portion			20,235	13,426

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 3.96% and 3.24% per annum for 2013 and 2012 respectively.

Operating leases

The 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 network IRUs (rights of use of the local loop, backbone) or other rental contracts (rights of way) were not considered material.

30 Lease arrangements (Continued)

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

As of December 31, 2013, non-cancellable operating lease commitments amounted to:

	December 31, 2013
	(in thousands of euros)
Not later than 1 year	10,381
Later than 1 year and not later than 5 years	34,798
More than 5 years	12,978
	58,156

31 Non-current assets held for sale and discontinued operations

None.

32 Commitments and contractual obligations

32.1 Commitments given

Guarantees in relation to the Senior Facility Agreement

As part of the SFA entered into by the subsidiaries of the 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 Group's subsidiaries have been pledged to the banks.

Commitments in relation to business operations

The Group is committed to build 75,000 connectors for a total amount of 4.5 million euros on behalf of the city of Le Havre, France.

To operate telecommunications networks, the Group needs licenses, authorizations or rights of use to infrastructure in the public and private domain. Consequently, the 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 Group has also entered into outsourcing contracts, particularly for certain network maintenance services.

Lease commitments in relation to business operations

As disclosed in Note 30, the Group has entered into various lease arrangements.

32 Commitments and contractual obligations (Continued)

Contractual obligations

The following table sets out the maturity of financial commitments in respect of borrowings and leases entered into by the Group (see the corresponding Notes):

	Note	< 1 year	Maturity 1-5 years	> 5 years	Total December 31, 2013
			(in thousands of euros)		
Loans and financial liabilities	23	64,249	2,283,075	418,818	2,766,142
Operating leases	30	10,381	34,798	12,978	58,157
Total		74,630	2,317,873	431,796	2,824,299

32.2 Commitments received

The Group has received a commitment of a total amount of 25 million euros from GDF Suez to subscribe to perpetual floating rate notes, which will provide financing for the construction of the Sipperec network. The Group has already received 23.8 million euros in principal from GDF Suez as of December 31, 2013.

33 Events after the end of the reporting period

33.1 Liquidity contract signed with Exane BNP Paribas

In early 2014, the Group signed a liquidity contract with Exane BNP Paribas in order to improve the liquidity of its securities and the regularity of their prices on NYSE Euronext Paris. A liquidity account of 3 million euros has been opened to allow Exane BNP Paribas to make transactions under the terms of the liquidity contract.

33.2 Granting of a new stock option plan

On January 10, 2014, the Board of Directors adopted a stock option in favor of certain officers and employees of Numericable Group.

This plan covers a total of 287,618 options for 287,618 shares.

The exercise price is 27.62 per share.

33.3 Exclusive talks with Vivendi for the acquisition of SFR

On March 14th, 2014, the board of directors of Vivendi announced that it entered into exclusive talks with Altice, the majority shareholder of Numericable Group, for a period of three weeks, in order to discuss the possible acquisition of its subsidiary SFR.

Numericable Group

Société Anonyme

5, place de la Pyramide
Tour Ariane
92088 PARIS LA DEFENSE CEDEX

Rapport d'audit du Commissaire aux Comptes sur les comptes combinés des exercices clos les 31 décembre 2012, 2011 et 2010

Deloitte.

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
Téléphone : + 33 (0) 1 40 88 28 00
Télécopieur : + 33 (0) 1 40 88 28 28
www.deloitte.fr

Numericable Group

Société Anonyme

5, place de la Pyramide
Tour Ariane
92088 PARIS LA DEFENSE CEDEX

Rapport d'audit du Commissaire aux Comptes sur les comptes combinés des exercices clos les 31 décembre 2012, 2011 et 2010

Au Président-Directeur Général de Numericable Group,

En notre qualité de Commissaire aux Comptes de Numericable Group (la "**Société**") et en application du règlement (CE) n° 809/2004, nous avons effectué un audit des comptes combinés de l'ensemble décrit dans la note 1.5, joints au présent rapport et constitués d'un état de la situation financière combiné aux 31 décembre 2012, 2011 et 2010, d'un compte de résultat combiné, d'un état combiné du résultat global, d'un tableau des flux de trésorerie combiné et d'un tableau de variation des capitaux propres combinés pour chacun des exercices de 12 mois clos à ces dates ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives (collectivement, les "**Comptes Combinés**").

Les Comptes Combinés ont été établis sous la responsabilité du Conseil d'Administration de la Société dans le contexte de l'introduction en bourse envisagée des actions de Numericable Group et dans le cadre de la restructuration envisagée des activités d'Ypso France SAS et d'Altice B2B SAS sous Ypso France SAS. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces Comptes Combinés.

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les Comptes Combinés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les Comptes Combinés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des Comptes Combinés. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Société anonyme au capital de 1 723 040 €
Société d'Expertise Comptable inscrite au Tableau de l'Ordre du Conseil Régional de Paris Ile de France
Société de Commissaires aux Comptes, membre de la Compagnie régionale de Versailles
572 028 041 RCS Nanterre
TVA FR 02 572 028 041

Member of Deloitte Touche Tohmatsu Limited

A notre avis, les Comptes Combinés établis pour les besoins du prospectus présentent sincèrement, dans tous leurs aspects significatifs et au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, le patrimoine et la situation financière de l'ensemble combiné aux 31 décembre 2012, 2011 et 2010 ainsi que le résultat de ses opérations et de ses flux de trésorerie pour chacun des exercices clos à ces dates.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur :

- la base de préparation indiquée en Note 1.4, qui décrit notamment au paragraphe "Base de combinaison", la méthode comptable retenue pour la combinaison des deux groupes placés sous contrôle commun, en l'absence de disposition spécifique à cet égard dans le référentiel IFRS tel qu'adopté dans l'Union européenne ;

- la Note 1.6 qui expose les éléments sur lesquels se fonde la direction de la Société dans son évaluation de la capacité de l'ensemble combiné à faire face à ses besoins de trésorerie en 2013 et du maintien du principe de continuité de l'exploitation pour l'établissement des Comptes Combinés.

Neuilly-sur-Seine, le 6 septembre 2013

Le Commissaire aux Comptes

Deloitte & Associés

Christophe Saubiez

Numericable Group

Comptes combinés

des exercices clos les 31 décembre 2012, 2011 et 2010

Numericable Group
Tour Ariane
5, place de la Pyramide
92088 Puteaux La Défense Cedex

Numericable Group
COMPTE DE RESULTAT COMBINE

(en milliers d'euros)	Notes	**2012**	**2011**	**2010**
Chiffre d'affaires	6	**1 302 425**	**1 306 856**	**1 208 695**
Achats externes	7	(602 121)	(621 696)	(557 803)
Charges de personnel		(141 475)	(141 034)	(127 170)
Impôts et taxes		(32 396)	(28 275)	(30 131)
Provisions		(7 715)	(7 957)	(16 716)
Autres produits opérationnels	8	89 229	80 412	64 324
Autres charges opérationnelles	9	(17 178)	(25 077)	(27 334)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)		**590 769**	**563 229**	**513 865**
Amortissements et dépréciations		(291 724)	(294 517)	(305 417)
Résultat d'exploitation		**299 045**	**268 713**	**208 448**
Produits financiers		4 326	1 208	808
Coût de l'endettement brut		(183 057)	(177 343)	(175 062)
Autres charges financières		(32 699)	(9 883)	(4 162)
Résultat financier	10	**(211 430)**	**(186 019)**	**(178 416)**
Charges d'impôts sur les sociétés	11	(2 486)	(13 387)	(3 841)
Résultat des sociétés mises en équivalence		(199)	(309)	368
Résultat net des activités poursuivies		**84 930**	**68 998**	**26 560**
Résultat net des activités cédées ou en cours de cession	30	-	126 059	31 237
Résultat net		**84 930**	**195 058**	**57 797**
- Attribuable aux propriétaires de l'entité		84 881	194 859	58 039
- Attribuable aux participations ne donnant pas le contrôle		49	199	(242)

Numericable Group
ETAT COMBINE DES AUTRES ELEMENTS DU RESULTAT GLOBAL

(en milliers d'euros)	2012	2011	2010
Résultat net attribuable aux propriétaires de l'entité	**84 881**	**194 859**	**58 039**
Réserves de conversion	-	-	-
Variation de juste valeur des actifs financiers disponibles à la vente	-	-	-
Ecarts actuariels	-	-	-
Impôt sur éléments reconnus directement dans les capitaux propres	-	-	-
Autres éléments du résultat global attribuable aux propriétaires de l'entité	**84 881**	**194 859**	**58 039**

Conformément à la norme IAS 1 *Présentation des états financiers (2007)* (**IAS 1**), le Groupe Combiné, tel que défini en note 1, présente un état combiné des autres éléments du résultat global.

Toutefois, dans la mesure où le Groupe Combiné exerce ses activités exclusivement en France, la devise fonctionnelle et de présentation de toutes les entités du Groupe Combiné est l'euro. Par conséquent, aucune réserve de conversion n'a été constatée aux 31 décembre 2012, 2011 et 2010.

Les actifs financiers disponibles à la vente sont composés d'investissements divers dans des entités non cotées et qui ne sont pas incluses dans la combinaison (voir note 17) et dont la juste valeur ne peut pas être mesurée de manière fiable. Ces investissements n'étant pas significatifs, ils sont évalués au coût historique et, par conséquent, aucune variation de juste valeur n'est reflétée dans l'état combiné du résultat global.

Comme mentionné en note 2.20, le Groupe Combiné comptabilise les gains et pertes actuariels directement dans le compte de résultat. Par conséquent, aucun écart actuariel n'est comptabilisé directement en capitaux propres.

Numericable Group
BILAN COMBINE

(en milliers d'euros)	Notes	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
ACTIF				
Ecarts d'acquisition	12	1 458 686	1 458 638	1 458 585
Autres immobilisations incorporelles	13	326 187	346 056	376 793
Immobilisations corporelles	14	1 389 932	1 348 564	1 340 903
Titres mis en équivalence	16	3 377	3 577	3 886
Autres actifs financiers non courants	17	6 831	7 761	7 371
Impôts différés actifs	11	-	-	-
Total de l'actif non courant		**3 185 013**	**3 164 596**	**3 187 538**
Stocks	18	45 609	38 998	33 843
Créances clients et autres créances	19	417 371	362 981	357 090
Autres actifs financiers courants	17	4 034	42	249
Créances d'impôts	11	6	4	276
Trésorerie et équivalents de trésorerie	20	7 996	40 580	30 897
Total de l'actif courant		**475 016**	**442 605**	**422 355**
Actifs destinés à être cédés	30	**-**	**-**	**270 549**
TOTAL ACTIF		**3 660 029**	**3 607 201**	**3 880 442**
PASSIF ET CAPITAUX PROPRES				
Capitaux propres attribuables aux propriétaires de l'entité		**(287 364)**	**(372 233)**	**(567 023)**
Capitaux propres attribuables aux participations ne donnant pas le contrôle		33	(57)	(323)
Capitaux propres	21	**(287 331)**	**(372 290)**	**(567 346)**
Passifs financiers non courants	22	2 926 343	2 912 981	3 174 526
Provisions non courantes	23/24	63 973	62 847	48 107
Impôts différés passifs	11	-	-	-
Autres passifs non courants	25	111 266	100 983	110 339
Total des passifs non courants		**3 101 582**	**3 076 811**	**3 332 972**
Passifs financiers courants	22	114 732	191 564	218 748
Provisions courantes	23/24	2 409	8 998	570
Dettes fournisseurs et autres passifs courants	26	726 033	698 670	683 873
Dettes d'impôts sur les sociétés	11	2 604	3 448	194
Total des passifs courants		**845 778**	**902 680**	**903 385**
Passifs destinés à être cédés	30	**-**	**-**	**211 432**
TOTAL PASSIF ET CAPITAUX PROPRES		**3 660 029**	**3 607 201**	**3 880 442**

Numericable Group
TABLEAU DE VARIATION COMBINE DES CAPITAUX PROPRES

(en milliers d'euros)	Capitaux propres attribuables aux propriétaires de l'entité	Capitaux propres attribuables aux participations ne donnant pas le contrôle	**Capitaux propres**
Capitaux propres au 1er janvier 2010	**(625 075)**	**4 954**	**(620 211)**
Résultat net	58 039	(242)	57 797
Acquisition de participations ne donnant pas le contrôle	348	(5 035)	(4 687)
Autres ajustements	(335)	-	(335)
Capitaux propres au 31 décembre 2010	**(567 023)**	**(323)**	**(567 346)**
Résultat net	194 859	199	195 058
Autres ajustements	(69)	67	(2)
Capitaux propres au 31 décembre 2011	**(372 233)**	**(57)**	**(372 290)**
Résultat net	84 881	49	84 930
Acquisition de participations ne donnant pas le contrôle	(12)	41	29
Capitaux propres au 31 décembre 2012	**(287 364)**	**33**	**(287 331)**

Numericable Group
TABLEAU DES FLUX DE TRESORERIE COMBINE

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Résultat net des activités poursuivies	**84 930**	**68 998**	**26 560**
Résultat des sociétés mises en équivalence	199	309	(368)
Amortissements et dépréciations	288 489	312 974	315 054
Gains et pertes sur cessions d'actifs	3 565	4 127	3 095
Autres éléments non monétaires	3 028	(20 081)	(36 448)
Flux net de trésorerie généré par les activités opérationnelles avant variation du besoin en fonds de roulement, résultat financier et impôts sur les sociétés décaissés	**380 211**	**366 326**	**307 894**
Résultat financier	183 516	204 325	222 869
Impôts sur les sociétés décaissés	(856)	1 083	(2)
Variation du besoin en fonds de roulement	(31 911)	5 392	13 961
Flux net de trésorerie générés par les activités opérationnelles	**530 960**	**577 127**	**544 722**
Acquisitions d'immobilisations corporelles et incorporelles	(299 890)	(251 448)	(246 592)
Produits de cession d'actifs corporels et incorporels	3 816	5 041	8 142
Diminution (augmentation) des prêts et autres actifs financiers	(3 440)	41	(2 802)
Investissements dans des entités comprises dans le périmètre de combinaison	(6)	-	(58 086)
Subventions reçues	14 303	8 713	7 479
Flux net de trésorerie net affectés aux opérations d'investissements	**(285 217)**	**(237 652)**	**(291 859)**
Emissions d'emprunts	830 975	172	54 648
Remboursements d'emprunts	(957 189)	(335 085)	(154 705)
Intérêts décaissés	(152 113)	(154 791)	(169 192)
Flux net de trésorerie affectés aux opérations de financement	**(278 327)**	**(489 705)**	**(269 249)**
Flux net de trésorerie des activités poursuivies	**(32 584)**	**(150 231)**	**(16 386)**
Flux net de trésorerie des activités cédées ou en cours de cession	-	156 258	15 196
Variation nette de la trésorerie et des équivalents de trésorerie	**(32 584)**	**6 027**	**(1 190)**
Trésorerie et équivalents de trésorerie à l'ouverture	**40 580**	**34 553**	**35 743**
Trésorerie et équivalents de trésorerie à la clôture	**7 996**	**40 580**	**34 553**

Le flux de trésorerie net des activités cédées ou en cours de cession est détaillé en note 30.

1 Bases de préparation des états financiers combinés

1.1 Présentation des deux groupes formant Numericable Group

Numericable Group (la « **Société** ») est une société anonyme de droit français, dont le siège social est situé en France et créée en aout 2013. Dans le cadre de l'admission des actions de la Société sur Euronext Paris, la Société recevra l'apport de deux entités constituées au Luxembourg, Ypso Holding S.à.r.l et Altice Lux Hold S.à.r.l., qui sont des holdings, respectivement sociétés-mères d'Ypso France SAS et d'Altice B2B France SAS. Ypso Holding S.à.r.l, Ypso France SAS et ses filiales sont ci-après désignées « Ypso », Altice Lux Hold S.à.r.l., Altice B2B France SAS et ses filiales sont ci-après désignées « Altice B2B ».

Ypso France SAS

Ypso France SAS, qui englobe l'activité commerciale Numericable, est un fournisseur français de services de télévision par câble au travers de bouquets de chaines de télévision numériques haut de gamme, accessibles aux ménages bénéficiant d'une connexion dite « triple play » au réseau câblé. Ypso France SAS fournit également des services Internet à large bande passante au marché français résidentiel et des services de téléphonie fixe et mobile.

Altice B2B France SAS

A travers de Completel SAS, sa principale entité opérationnelle, Altice B2B France SAS gère le plus grand réseau alternatif *« FFTO »* français (pour « fiber-to-the-office », « fibre-pour-le-bureau ») et constitue le troisième réseau alternatif *Digital Subscriber Line* (« DSL ») français. En reliant directement les sites des clients professionnels aux réseaux de fibres et DSL, Completel SAS fournit à la clientèle professionnelle une offre de services complète qui comprend le transfert de données et l'Internet à très haut débit, des services de télécommunications, ainsi que des solutions de convergence et de mobilité.

1.2 Description du contexte

Ypso et Altice B2B (collectivement les « **Deux Groupes** » ou le « **Groupe Combiné** ») sont actuellement des entités sous contrôle commun. Le contrôle des Deux Groupes est assuré par les fonds d'investissement privés Carlyle, Cinven et Altice. L'objectif des états financiers combinés est de présenter une image fidèle de la situation financière et des actifs et passifs des Deux Groupes, par combinaison des valeurs historiques des actifs, des passifs et des éléments de produits et charges pour chaque exercice présenté dans les états financiers combinés. En conséquence, les états financiers combinés reflètent les actifs, passifs, revenus, charges et flux de trésorerie historiques qui étaient relatifs aux sous-groupes Ypso et Altice B2B, lesquels forment au 31 décembre 2012, 2011 et 2010 deux groupes distincts.

Les états financiers combinés ont été préparés pour les exercices clos les 31 décembre 2012, 2011 et 2010 (collectivement les « Comptes Combinés ») dans le cadre du projet d'admission à la cotation des actions de Numericable Group (l'« **Offre** »), afin de refléter la combinaison des Deux Groupes.

1.3 Déclaration de conformité et référentiel comptable applicable aux Comptes Combinés

Les Comptes Combinés pour les exercices clos les 31 décembre 2012, 2011 et 2010, qui se composent d'un bilan combiné, d'un compte de résultat combiné, d'un état combiné du résultat global, d'un tableau des flux de trésorerie combiné, d'un tableau de variation combiné des capitaux propres combinés et des notes annexes afférentes, ont été préparés conformément aux normes comptables internationales *International Financial Reporting Standards* (« **IFRS** ») telles que publiées par l'International Accounting Standards Board

(« **IASB** ») et adoptées dans l'Union Européenne au 31 décembre 2012. Ces normes internationales comprennent les normes IAS (*International Accounting Standards*), IFRS (*International Financial Reporting Standards*) et leurs interprétations (SIC et IFRIC).

Les Comptes Combinés ont été arrêtés par le Conseil d'Administration de la Société en date du 6 septembre 2013.

1.4 Bases de préparation des Comptes Combinés

Etats financiers IFRS.

Pour la préparation des Comptes Combinés, les principes comptables en vigueur au 31 décembre 2012 ont été appliqués pour tous les exercices présentés dans ces Comptes Combinés.

Ypsos France et Altice B2B France préparent des comptes consolidés distincts, en accord avec les règles et principes comptables français, en application des Règlements n° 99.02 et n° 2005.10 du Comité de la Réglementation Comptable et conformément aux dispositions prévues par les contrats de financement établis avec les banques le 6 juin 2006 et modifiés ultérieurement les 18 juillet 2006, 2 mars 2007 et 24 juin 2008.

Afin de se conformer à ses obligations en matière de reporting liées à l'émission d'obligations à haut rendement (*high yield notes* telles que définies en note 4.1.1), Ypso France SAS prépare également des comptes consolidés conformément aux IFRS.

Lors de la préparation des Comptes Combinés, les états financiers consolidés d'Altice B2B France préparés conformément aux principes comptables français ont été convertis en IFRS et cette conversion a conduit à l'identification des ajustements suivants :

- Les frais d'accès aux service des clients professionnels ont été étalés sur la période d'engagement contractuel, en accord avec la norme IAS 18 *Produits des activités ordinaires ;*
- En IFRS, certains contrats de location d'équipements et de matériels de bureau qualifiés de contrats de location simple ont été analysés comme des contrats de location-financement, en application des critères définis par IAS 17 *Contrats de location* et ont fait l'objet d'un retraitement ;
- En accord avec l'exemption prévue par IFRS 1 *Première application des normes d'information financière internationales*, les opérations de regroupement d'entreprises ayant eu lieu avant le 1er janvier 2010 n'ont pas été retraités et aucun amortissement des écarts d'acquisition n'a été comptabilisé dans les comptes IFRS à compter de cette date ;
- En IFRS, les coûts de transaction (incluant les coûts d'émission des instruments de dette) qui sont directement imputables à l'acquisition ou l'émission d'un passif financier sont déduits de la valeur comptable du passif financier. Les coûts d'émission de dette sont amortis sur la durée de la dette selon la méthode du taux d'intérêt effectif (par opposition à l'imputation directe en charge financière selon les principes comptables français) ;
- Les variations de juste valeur des instruments dérivés de taux d'intérêt (i.e. swaps de taux) ont été directement comptabilisées dans le compte de résultat combinés dans les produits et charges financiers en IFRS alors qu'en principes comptables français, ces instruments sont considérés comme des engagements hors bilan. Les instruments dérivés sur taux d'intérêt apparaissent dans le bilan combiné en IFRS en autres actifs et passifs financiers ;
- Le crédit d'impôt recherche est déterminé sur la base d'un certain montant de dépenses de personnel de R&D éligibles qui sont capitalisées conformément à IAS 38 *Immobilisations incorporelles* (« **IAS 38** »). En conséquence, le montant de crédit d'impôt recherche a été étalé de manière proportionnelle sur la durée de vie des coûts capitalisés, soit 3 ans ;
- Certaines charges et certains produits exceptionnels ont été reclassés dans les rubriques du résultat d'exploitation avant amortissements et dépréciations (« **EBITDA** ») et du résultat financier, en fonction de leur nature, dans le compte de résultat combiné IFRS.

Evénements postérieurs à la clôture.

Les Comptes Combinés de Numericable Group ont été préparés sous la responsabilité du Président d'Ypso et d'Altice B2B et arrêtés par le Conseil d'Administration de la Société le 6 septembre 2013 sur la base et en cohérence avec les estimations reflétées dans les comptes consolidés d'Ypso et d'Altice B2B arrêtés au 31 décembre 2012, respectivement les 10 avril 2013 et 18 avril 2013 par le Président d'Ypso et d'Altice B2B. Par conséquent, aucun ajustement n'a été reflété dans les Comptes Combinés pour tout événement postérieur au 18 avril 2013, dans l'objectif de refléter exactement la situation présentée dans les comptes consolidés d'Ypso et Altice B2B à partir desquels les Comptes Combinés sont préparés comme indiqué ci-après, à l'exception des ajustements liés à la conversion en IFRS des états financiers d'Altice B2B préparés conformément aux principes comptables français.

Bases de la combinaison.

Les Comptes Combinés ont été préparés à partir des données et livres comptables ayant servi à la préparation des comptes consolidés des sous-groupes Ypso et Altice B2B au titre des exercices clos les 31 décembre 2012, 2011 et 2010.

Toutes les transactions, tous les soldes, tous les revenus et toutes les charges internes entre les Deux Groupes ont été éliminés afin de préparer les Comptes Combinés, y compris les transactions entre Ypso et Altice B2B et leurs filiales respectives.

Comme décrit ci-dessus, la combinaison des Deux Groupes est considérée comme un regroupement d'entités sous le contrôle commun de Carlyle, Cinven et Altice et les Comptes Combinés reflètent le cumul à la valeur comptable des états financiers d'Ypso et Altice B2B conformément aux principes suivants :

- Conformément à IAS 8 *Méthodes comptables, changements d'estimations comptables et erreurs*, paragraphe 10, la Direction de la Société a exercé son jugement afin de définir et appliquer une politique comptable produisant des informations pertinentes et reflétant la substance économique de la transaction. Par conséquent, la méthode de l'acquisition telle que mentionnée dans IFRS 3 *Regroupements d'entreprises* (« **IFRS 3** ») n'a pas été utilisée pour refléter la combinaison des Deux Groupes. En l'absence de dispositions spécifiques dans le référentiel IFRS pour les transactions entre entités sous contrôle commun, et compte tenu des dispositions en matière de réorganisations et de transactions entre entités sous contrôle commun développées par les normalisateurs américains et britanniques (Accounting Standards Codification Topic 810-10-45-10 and Topic 810-10-55-1B *Consolidation* ainsi que SEC Regulation S-X Article 3A – *Consolidated and Combined Financial Statements*) et britanniques (FRS 6 *Acquisitions and mergers*), les principes applicables à la réorganisation des groupes dans ces deux référentiels ont été retenus et appliqués pour la préparation des Comptes Combinés.
- Ainsi, les Comptes Combinés ont été préparés en agrégeant les états financiers consolidés d'Ypso et d'Altice B2B pour les exercices clos les 31 décembre 2012, 2011 et 2010, à leur valeur comptable historique :
  - Les actifs, passifs, revenus et charges des Deux Groupes, tels qu'extraits des livres comptables des sous-groupes respectifs Ypso et Altice B2B, ont été intégralement agrégés à leur valeur comptable historique et n'ont pas été réévalués ;
  - Les participations ne donnant pas le contrôle ont été maintenues, dans le bilan combiné, à leur valeur comptable, car elles reflétaient initialement la détention de 0,6% de Completel Europe NV (une filiale consolidée par intégration globale dans les comptes consolidés d'Altice B2B France), qui a été rachetée par Altice B2B France pour approximativement 5 millions d'euros en 2010 ;
  - Les capitaux propres combinés ont été obtenus en agrégeant les capitaux propres consolidés des sous-groupes Ypso et Altice B2B ;

- Aucun écart d'acquisition n'a été constaté et les actifs et passifs nets ont été agrégés à leur valeur comptable historique ; toutefois, les soldes historiques d'écarts d'acquisition des Deux Groupes ont été maintenus à leur valeur comptable dans les Comptes Combinés ;
- Les impacts des transactions entre les Deux Groupes sur les actifs, passifs, revenus et charges pour les périodes présentées ont été éliminés ;
- Les dettes subordonnées souscrites envers les actionnaires ultimes et figurant au passif d'Ypso Holding et Altice B2B Lux ont été classées directement en capitaux propres dans la mesure où elles sont destinées à être apportées à Numericable Group par les actionnaires dans le cadre de la réorganisation envisagée et ensuite capitalisées.

Concernant la présentation des informations comparatives, l'information comparative au titre de l'exercice 2010 a été ajustée pour refléter le cumul au début du premier exercice présenté, soit au 1^er^ janvier 2010, date à laquelle les deux Groupes étaient sous contrôle commun.

1.5 Liste des entités incluses dans la combinaison

Filiales

Les entités formant la Combinaison sont des sociétés dans lesquelles les Deux Groupes ont une participation majoritaire à travers Ypso et Altice B2B, c'est-à-dire des entités dans lesquelles les Deux Groupes ont le pouvoir de diriger les politiques financières et opérationnelles pour tirer des avantages de leurs activités, et sont incluses dans la combinaison. Le contrôle est démontré quand le Groupe Combiné a le pouvoir, direct ou indirect, de diriger les politiques financières et opérationnelles d'une entreprise afin de tirer des avantages de son activité. Les états financiers des filiales sont inclus dans les Comptes Combinés à partir de la date où le contrôle est effectif, jusqu'à la date où l'exercice de ce contrôle cesse. Les participations ne donnant pas le contrôle sont reflétées séparément dans le tableau de variation combiné des capitaux propres du Groupe Combiné.

Participations

Les participations sur lesquelles le Groupe Combiné exerce une influence notable, mais pas de contrôle ni de contrôle conjoint, sont comptabilisées suivant la méthode de la mise en équivalence. Ces participations sont comptabilisées en « Titres mis en équivalence ». Par influence notable, on entend le pouvoir de participer aux décisions financières et opérationnelles de la société dans laquelle des participations ont été prises, mais sans contrôle exclusif ni contrôle conjoint sur ces décisions. Initialement, ces titres mis en équivalence sont comptabilisés au coût historique. La quote-part de résultat de la période est présentée dans la ligne « Résultat des sociétés mises en équivalence » du compte de résultat combiné, à partir de la date à laquelle l'influence notable débute jusqu'à celle où cette influence notable cesse.

Aux 31 décembre 2012, 2011 et 2010, les Comptes Combinés résultent de la combinaison des entités suivantes :

Société et forme juridique de la constitution	**Siège social**	**Méthode de consolidation aux 31 décembre 2012, 2011 et 2010**	**Pourcentage de contrôle**			**Pourcentage de prise d'intérêt**		
			2012	**2011**	**2010**	**2012**	**2011**	**2010**
Entités formant le sous-groupe Ypso								
Ypso Holding S.à.r.l	37, rue d'Anvers, L-1130 Luxembourg	Société mère	N/A			N/A		
Ypso France SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Numericable SAS	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
EST Vidéocommunication	14 rue des Mercuriales – 67450 Lampertheim	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
NC Numericable SAS (ex-NOOS SA)	10, rue Albert Einstein – 77420 Champs-sur-Marne	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
ENO SPRL (Belgium)	26, Rue des deux Eglises – 1000 Bruxelles	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Numericable Finance & Co. SCA	13-15, avenue de la Liberté, L-1931 Luxembourg	Consolidation par intégration globale	N/A	N/A	N/A	N/A	N/A	N/A
ENO HOLDING (Belgium)	26, Rue des deux Eglises – 1000 Bruxelles	Consolidation par intégration globale	100%	100%	-	100%	100%	-
TME France SA	Fort de Tourneville – 55, rue du 329ème – 76600 Le Havre	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Coditel Debt (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Ypso Finance (Luxembourg)	121, avenue de la Faïencerie L-1511 Luxembourg	Consolidation par intégration globale	100%	100%	-	100%	100%	-
Sequalum Participation (1)	5, place de la pyramide – 92800 Puteaux	Consolidation par intégration globale	95%	79,22%	79,22%	95%	79,22%	79,22%
Sequalum SAS (1)	5, place de la pyramide – 92800 Puteaux	Consolidation par intégration globale	95%	79,22%	79,22%	95%	79,22%	79,22%
Alsace Connexia Participation SAS	40-42 Quai du point du jour - 92100 Boulogne	Mise en équivalence	38,15 %	38,15%	38,15%	38,15%	38,15%	38,15%

Société et forme juridique de la constitution	**Siège social**	**Méthode de consolidation aux 31 décembre 2012, 2011 et 2010**	**Pourcentage de contrôle**			**Pourcentage de prise d'intérêt**		
			2012	**2011**	**2010**	**2012**	**2011**	**2010**
Entités formant le sous-groupe Altice B2B								
Altice B2B Lux S.à.r.l	37, rue d'Anvers, L-1130 Luxembourg	Société mère	N/A			N/A		
Altice B2B France SAS	102 Avenue des Champs Elysées 75008 Paris	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Altitude Telecom SAS (2)	11 Cours Valmy – Tour Pacific – 92977 Paris La Defense	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
Completel SAS	5 Place de la Pyramide – 92088 Paris La Défense	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%
B3G SA (2)	15 Rue Auber 75009 Paris	Consolidation par intégration globale	N/A	N/A	100%	N/A	N/A	100%
B3G Online (2)	15 Rue Auber 75009 Paris	Consolidation par intégration globale	N/A	N/A	100%	N/A	N/A	100%
B3G NV	Pays-Bas	Consolidation par intégration globale	100%	100%	100%	100%	100%	100%

(1) Le Groupe Combiné a acquis, en janvier 2012, les actions de Sequalum Participation qui étaient détenues par Eiffage (15,78%). Après cette opération, le Groupe Combiné détenait 95% de Sequalum Participation.

(2) Les entités Altitude Telecom, B3G SA et B3G Online ont été fusionnées en 2011 dans Completel SAS.

1.6 Hypothèse de continuité d'exploitation

Le Groupe Combiné a été formé par une série d'acquisitions, essentiellement financées par des emprunts externes. De plus, la construction et la modernisation ultérieure du réseau ont requis des investissements substantiels. Ces deux facteurs expliquent la structure financière du Groupe Combiné et la proportion importante des passifs financiers par rapport au total des capitaux propres combinés, ainsi que la charge financière significative liée au coût de l'endettement.

A l'heure actuelle, le Groupe Combiné assure le service de sa dette et finance ses investissements à travers les liquidités nettes générées par ses activités opérationnelles. En outre, les accords passés par le Groupe Combiné dans le cadre de ses contrats de crédit obligent le Groupe Combiné à se conformer à certains ratios de liquidité et à maintenir certains niveaux de liquidité.

Par ailleurs, comme expliqué en Note 32, le Groupe Combiné a procédé en juillet et en août 2013 au refinancement de ses Dettes Senior ce qui a permis au Groupe Combiné de rééchelonner une grande partie de sa dette financière.

Dans ces conditions et sur la base des prévisions de trésorerie mises à jour, la Direction du Groupe Combiné considère que celui-ci sera en mesure de financer ses besoins de liquidités au cours de la période de douze mois à compter de l'arrêté des Comptes Combinés pour les exercices clos le 31 décembre 2012, 2011 et 2010 ainsi que de procéder au paiement des intérêts et des remboursements de sa dette financière au cours de cette période.

Par conséquent, les Comptes Combinés du Groupe Combiné pour les exercices clos le 31 décembre 2012, 2011 et 2010 ont été préparés dans l'hypothèse de continuité d'exploitation.

2 Principes comptables significatifs

2.1 Principes de préparation des Comptes Combinés

Normes et interprétations appliquées par le Groupe Combiné au 31 décembre 2012

Hormis les principes de combinaison décrits dans la note 1, les principes comptables de comptabilisation et d'évaluation suivis pour préparer les Comptes Combinés au 31 décembre 2012 sont les mêmes que ceux suivis pour les états financiers consolidés d'Ypso, établis conformément aux normes IFRS. Des ajustements ont été nécessaires pour convertir les états financiers consolidés d'Altice B2B (établis conformément aux principes comptables français) aux IFRS (voir la note 1.4).

Comme indiqué dans la note 1, les Comptes Combinés sont établis en comformité avec les normes comptables internationales IFRS telles qu' adoptées par l'Union européenne (**UE**), dont l'application est obligatoire depuis le 31 décembre 2012. Les principes de comptabilisation et d'évaluation définis dans les normes comptables internationales IFRS telles qu'adoptée par l'Union européenne ont été appliqués pour la préparation des Comptes Combinés. Ils sont disponibles sur le site Web suivant :

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Les normes et interprétations adoptées par l'Union européenne dont l'application est obligatoire au 31 décembre 2012, sont similaires aux normes et interprétations publiées par l'International Accounting Standards Board (« **IASB** »), à l'exception du détourage de la norme IAS 39 *Instruments financiers - Comptabilisation et évaluation* (« **IAS 39** ») et les normes et interprétations ci-dessous, qui ont été adoptées par l'UE, mais dont l'application n'était pas obligatoire au 31 décembre 2012. Cependant, ces normes et interprétations ne sont pas applicables au Groupe Combiné au 31 décembre 2012. Par conséquent, les Comptes Combinés sont établis également en conformité avec les normes et interprétations IFRS, telles que publiées par l'IASB.

Les textes d'application obligatoire à compter du 1er janvier 2012 n'ont pas eu d'impact significatif sur les Comptes Combinés à cette date.

Textes d'application obligatoire postérieurement au 31 décembre 2012 et non appliqués par anticipation

Les normes et interprétations suivantes ont été publiées par l'IASB et l'IFRS Interpretations Committee, et adoptées par l'UE à la date d'établissement des Comptes Combinés, mais elles ne sont pas encore obligatoires. Le Groupe Combiné a donc décidé de ne pas les appliquer de façon anticipée.

- IAS 27 (révisée en 2011) *Etats financiers individuels* (applicable au 1er janvier 2014 au plus tard pour le Groupe Combiné) (« **IAS 27 révisée** »)

Cette norme définit les dispositions relatives à la comptabilisation et aux informations à fournir des états financiers individuels, qui sont des états financiers préparés par une société mère, ou un investisseur d'une coentreprise ou d'une entreprise associée, lorsque ces investissements sont comptabilisés à leur coût d'acquisition ou en conformité avec IAS 39. La norme établit également le traitement comptable des dividendes, ainsi que d'autres obligations d'information à publier.

- IAS 28 (révisée en 2011) *Participations dans des entreprises associées et des coentreprises* (applicable au 1er janvier 2014 au plus tard pour le Groupe Combiné) (« **IAS 28 révisée** »)

Cette norme est relative à la comptabilisation selon la méthode de la mise en équivalence des entités sous influence notable et sous contrôle conjoint (*joint ventures*).
Certaines clarifications ont été apportées pour la comptabilisation des variations des pourcentages d'intérêts (sans prise ou perte de contrôle des filiales). Les informations à fournir sont désormais couvertes par IFRS 12 *Informations à fournir sur les intérêts détenus dans d'autres entités.*

- IFRS 10 *Etats financiers consolidés* (applicable au 1er janvier 2014 au plus tard pour le Groupe Combiné) (« **IFRS 10** »)

IFRS 10 remplace SIC 12 *Consolidation – Entités ad hoc* et IAS 27 pour la partie relative aux états financiers consolidés. Cette norme traite de la consolidation d'entités qu'elles soient des filiales ou des entités ad hoc, pour lesquelles elle redéfinit la notion de contrôle, base de la consolidation.

- IFRS 11 : *Partenariats* (applicable au 1er janvier 2014 au plus tard pour le Groupe Combiné) (« **IFRS 11** »)

IFRS 11 remplace IAS 31 *Participation dans des coentreprises* et l'interprétation SIC 13 *Entités contrôlées conjointement – Apports non monétaires par des coentrepreneurs.*

Cette norme traite de la comptabilisation des accords conjoints. La définition du contrôle conjoint repose sur l'existence d'un accord contractuel et le consentement unanime des parties partageant le contrôle.

Les accords conjoints sont classés en deux catégories (i) les *joint ventures* : chaque partie a un droit dans l'actif net de l'entité, à comptabiliser selon la méthode de la mise en équivalence, méthode déjà appliquée par le Groupe Combiné et (ii) les *joint operations* : chaque partie a des droits directs dans les actifs et des obligations directes sur les passifs de l'entité, à comptabiliser conformément à l'accord contractuel.

- IFRS 12 *Informations à fournir sur les intérêts détenus dans d'autres entités* (applicable au 1er janvier 2014 au plus tard pour le Groupe Combiné) (« **IFRS 12** »)

IFRS 12 remplace les dispositions relatives aux informations à fournir auparavant incluses dans IAS 27, IAS 28 et IAS 31.

Cette norme regroupe et développe les informations à fournir au titres des entités contrôlées, contrôlées conjointement ou sous influence notable et des entités ad hoc non consolidées.

- IFRS 13 *Evaluation de la juste valeur* (applicable au 1er janvier 2013 pour le Groupe Combiné) (« **IFRS 13** »)

IFRS 13 constitue une norme transverse aux autres normes IFRS lorsque celles-ci recourent à la notion de juste valeur en terme d'évaluation et d'information à fournir. Elle définit la juste valeur, présente un cadre pour les évaluations à la juste valeur et précise l'information à fournir sur les modalités d'évaluation à la juste valeur, comprenant notamment la hiérarchie des évaluations à la juste valeur actuellement incluse dans IFRS 7 *Instruments financiers : Informations à fournir.*

- IAS 19 (révisée en 2011) *Avantages du personnel* (applicable au 1er janvier 2013 au plus tard pour le Groupe Combiné) (« **IAS 19** »)

Les principaux changements résultant de cette révision sont les suivants :

- comptabilisation des écarts actuariels au poste « Autres éléments du résultat global », ce qui entraînera un changement de méthode comptable car le Groupe Combiné comptabilise au 31 décembre 2012 les écarts actuariels directement au compte de résultat ; et
- la modification du mode de calcul de la composante financière, avec la suppression du rendement attendu des autres actifs de couverture, ce qui ne devrait pas avoir d'effet significatif sur les comptes du Groupe Combiné ;
- comptabilisation immédiate des coûts des services passés non acquis en résultat, ce qui ne devrait pas avoir d'effet significatif sur les comptes du Groupe Combiné.

Les autres amendements et interprétations non encore adoptés au 31 décembre 2012 par le Groupe Combiné sont les suivants :

- Amendements d'IAS 1 *Présentation des autres éléments du résultat global* et *Etats financiers* individuels (applicable au 1er janvier 2013 pour le Groupe Combiné)

- IFRIC 20 *Frais de découverture engagés pendant la phase de production d'une mine à ciel ouvert* (applicable au 1^er^ janvier 2013 pour le Groupe Combinét) (« **IFRIC 20** »)
- Amendements d'IFRS 7 *Informations à fournir – Compensation des actifs et passifs financiers* (applicable au 1^er^ janvier 2013 pour le Groupe Combiné)
- Amendements d'IAS 32 *Compensation des actifs et passifs financiers* (applicable au 1^er^ janvier 2013 pour le Groupe Combiné)
- o Amendements d'IAS 12 *Impôts différés : recouvrement des actifs sous-jacents* (applicable au 1^er^ janvier 2013 pour le Groupe Combiné)
- o Amendements d'IFRS 1 *Hyperinflation grave et suppression des dates d'application fermes pour les nouveaux adoptants* (applicable au 1^er^ janvier 2013 pour le Groupe Combiné)

La Direction évalue actuellement l'impact potentiel de l'application de ces normes, interprétations et amendements sur le compte de résultat combiné, l'état combiné de la situation financère, le tableau des flux de trésorerie combiné et le contenu des notes annexes des Comptes Combinés mais à ce stade, n'anticipe pas d'impact significatif lié à l'application de ces normes, interprétations et amendements.

Les Comptes Combinés sont établis selon la convention du coût historique, à l'exception de certaines catégories d'actifs et passifs recensés ci-dessous :

- instruments financiers dérivés comptabilisés à leur juste valeur ;
- actifs financiers à la juste valeur par le biais du compte de résultat;
- actifs financiers disponibles à la vente comptabilisés à leur juste valeur.

2.2 Méthode de conversion

Les Comptes Combinés sont présentés en euros – monnaie fonctionnelle et de présentation des Deux Groupes. Toutes les données financières sont arrondies au millier d'euros le plus proche.

Les opérations en devises sont initialement comptabilisées dans la monnaie fonctionnelle au taux de change en vigueur à la date de l'opération. A la date de clôture, les actifs et passifs monétaires libellés dans une devise sont convertis dans la monnaie fonctionnelle au taux de change en vigueur à la date en question. Tous les écarts de change sont enregistrés. Les actifs et passifs non monétaires évalués d'après leur coût historique dans une devise sont convertis aux taux de change en vigueur aux dates des opérations initiales. Les différences de change correspondantes sont comptabilisées dans le compte de résultat.

2.3 Chiffre d'affaires

Le chiffre d'affaires du Groupe Combiné est constitué des principaux éléments suivants :

- Abonnements TV, Internet haut débit, services de câble de base, téléphonie et frais d'installation facturés aux particuliers et aux clients professionnels.
- Services de transmission de données, Internet à très haut débit, services de télécommunications, solutions de convergence et de mobilité facturés aux clients professionnels.
- Services de mise à disposition de l'infrastructure réseau, dont des contrats de droit d'usage irrévocable (*indefeasible right of use* ou IRU) ou bande passante sur notre réseau, à d'autres opérateurs de télécommunications et services d'entretien associés.

Le chiffre d'affaires comprend la juste valeur de la contrepartie reçue ou à recevoir pour la vente de biens et services dans le cadre des activités ordinaires du Groupe Combiné. Les produits sont présentés après déduction de la taxe sur la valeur ajoutée, et des remises, rabais et ristournes, et élimination des ventes intragroupes entre entités comprises dans le périmètre de combinaison.

Les produits sont comptabilisés et présentés comme suit, conformément à IAS 18 *Produits des activités ordinaires* (IAS 18) :

- Les produits des abonnements aux services de câble de base, de télévision numérique à péage, d'Internet et de téléphonie sont comptabilisés de manière linéaire sur la durée d'abonnement, tandis que les produits des appels téléphoniques sont comptabilisés lorsque le service est rendu.

- Lorsqu'un client bénéficie d'une promotion sur un abonnement (par exemple, au moyen d'une remise sur le tarif d'abonnement ou d'une période d'abonnement gratuit) sans rapport avec sa consommation et ses achats passés, le total des produits à facturer fait l'objet d'une comptabilisation linéaire pendant la durée de validité d'un éventuel contrat de fourniture de biens et services après la période promotionnelle. Si la promotion n'est pas conditionnée à la souscription d'un contrat comportant une durée d'engagement, le groupe comptabilise les produits pendant la période promotionnelle à hauteur de la contrepartie reçue ou à recevoir, car la prorogation du contrat n'est pas garantie.

- Les frais d'installation et de configuration (y compris le raccordement au réseau) des particuliers sont comptabilisés en chiffre d'affaires lorsque le service est rendu, si la contrepartie reçue est inférieure aux coûts directs de vente engagés afin de nouer la relation contractuelle.

- Les frais d'accès aux services des clients professionnels facturés lors du raccordement du client avec un équipement ou un servicesont comptabilisés en produits constatés d'avance, puis le produit constaté d'avance correspondant est repris en résultat sur la durée de vie estimée du client, sur base de données statistiques. Il est généralement étalé sur la période d'engagement contractuel.

- Le produit associé aux capacités de transmission par câble terrestre mises à disposition dans le cadre de contrats d'IRU fait l'objet d'une comptabilisation linéaire sur la durée du contrat.

2.4 Produits constatés d'avance

Pour certains contrats avec des clients professionnels, le Groupe Combiné perçoit des paiements d'avance (contrats d'IRU et frais de raccordement au réseau). Le produit est alors généralement comptabilisé de manière linéaire sur la durée du contrat de location. A la cloture de l'exercice, le produit constaté d'avance correspond au produit de la location du réseau non encore comptabilisé en chiffre d'affaires.

2.5 Résultat d'exploitation avant amortissements et dépréciations

Le sous-total « Résultat d'exploitation avant amortissements et dépréciations » ou « EBITDA » est présenté dans le compte de résultat combiné car la Direction a considéré pertinent de présenter, au compte de résultat, un sous-total au sein du résultat d'exploitation pour mieux comprendre la performance financière du Groupe et qui exclut les éléments sans effet sur la trésorerie, tels que les amortissements et les dépréciations, accroissant ainsi la valeur prédictive des états financiers.

Par ailleurs, l'EBITDA est un indicateur utilisé par la Direction en interne pour mesurer la performance opérationnelle et financière, prendre des décisions d'investissement et d'allocation des ressources et évaluer les performances de l'équipe dirigeante.

Le sous-total EBITDA n'est pas nécessairement comparable à des indicateurs à l'appellation similaire présentés par d'autres entreprises. Il ne saurait se substituer au résultat d'exploitation, car les effets des amortissements et des dépréciations qui en sont exclus pèsent sur le résultat d'exploitation, qui est également présenté au compte de résultat combiné conformément à IAS 1.

2.6 Charges et produits financiers

Les charges et produits financiers sont principalement constitués des éléments suivants :

- charges d'intérêts et autres frais liés à des activités de financement comptabilisées selon la méthode du coût amorti ainsi que les variations de juste valeur des instruments dérivés de taux d'intérêt qui ne peuvent pas etre qualifiés comme des instruments de couverture au sens de la norme IAS 39 *Instruments financiers : Comptabilisation et évaluation* (« **IAS 39** ») et qui figurent au poste « Coût de l'endettement brut » dans le compte de résultat combiné ;

- produits d'intérêts liés à la trésorerie et aux équivalents de trésorerie ;

L'effet d'actualisation des provisions liées aux régimes de retraite sont comptabilisées dans le compte de résultat combiné, au poste « Charges de personnel ».

2.7 Informations sectorielles

Selon IFRS 8 *Secteurs opérationnels*, les informations sectorielles doivent être présentées sur la même base que celle utilisée pour le reporting interne. Etant donné que le Groupe Combiné entend communiquer ses résultat et réaliser son reporting sur cette base à l'avenir, trois secteurs opérationnels ont été identifiés :

- Activités B2C
- Activités B2B
- Services de vente en gros ou *Wholesale*

Activités B2C

Le Groupe Combiné propose aux particuliers et aux clients professionnels des abonnements TV, l'accès à Internet haut débit, des services de câble de base, de la téléphonie et des services d'installation payants.

Activités B2B

Le Groupe Combiné propose aux clients professionnels une palette complète de services : transmission de données, Internet très haut débit, services de télécommunications, solutions de convergence et de mobilité, en raccordant directement leurs installations à des réseaux fibre et DSL.

Services de vente en gros ou *Wholesale*

Le Groupe Combiné commercialise des services de mise à disposition de l'infrastructure réseau, notamment des contrats d'IRU ou de la bande passante sur son réseau, à d'autres opérateurs de télécommunications, ainsi que les services d'entretien associés.

2.8 Impôt sur les sociétés

La charge d'impôt sur les sociétés comprend l'impôt exigible et les impôts différés. La charge d'impôt est constatée au compte de résultat combiné, sauf si elle est liée à des éléments constatés en capitaux propres, auquel cas elle est comptabilisée en capitaux propres.

La dette d'impôt sur les sociétés correspond à l'impôt à payer au titre de l'exercice, d'après les taux adoptés ou quasi adoptés à la date de clôture, et aux régularisations d'impôts au titre des exercices précédents.

Les différences existant entre la valeur fiscale des actifs et passifs et leur valeur comptable constituent des différences temporaires donnant lieu à la comptabilisation d'un impôt différé. En revanche, les différences temporaires suivantes n'entraînent pas la comptabilisation d'un impôt différé : (i) la comptabilisation initiale de l'écart d'acquisition, (ii) la comptabilisation initiale des actifs ou des passifs dans le cadre d'une opération autre qu'un regroupement d'entreprises sans effet sur le bénéfice comptable et imposable, et (iii) des participations dans des filiales, co-entreprises et entreprises associées dès lors que le Groupe Combiné contrôle la date à laquelle les différences temporelles s'inverseront et qu'il est probable que ces différences ne s'inverseront pas dans un avenir prévisible.

Les entreprises comprises dans la combinaison comptabilisent un passif d'impôt différé sur les dividendes que lesdites entreprises ont prévu de distribuer.

L'impôt différé est calculé au taux qui devrait être applicable aux différences temporaires lors de leur reversement, conformément aux règles en vigueur à la date de clôture.

Les actifs et passifs d'impôt différé sont compensés s'il existe un droit légal de compenser les actifs et passifs d'impôts exigibles, et s'ils sont liés à des impôts sur les sociétés prélevés par la même administration fiscale sur la même entité imposable, ou sur différentes entités imposables, lorsque le contribuable a l'intention de régler le montant net de ses actifs et passifs d'impôt exigible ou que lesdits actifs et passifs seront liquidés simultanément.

Les impôts différés sont revus à chaque clôture pour tenir compte notamment des changements de législation fiscale et des perspectives de recouvrement des différences temporelles déductibles. Un actif d'impôt différé n'est comptabilisé que dans la mesure où il est probable que le Groupe disposera de bénéfices futurs imposables sur lesquels cet actif pourra être imputé dans un horizon prévisible ou, au-delà, d'impôts différés passifs de même maturité.

2.9 Subventions publiques et subventions d'investissement

Les entités du Groupe Combiné peuvent recevoir des subventions publiques et des subventions d'investissement sous forme de financement direct ou indirect de projets d'investissement, assuré dans la plupart des cas par les collectivités territoriales. Ces subventions sont déduites du coût des actifs concernés et sont comptabilisées dans le compte de résultat combiné en fonction du rythme de consommation des avantages économiques futurs attendus.

2.10 Ecarts d'acquisition et regroupements d'entreprises

Les regroupements d'entreprises sont comptabilisés en fonction de la méthode de l'acquisition. Les actifs, passifs et passifs éventuels de l'entreprise acquise, qui répondent aux critères d'IFRS 3, sont comptabilisés à leur juste valeur à la date d'acquisition, à l'exception des actifs non courants (ou des groupes destinés à être cédés) classés comme détenus en vue de la vente selon la norme IFRS 5 *Actifs non courants détenus en vue de la vente et activités abandonnées*, qui doivent être comptabilisés à la valeur la plus faible entre leur valeur comptable et leur juste valeur diminuée des coûts de la vente.

La contrepartie versée correspond à la juste valeur, à la date d'acquisition, des actifs cédés, des engagements souscrits ou des passifs repris, et des instruments de capitaux propres émis par le Groupe Combiné en échange du contrôle de l'entreprise acquise. L'écart d'acquisition créé par le regroupement d'entreprises est égal à la différence entre la somme de la contrepartie versée, la valeur de toute participation ne donnant pas le contrôle encore détenue par un tiers après le regroupement, et, le cas échéant, la juste valeur à la date d'acquisition de la participation détenue précédemment par l'acquérant dans la cible, moins l'écart entre les actifs identifiables acquis et les passifs repris à la date d'acquisition. Cet écart d'acquisition apparaît à l'actif du bilan combiné. Lorsqu'il en résulte une différence négative, elle est immédiatement comptabilisée en résultat.

Les coûts annexes directement attribuables à une acquisition donnant le contrôle sont comptabilisés en charges pour les périodes au cours desquelles les coûts sont engagés, à l'exception des coûts d'émission des titres d'emprunt ou de capitaux propres qui doivent être comptabilisés selon les normes IAS 32 *Instruments financiers : Présentation* (« **IAS 32** ») et IAS 39.

Lorsque l'écart d'acquisition est calculé de façon provisoire à la cloture de l'exercice pendant lequel l'acuqisition a été effectuée, toute régularisation de cette valeur provisoire effectuée dans les douze mois qui suivent l'acquisition est comptabilisée en contrepartie de l'écart d'acquisition.

Dans le cas de prises de participation ne donnant pas le contrôle (autrement dit, des participations ne donnant pas le contrôle dans une filiale qui fait déjà l'objet d'un regroupement), le Groupe Combiné affecte l'intégralité de la différence entre le prix payé et la quote-part dans les actifs nets acquise aux capitaux propres conformément à la norme IAS 27 (telle que révisée en 2008), sans réévaluation des actifs et passifs repris.

Les écarts d'acquisition provenant de l'acquisition de filiales ou de co-entreprises sont présentés séparément dans le bilan combiné. Les pertes de valeur relatives à ces écarts d'acquisition sont présentées sur la ligne « Amortissements et dépréciations » du compte de résultat combiné.

Les écarts d'acquisition provenant de l'acquisition d'entreprises associées sont inclus dans la valeur comptable de la participation. Les pertes de valeur relatives à ces écarts d'acquisition sont enregistrées dans la ligne « Résultat des sociétés mises en équivalence ».

Les écarts d'acquisition ne sont pas amortis mais font l'objet d'un test de dépréciation dès l'apparition d'indices de pertes de valeur et au minimum une fois par an selon les modalités et hypothèses décrites en note 15.

Après leur comptabilisation initiale, les écarts d'acquisition sont inscrits à leur coût diminué des pertes de valeur constatées.

2.11 Immobilisations incorporelles

Principes de comptabilisation et d'évaluation

La valeur des immobilisations incorporelles est égale à leur coût moins les amortissements et dépréciations cumulées. Le coût correspond à tous les coûts directement imputables et nécessaires à l'achat, à la création, à la fabrication et à la mise en service de l'actif. Les immobilisations incorporelles sont principalement constituées des IRU, des brevets, des logiciels achetés et des applications développées en interne.

Les IRU correspondent au droit d'utilisation d'une partie des capacités d'un câble de transmission terrestre ou sous-marin octroyé pour une durée déterminée. Les IRU sont comptabilisés comme des actifs lorsque le Groupe Combiné possède un droit spécifique d'une partie identifiée de l'actif sous-jacent (généralement, de la fibre optique ou une bande de fréquences exclusive), et que la durée de ce droit correspond à la majeure partie de la durée d'utilité de l'actif sous-jacent. Ils sont amortis sur la durée la plus courte entre la durée d'utilisation attendue et la durée du contrat (entre 3 et 20 ans).

Les brevets font l'objet d'un amortissement linéaire pendant la période d'utilisation prévue (en règle générale, moins de 10 ans).

Les logiciels font l'objet d'un amortissement linéaire pendant la durée d'utilité attendue (en règle générale, moins de 3 ans).

Le coût d'acquisition d'une immobilisation incorporelle développée en interne correspond aux frais de personnel supportés dès lors que l'immobilisation incorporelle répond aux critères de la norme IAS 38. Une immobilisation incorporelle issue du développement d'un projet interne est comptabilisée si une entité peut démontrer que toutes les conditions suivantes sont remplies :

- La faisabilité technique permettant l'achèvement de l'immobilisation incorporelle de sorte qu'il soit possible de l'utiliser ou de la vendre.
- Son intention d'achever l'immobilisation incorporelle et de l'utiliser ou de la vendre.
- Sa capacité à utiliser ou à vendre l'immobilisation incorporelle.
- La capacité de l'immobilisation incorporelle à apporter des avantages économiques futurs probables.

L'entité peut notamment démontrer l'existence d'un marché pour la production de l'immobilisation incorporelle ou l'immobilisation incorporelle elle-même ou, si elle va être utilisée en interne, son utilité.

- La disponibilité des ressources techniques, financières et autres pour achever la conception de l'immobilisation incorporelle, puis pour l'utiliser ou la vendre.
- Sa capacité à mesurer avec exactitude les charges imputables à l'immobilisation incorporelle pendant sa conception.

L'incorporation dans le coût de l'actif cesse lorsque le projet est terminé et que l'actif est prêt à être utilisé. Le coût d'une immobilisation incorporelle générée en interne issue de la phase de développement d'un projet informatique interne fait l'objet d'un amortissement linéaire pendant la durée d'utilité attendue (en règle générale, moins de 3 ans).

Accords conclus avec les collectivités locales

Pour mettre en place et gérer son réseau, la société a conclu des accords avec des collectivités locales et des organismes représentatifs dans le cadre de différents cadres juridiques (Plan Câble, loi relative à la liberté de communication de 1986, etc.). Plusieurs de ces accords octroient des droits exclusifs à l'opérateur et définissent des obligations en matière de fourniture, de programmation, de politique de prix et de redevance à verser pour les services de télévision locaux. Certains constituent des concessions de service public avec des clauses de « retour des biens », en vertu de laquelle la propriété des installations techniques et des ouvrages de génie civil est restituée aux collectivités locales à la fin de la concession.

Les directives sur les télécoms de l'UE (2002), appelées « Paquet Télécom », établissent le principe de la libre concurrence entre les opérateurs du marché des télécommunications, obligeant les organismes de réglementation nationaux à garantir des conditions de concurrence équitables, sans accorder de droits exclusifs ou spéciaux pour l'installation et l'exploitation de réseau. La loi française du 9 juillet 2004, qui transpose le Paquet Télécom, exigeait la mise en conformité des contrats existants d'ici à fin juillet 2007 au plus tard, afin de supprimer les clauses accordant des droits exclusifs et de garantir une utilisation partagée des ouvrages de génie civil.

Seule une minorité des accords noués avec les collectivités locales est susceptible d'appartenir à la catégorie des concessions de service public lorsque ces accords ont été conclus. Par conséquent, IFRIC 12 *Accords de concession de services* n'est pas applicable, sauf dans le cas du contrat de délégation du service public signé avec le département des Hauts-de-Seine (*Délégation de Service Public 92).*

Contrat de concession de service public noué avec le département des Hauts-de-Seine

Sequalum, entité comprise dans le Groupe Combiné, a été sélectionnée en 2007 par le Conseil Général des Hauts-de-Seine afin de planifier, déployer et exploiter un réseau de fibre à très haut débit *Fiber To The Home* (FTTH) dans l'ensemble du département dans le cadre d'une Délégation de Service Public (DSP) appelée DSP 92. Une DSP est une forme de partenariat public-privé de droit français en vertu duquel une collectivité confie à des entités privées l'exploitation d'un service public moyennant une redevance proportionnelle aux recettes générées par l'exploitation du service en question.

Conformément au contrat de prestation de service signé entre Sequalum et le Conseil Général des Hauts-de-Seine, Sequalum doit construire le réseau (la construction doit être achevée dans un délai de 6 ans), puis assurer l'entretien et l'exploitation du réseau en respectant une norme spécifique pendant 25 ans. A la fin de la 25^{e} année, l'accord prendra fin.

Sequalum prend en charge la construction pour le compte du département des Hauts-de-Seine en échange d'une immobilisation incorporelle (c'est-à-dire le droit de collecter des recettes auprès des utilisateurs du réseau). Conformément à IAS 38, Sequalum comptabilise l'immobilisation incorporelle au coût (la juste valeur de la contrepartie versée pour acquérir l'actif), soit la juste valeur de la contrepartie reçue ou à recevoir pour les prestations de services de construction.

Principales caractéristiques de l'accord :

Tarifs réglementés	**Origine du chiffre d'affaires**	**Subvention octroyée par le concédant**	**Valeur résiduelle**	**Fin du contrat**	**Modèle comptable**
Les tarifs sont fixés dans le contrat de services	Utilisateurs	Subvention de 59 millions d'euros pour financer la construction	Le réseau sera restitué au concédant sans indemnité, à l'exception de certains actifs (actifs de reprise)	Le contrat prend fin après 25 ans	Immobilisations incorporelles/créance financière

2.12 Immobilisations corporelles

La valeur des immobilisations corporelles est égale à leur coût d'acquisition diminué des amortissements et dépréciations cumulés.

Les terrains ne font pas l'objet d'amortissements. Les bâtiments et les locaux font l'objet d'un amortissement linéaire sur 20 ans.

Les composants significatifs des immobilisations corporelles et dont la durée d'utilité est différente font l'objet d'une comptabilisation et d'un amortissement séparés. Concernant le réseau et le matériel technique, les amortissements et les dépréciations sont calculés linéairement et les principales durées sont les suivantes :

Réseau et équipements techniques	***Méthode***	***Durée***
Nœuds du réseau	Linéaire	10 à 15 ans
Câbles optiques	Linéaire	15 à 30 ans
Installations d'ingénierie	Linéaire	20 à 40 ans
Liaisons	Linéaire	5 ans
Terminaux numériques	Linéaire	3 à 5 ans
Mobilier	Linéaire	5 à 10 ans
Agencements	Linéaire	8 à 10 ans
Equipements de transport	Linéaire	2 à 5 ans
Equipements de bureau	Linéaire	3 à 5 ans
Equipements informatiques	Linéaire	3 à 5 ans

La plus-value ou moins-value lors de la cession d'une immobilisation corporelle, qui correspond à l'écart entre le produit constaté au titre de la cession et la valeur comptable de l'immobilisation, est comptabilisée parmi les « Autres produits ou charges opérationnels » au compte de résultat combiné.

2.13 Contrats de location

Tout contrat de location transférant au locataire la quasi-totalité des avantages et risques inhérents à la propriété d'un actif est comptabilisé comme un contrat de location-financement. Dans tous les autres cas, il s'agit de contrats de location simple.

Lorsque le Groupe Combiné est le bailleur

Les montants dus par les locataires dans le cadre des contrats de location-financement sont comptabilisés comme des créances pour le montant de l'investissement net du Groupe Combiné dans les contrats de location. Le produit des contrats de location-financement est affecté aux périodes comptables afin d'obtenir un taux de rendement périodique constant sur l'investissement net du Groupe Combiné restant dû pour les contrats de location.

Le produit des contrats de location simple est comptabilisé de façon linéaire sur la durée du contrat correspondant. Les coûts directs initiaux supportés lors de la négociation et de la signature du contrat de location simple sont ajoutés à la valeur comptable de l'actif loué et comptabilisé en linéaire sur la durée du contrat de location.

Lorsque le Groupe Combiné est le locataire

Les actifs détenus dans le cadre de contrats de location-financement sont initialement comptabilisés comme des actifs du Groupe Combiné à leur juste valeur au début du contrat ou, à la valeur actuelle des paiements minimum au titre du contrat, si elle est inférieure. La dette correspondante vis-à-vis du bailleur figure dans le bilan en tant qu'obligation liée au contrat de location-financement. Les paiements liés au contrat de location sont répartis entre les charges financières et la réduction de l'obligation liée au contrat de manière à obtenir un taux d'intérêt constant sur le solde restant dû de la dette. Les charges financières sont immédiatement comptabilisées en résultat. Les loyers conditionnels sont comptabilisés comme des charges pour les périodes concernées.

Les paiements liés à un contrat de location simple sont comptabilisés linéairement en charges pendant la durée du contrat, sauf si une autre base systématique est plus représentative de la consommation dans le temps des avantages économiques de l'actif loué. Les loyers conditionnels en rapport avec des contrats de location simple sont comptabilisés en charges pour les périodes concernées. Si des incitations à la location sont versées pour la signature de contrats de location simple, ils figurent en dettes. L'avantage cumulé des incitations est comptabilisé linéairement sous forme de réduction des charges de location, sauf si une autre base systématique est plus représentative de la consommation dans le temps des avantages économiques de l'actif loué.

2.14 Dépréciation d'actifs

A chaque fois que des événements ou des évolutions de l'environnement économique font peser un risque de dépréciation sur les écarts d'acquisition, ou sur d'autres immobilisations incorporelles, corporelles ou bien sur des immobilisations en cours, le Groupe Combiné réexamine leur valeur. En outre, l'écart d'acquisition, les autres immobilisations incorporelles à durée d'utilité indéterminée et les immobilisations incorporelles en cours sont soumis à un test de dépréciation annuel au cours du deuxième semestre de chaque exercice.

L'objet du test de dépréciation est de comparer la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie (« **UGT** ») à sa valeur comptable.

La valeur nette de réalisation d'un actif ou d'une UGT correspond à la valeur la plus élevée entre sa valeur d'utilité et sa juste valeur après déduction des coûts de vente. Elle est calculée pour chaque actif, à moins que l'actif en question ne génère pas d'entrées de trésorerie largement indépendantes de celles relatives aux autres actifs ou groupes d'actifs. Dans ce cas, elle est calculée pour l'unité génératrice de flux trésorerie à laquelle est rattaché l'actif. Une unité génératrice de trésorerie correspond au plus petit groupe identifiable d'actifs qui génère des entrées de trésorerie dans une large mesure indépendantes de celles d'autres actifs ou groupes d'actifs, que sont, pour le Groupe Combiné, « Activités B2C », « Activités B2B » et « Wholesale ».

La valeur d'utilité de chaque actif ou groupe d'actifs correspond à la valeur actualisée des flux de trésorerie futurs (méthode des flux de trésorerie actualisés) qui est calculée en utilisant un taux d'actualisation après impôt pour chaque actif ou groupe d'actifs.

La juste valeur moins les frais de vente correspond au montant que l'on peut obtenir de la vente de l'actif ou du groupe d'actifs lors d'une transaction de gré à gré entre des parties bien informées et consentantes, moins les frais de vente.

Une dépréciation est enregistrée au poste « Amortissements et dépréciations » du compte de résultat combiné si la valeur comptable d'un actif excède sa valeur nette de réalisation. Seules les dépréciations d'actifs autres que l'écart d'acquisition, telles que celles relatives aux immobilisations incorporelles, aux immobilisations incorporelles à durée d'utilité indéterminée et aux immobilisations corporelles, peuvent être reprises.

2.15 Actifs financiers

Le Groupe Combiné classe les actifs financiers selon quatre catégories : actifs disponibles à la vente, prêts et créances, titres détenus jusqu'à l'échéance et actifs financiers à la juste valeur par le biais du résultat net. Ils sont répartis entre actifs courants et actifs non courants conformément à IAS 1.

L'achat et la vente de tous les actifs financiers sont comptabilisés à la date de règlement.

Actifs financiers disponibles à la vente

Les actifs financiers disponibles à la vente sont initialement comptabilisés à la juste valeur augmentée des frais de transaction directement imputables à l'acquisition ou à la sortie de l'actif financier. Par la suite, ils sont comptabilisés à la juste valeur. Les profits et pertes liés aux variations de la juste valeur sont directement imputés aux capitaux propres jusqu'à cession ou dépréciation des titres. Les produits ou pertes cumulés sont recyclés dans le résultat de la période considérée.

Les actifs financiers disponibles à la vente sont principalement composés des actions d'entreprises qui ne font pas partie du Groupe Combiné. La juste valeur correspond au cours des titres cotés ou, dans le cas de titres non cotés, au coût historique, déduction faite de toute dépréciation, lorsque la juste valeur ne peut être évaluée de manière fiable au moyen des techniques habituelles, en l'absence d'un marché actif.

En présence d'indices objectifs d'une dépréciation des actifs disponibles à la vente, la dépréciation cumulée comptabilisée en capitaux propres est recyclée en résultat. Ces indices sont notamment une baisse des flux de trésorerie attendus de ces actifs (par exemple, si l'émetteur rencontre de graves difficultés), une baisse considérable de la rentabilité attendue ou une baisse prolongée de la juste valeur du titre. Les dépréciations d'instruments de capitaux propres classés parmi les actifs disponibles à la vente qui sont recyclées dans le résultat ne sont jamais reprises.

Les actifs financiers disponibles à la vente figurent dans l'actif non courant, à moins qu'il soit prévu de les céder dans les 12 mois qui suivent l'établissement du bilan combiné.

Prêts et créances

Les prêts et créances sont initialement comptabilisés à la juste valeur augmentée des frais de transaction directement imputables à l'acquisition. Après la comptabilisation initiale, ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif.

Cette catégorie est principalement composée des créances clients.

En présence d'indices objectifs d'une dépréciation, celle-ci est calculée et correspond à l'écart entre la valeur comptable des actifs financiers et leur valeur nette de réalisation et la différence est comptabilisée en résultat. Les dépréciations peuvent être reprises en cas de hausse ultérieure de la valeur nette de réalisation de l'actif.

Actifs financiers détenus jusqu'à l'échéance

Les actifs financiers détenus jusqu'à l'échéance présentent des paiements fixes ou déterminables et une échéance fixe et le Groupe Combiné a l'intention et la capacité de les conserver jusqu'à échéance. Ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif.

On apprécie s'il existe un indice quelconque montrant qu'un actif a subi une dépréciation.

Aucun actif financier n'est classé dans cette catégorie.

Actifs financiers comptabilisés à la juste valeur par résultat

Ces actifs financiers sont évalués à leur juste valeur et les variations sont comptabilisées au compte de résultat.

Cette catégorie est essentiellement composée des éléments suivants :
- actifs détenus à des fins de transaction qui seront vendus dans un futur proche (principalement des titres négociables) ;
- actifs volontairement classés dans cette catégorie dès l'origine ;
- instruments dérivés actifs.

2.16 Stocks

Les stocks, principalement composés de décodeurs et de matériel technique, sont valorisés à leur coût d'acquisition ou à leur valeur nette de réalisation, si celle-ci est inférieure. Le coût d'acquisition est calculé selon la méthode du coût moyen pondéré. Il comprend les frais d'acquisition des matériels.

La valeur nette de réalisation correspond au prix de vente estimé dans un contexte d'activité normale, après déduction des coûts nécessaires à la réalisation de la vente.

2.17 Trésorerie et équivalents de trésorerie

La trésorerie correspond aux espèces détenues sur des comptes bancaires et sous forme de dépôts.

Les équivalents de trésorerie sont constitués de placements très liquides dont la valeur est peu susceptible de changer et dont l'échéance initiale se situe généralement à moins de trois mois de la date d'achat.

2.18 Passifs financiers

Les passifs financiers autres que les instruments dérivés comprennent les emprunts dans le cadre de la dette senior du *Senior Facility Agreement*, les dettes liées aux contrats de location-financement, les dépôts de garantie, les avances reçues et les découverts bancaires.

Ils sont évalués au coût amorti en utilisant la méthode du taux d'intérêt effectif, conformément à IAS 39. Le taux d'intérêt effectif correspond au taux de rendement interne utilisé pour l'actualisation exacte des flux de trésorerie futurs pendant la durée du passif financier. Les commissions et les frais liés à l'émission d'obligations sont inclus dans le calcul du taux d'intérêt effectif tout au long de la durée de vie attendue de l'instrument. Les intérêts cumulés figurent au poste passifs financiers courants dans le bilan combiné.

2.19 Instruments dérivés

Les instruments dérivés sont initialement comptabilisés à la juste valeur à la date où le contrat correspondant est conclu, puis réévalués à la juste valeur.

Des swaps de taux d'intérêt et des caps permettent de gérer l'exposition aux taux d'intérêt. L'objectif est de convertir des instruments financiers à taux d'intérêt variable en instruments à taux fixe. Ces contrats ne sont pas éligibles à la comptabilité de couverture telle que définie par IAS 39, car il n'existe aucune appellation ou documentation sur une quelconque relation de couverture lorsqu'ils sont conclus. Les variations de la juste valeur de ces instruments dérivés sont comptabilisées immédiatement en résultat parmi les produits ou les charges financières.

2.20 Avantages du personnel, provisions et passifs éventuels

Des provisions sont constituées lorsque le Groupe Combiné a une obligation légale (en vertu de la législation, de la réglementation ou d'un contrat) ou implicite résultant d'événements passés, et qu'il est probable qu'une sortie de ressources générant des avantages économiques sera nécessaire pour répondre à l'obligation (dont le montant peut être estimé de manière fiable). Les provisions sont réévaluées à la fin de chaque période comptable et font l'objet d'une régularisation afin de correspondre à la meilleure estimation.

Un passif éventuel est une obligation potentielle résultant d'événements passés et dont l'existence ne sera confirmée que par la survenance (ou non) d'un ou plusieurs événements futurs incertains qui ne sont pas totalement sous le contrôle de l'entité ou une obligation actuelle résultant d'événements passés, mais qui n'est pas comptabilisée, car il n'est pas probable qu'une sortie de ressources représentatives d'avantages économiques sera nécessaire pour éteindre l'obligation ou car le montant de l'obligation ne peut être évalué avec une fiabilité suffisante. Le montant de l'obligation est, dans ce cas, mentionnée en annexe, mais n'est pas comptabilisé.

Avantages du personnel

Le Groupe Combiné participe à des régimes d'avantages du personnel à cotisations définies et à prestations définies. Les coûts relatifs à un régime de retraite à cotisations définies sont présentés en charges de personnel au compte de résultat combiné, et comptabilisés lorsqu'il sont supportés.

Les obligations du Groupe Combiné relatives aux indemnités de départ à la retraite et aux prestations de fin de contrat sont estimées annuellement, conformément aux dispositions de l'IAS 19 *Avantages du personnel* (« **IAS 19** ») avec l'aide d'actuaires indépendants, en utilisant la méthode des unités de crédit projetées et en tenant compte des hypothèses actuarielles, notamment la rotation probable des bénéficiaires, les hausses de salaire, l'espérance de vie prévue et la durée d'emploi probable des salariés, et d'un taux d'actualisation adéquat mis à jour annuellement.

Les résultats actuariels découlant des variations des hypothèses actuarielles sont comptabilisés au compte de résultat combiné.

Litiges

Le montant des provisions pour litiges se fonde sur l'évaluation du niveau de risque et du bien-fondé des demandes.

Restructuration

Les provisions relatives aux coûts de restructuration sont comptabilisées lorsque la version finale du plan de restructuration est approuvée par la Direction et lorsque le Groupe Combiné a créé, chez les personnes concernées, une attente fondée qu'il mettra en œuvre la restructuration, soit en commençant à exécuter le plan, soit en leur annonçant ses principales caractéristiques. Ces provisions ne comprennent que les charges directement liées à la restructuration, notamment les indemnités de licenciement, les coûts des départs en préretraite, les coûts des préavis non effectués et les autres coûts directement liés à la fermeture des installations.

2.21 Coûts d'emprunt

Les coûts d'emprunt liés à l'acquisition, à la construction ou à la production d'actifs éligibles sont comptabilisés comme faisant partie du coût de l'actif en question. Il est précisé que le délai de mise en service est relativement court en raison du déploiement progressif du réseau. L'application de la norme IAS 23 *Coûts d'emprunt* n'a donc pas d'impact sur les Comptes Combinés.

3 Principes comptables significatifs et principales sources d'incertitude relatives aux estimations

L'établissement des Comptes Combinés préparés conformément aux normes comptables internationales IFRS implique que le Groupe procède à un certain nombre d'estimations et retienne certaines hypothèses, jugées réalistes et raisonnables.

Ainsi, l'application de principes comptables pour la préparation des Comptes Combinés décrits dans la note 2 implique des décisions, des estimations et des hypothèses qui ont une influence sur les montants des actifs et des passifs, mais aussi des produits et des charges.

Ces estimations sont préparées sur la base du principe de continuité d'exploitation, d'après les informations disponibles, en tenant compte de l'environnement économique du moment. Dans le contexte économique actuel, certains faits et circonstances pourraient donc conduire à des changements de ces estimations ou hypothèses, ce qui affecterait la situation financière, le compte de résultat et les flux de trésorerie du Groupe Combiné.

La valorisation de certains actifs et passifs lors de la préparation de ces Comptes Combinés se fonde notamment sur certaines hypothèses, en particulier pour les éléments suivants :

- Comptabilisation du chiffre d'affaires : comme indiqué dans la note 2.3, le chiffre d'affaires est comptabilisé à la juste valeur de la contrepartie reçue ou à recevoir lorsque des risques et avantages significatifs liés à la propriété d'un produit ont été transférés à l'acheteur ou lorsque la prestation de service a été rendue. En ce qui concerne les contrats avec des particuliers qui incluent des frais d'installation, de raccordement au réseau et de configuration, l'appréciation des critères de comptabilisation d'IAS 18 nécessite d'avoir recours au jugement notamment pour déterminer si l'installation, la configuration et le raccordement au réseau constituent un service à comptabiliser de manière séparée. En ce qui concerne les frais d'accès au service pour les clients professionnels, la durée de vie statistique du client est estimée et le produit est généralement comptabilisé linéairement pendant la durée d'engagement contractuel, qui est calculé d'après des données statistiques historiques dès l'entrée en vigueur du contrat. En fonction des décisions prises et des estimations, le rythme et les montants des produits comptabilisés pourraient différer sensiblement.

- Capitalisation des coûts de développement : les critères de capitalisation des coûts de développement sont exposés dans la note 2.11. Une fois capitalisés, ils sont ensuite amortis sur la durée d'utilité estimée des produits concernés (généralement 3 ans). Le Groupe Combiné doit donc évaluer la faisabilité commerciale et technique des programmes de développement et estimer la durée d'utilité des actifs ainsi conçus. Si ces hypothèses sont ensuite invalidées, il est parfois nécessaire de déprécier ou décomptabiliser certains des coûts de développement capitalisés et incorporés au coût de l'actif. La note 13 présente le montant des coûts capitalisés et incorporés au coût de l'actif dans le bilan combiné.

- Juste valeur des instruments financiers (voir la note 27.3) : la juste valeur est calculée d'après le cours publié à la clôture de la période. Lorsqu'il n'existe aucune cotation sur un marché actif (par exemple, pour les swaps de taux d'intérêt utilisés actuellement afin de couvrir le risque de taux d'intérêt), la juste valeur est calculée selon des modèles reposant sur des données observables des marchés ou différentes techniques d'évaluation, telles que la valeur actuelle des flux de trésorerie futurs.
- Comptabilisation des actifs d'impôt différé sur déficits reportables (voir les notes 2.8 et 11) : les actifs d'impôt différé concernent principalement des déficits fiscaux reportables non réalisés et des différences temporelles déductibles entre les valeurs comptabilisées et les bases fiscales des actifs et des passifs. Les actifs relatifs aux reports de pertes fiscales sont comptabilisés s'il est probable que le Groupe Combiné enregistre ultérieurement des bénéfices imposables sur lequel ces déficits fiscaux pourront être imputés. Un examen approfondi est nécessaire pour évaluer la capacité du Groupe Combiné à utiliser les déficits fiscaux reportables. Les événements passés, ainsi que les éléments positifs et négatifs de certains facteurs économiques qui peuvent peser sur l'activité du Groupe Combiné dans un avenir proche sont analysés afin de calculer la probabilité d'utilisation future des déficits fiscaux reportables. Aux 31 décembre 2012, 2011 et 2010, les pertes importantes cumulées au cours des derniers exercices ont amené la Direction à considérer qu'il était peu probable qu'il y ait un bénéfice imposable futur sur lequel imputer les déficits fiscaux reportables non utilisés. L'application de ce principe a conduit à l'absence de comptabilisation d'un actif d'impôt différé aux 31 décembre 2012, 2011 et 2010.
- Tests de dépréciation (voir les notes 2.10 et 15) : le calcul des valeurs recouvrables des unités génératrices de trésorerie lors du test de dépréciation annuel implique d'estimer leur juste valeur après déduction des coûts de vente et leur valeur d'utilité. Pour évaluer la valeur d'utilité, la Direction s'appuie sur des hypothèses relatives aux flux de trésorerie de l'exploitation des unités génératrices de trésorerie, ainsi que les taux d'actualisation.

  Le calcul de la valeur d'utilité se fonde sur des hypothèses telles que le taux d'actualisation et le taux de croissance à l'infini au-delà de la période de projection. Ces hypothèses peuvent évoluer et se traduire par une baisse de la valeur comptable en-deçà de la valeur recouvrable, ce qui entraînerait la constatation d'une dépréciation.

  Au 31 décembre 2012, 2011 et 2010, les hypothèses utilisées pour calculer la valeur d'utilité des unités génératrices de trésorerie auxquelles l'écart d'acquisition a été affecté étaient les suivantes :

CGU « Opérations B2C »	**2012**	**2011**	**2010**
Durée de la période de projection	8 ans	8 ans	8 ans
Taux d'actualisation	7,56%	8,18%	8,02%
Taux de croissance hors période de projection pour la valeur finale	1,75%	1,75%	1,50%

CGU « Opérations B2B » et « Wholesale»	**2012**	**2011**	**2010**
Durée de la période de projection	6 ans	6 ans	6 ans
Taux d'actualisation	9,42%	10,25%	9,77%
Taux de croissance à l'infini hors période de projection pour la valeur finale	1,00%	1,00%	1,00%

Le calcul de la valeur d'utilité repose sur des projections des flux de trésorerie d'après les budgets financiers approuvés par la Direction pour des périodes respectives de 6 et 8 ans. La période de projection relativement longue pour l'estimation des flux de trésorerie futurs est justifiée par la relation contractuelle de longue durée avec les clients. Les projections relatives au nombre d'abonnés, au chiffre d'affaires, aux coûts et aux investissements sont fondées sur des hypothèses raisonnables et acceptables déterminées par la Direction. Les hypothèses principales comprennent les prévisions de nombre d'abonnés et le niveau d'investissement d'amélioration des infrastructures de réseaux. Les projections sont fondées aussi bien sur l'expérience passée que sur le taux de pénétration anticipé pour les différents produits.

4 Evénements significatifs de la période

4.1 Exercice clos le 31 décembre 2012

4.1.1 Emissions obligataires

En 2012, Ypso France SAS a procédé à plusieurs émissions obligataires afin de refinancer une partie de sa dette financière existante.

En février 2012, Ypso France SAS a émis des obligations à hauteur de 360 millions d'euros. L'émetteur était Numericable Finance & Co. S.C.A. (société de titrisation non réglementée constituée sous forme de société en commandite par actions de droit luxembourgeois). Les produits de cette émission ont permis à Numericable Finance & Co. de financer le rachat de l'intégralité de la part de la banque prêteuse (JP Morgan) dans un prêt (le prêt « C-One ») dont le seul prêteur était la banque elle-même dans le cadre du Senior Facility Agreement, au profit d'Ypso France SAS, qui a ainsi été en mesure de rembourser certains prêts du Senior Facility Agreement à hauteur de 350 millions d'euros.

L'échéance des obligations se situe le 15 février 2019 et elles portent intérêt à 12,375%. Les coupons sont payés semestriellement le 15 février et le 15 août de chaque année.

En février 2012, Ypso France SAS a également obtenu une nouvelle ligne de crédit revolving (dénommée *Revolving Credit Facility*) dans le cadre de du *Senior Facility Agreement*; elle met à disposition du groupe Ypso un montant maximum de 65 millions d'euros. Son échéance se situe en mars 2016. La part utilisée de cette ligne porte intérêt au taux Euribor plus une marge de 4,5%. La part non utilisée, soit 65 millions d'euros (au 31 décembre 2012), porte un intérêt égal à une commission d'engagement de 2,25%.

Aux termes de la modification et du retraitement du *Senior Facility Agreement* de septembre 2011, l'échéance des engagements de certains prêteurs a été reportée de deux ans (soit 50% de la tranche A et des Capex Facilities et 2/3 des tranches B et C). En outre, le niveau de marge pour les tranches ayant fait l'objet de la prorogation a été modifié et de nouveaux « covenants » financiers ont été mis en place. Le *Senior Facility Amendment and Restatement* de septembre 2011 est entré en vigueur le 15 février 2012.

En octobre 2012, Ypso France SAS a procédé à deux autres émissions obligataires de 225 et 275 millions d'euros respectivement par le biais du même émetteur, Numericable Finance & Co. Les produits de cette émission ont permis à Numericable Finance & Co. de financer le rachat de l'intégralité de la part de la banque prêteuse (JP Morgan) dans deux nouveaux prêts (le prêt « C-Two A » et le prêt « C-Two B ») dont le seul prêteur était la banque prêteuse elle-même dans le cadre du *Senior Facility Agreement*, au profit de Ypso France SAS, qui a ainsi été en mesure de rembourser certains prêts de la Dette Senior à hauteur de 490 millions d'euros.

Le prêt « C-Two A » porte sur un montant de 225 millions d'euros. Son échéance se situe le 15 février 2019 et il porte un intérêt annuel de 8,75%. Les coupons sont payés semestriellement le 15 février et le 15 août de chaque année, à partir du 15 février 2013.

Le prêt « C-Two B » porte sur un montant de 275 millions d'euros. Son échéance se situe en octobre 2018 et il porte un intérêt variable égal au taux Euribor plus 7,85% par an. Les coupons sont payés trimestriellement le 15 janvier, le 15 avril, le 15 juillet et le 15 octobre de chaque année, à partir du 15 janvier 2013.

Ypso France SAS a payé 55 millions d'euros de frais pour la mise en place de ces prêts (C-One, C-Two A et C-Two B) et des modifications correspondantes du *Senior Facility Agreement*. Ce montant comprend :

- les coûts des émissions obligataires d'un montant de 30,2 millions d'euros qui sont amortis sur la durée des obligations en utilisant la méthode du taux d'intérêt effectif (soit un coût de financement supplémentaire de 3,8 millions d'euros en 2012, comme indiqué la note 10) ;

- les pénalités d'abandon de crédit (*waiver fees*) pour un montant de 17,4 millions d'euros enregistrées au poste « Autres charges financières » du compte de résultat combiné pour la période close le 31 décembre 2012 ;
- les commissions et honoraires de conseil pour un montant de 7,4 millions d'euros enregistrées au poste « Autres charges financières » du compte de résultat combiné pour la période close le 31 décembre 2012.

4.1.2 Rachat du réseau de Nice

En avril 2012, le Groupe Combiné a signé un accord avec la municipalité de Nice en vue du rachat du réseau câblé de la ville pour une valeur de 20 millions d'euros.

Le paiement du prix d'achat est effectué comme suit :

- 2,5 millions d'euros en juillet 2012 et 2,5 millions d'euros en janvier 2013 ;
- le solde de 15 millions d'euros est payable sur 20 ans (0,75 million d'euros chaque année de 2013 à 2032) avec un intérêt annuel de 4%.

4.1.3 Contrôles fiscaux

Au cours du troisième trimestre 2012, les contrôles fiscaux mentionnés à la note 11.5 ont été étendus à l'exercice 2010. Les redressements relatifs aux exercices 2005 à 2009 ont été réduites.

Au 31 décembre 2012, le montant de la provision comptabilisée en rapport avec ces contrôles fiscaux n'a pas été réévalué car le risque financier lié aux redressements pour l'exercice 2010 sera probablement équivalent aux réductions consenties par l'administration pour les redressements portant sur les exercices 2005 à 2009.

4.2 Exercice clos le 31 décembre 2011

4.2.1 Cession de Coditel Belgium et de Coditel Luxembourg

En 2010, le processus de cession des filiales Coditel Belgium et Coditel Luxembourg a été initié par la Direction. Le 19 mai 2011, le Groupe Combiné a conclu un accord de cession des actions de ces filiales avec Altice, l'un de ses actionnaires, Deficom et Apax Partners, des parties non liées afin de céder ses activités en Belgique et en Luxembourg. Toutes les actions restantes de Coditel Belgium et Coditel Luxembourg ont été transférées le 30 juin 2011 à Coditel Holding S.A., entité située au Luxembourg et détenue par Altice, Deficom et Apax MidMarket. Les produits de la vente de Coditel s'élèvent à environ 369 millions d'euros.

Conformément à la norme IFRS 5, cette cession a été traduite comme suit dans les Comptes Combinés :

- Les résultats de Coditel Belgium et de Coditel Luxembourg sont présentés séparément au compte de résultat combiné en « Résultat net des activités en cours de cession » pour les exercices 2010 et 2011 ;
- les flux de trésorerie de Coditel Belgium et de Coditel Luxembourg sont présentés séparément au tableau des flux de trésorerie combiné en « Flux de trésorerie des activités cédées ou en cours de cession » pour 2010 et de 2011.

Les effets de l'application de la norme IFRS 5 sont détaillés dans la note 30.

4.2.2 Restructuration

En 2011, la fusion entre Altitude Telecom et Completel SAS a débouché sur un plan de restructuration qui concernait environ 135 personnes.

Les coûts de ce plan s'élevaient à 4 millions d'euros en 2011 et une provision de 4 millions d'euros a été enregistrée au 31 décembre 2011 afin de faire face à toutes les charges prévues pour 2012.

4.3 Exercice clos le 31 décembre 2010

4.3.1 Acquisition d'Altitude Telecom

Le 29 décembre 2010, le Groupe Combiné a acquis toutes les actions d'Altitude Telecom, opérateur de réseau présent principalement dans l'ouest de la France. Le rachat, qui portait sur un montant d'environ 58 millions d'euros, a été principalement financé par un nouvel emprunt dans le cadre du *Senior Facility Agreement*, la « tranche C », pour un montant de 45 millions d'euros.

Cette opération s'est traduite par un écart d'acquisition de 49 millions d'euros en 2010.

4.3.2 Contrôles fiscaux

Comme expliqué dans la note 11.5, des filiales du Groupe Combiné (Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication et Completel SAS) ont fait l'objet de contrôles par l'administration fiscale française. En 2010, ces contrôles fiscaux ont été étendus aux exercices situés entre le 31 décembre 2007 et le 31 décembre 2009.

5 Informations sectorielles

Comme expliqué dans la note 2.7, le Groupe Combiné a recensé trois secteurs opérationnels :
- Activités B2B
- Activités B2C
- Wholesale

Les tableaux suivants présentent, pour chaque période, la contribution de chaque secteur aux postes du compte de résultat combiné (de la rubrique Chiffre d'affaires jusqu'à la rubrique Résultat d'exploitation avant amortissements et dépréciations).

Les ventes intrasectorielles ont été éliminées sous la colonne « Eliminations ».

Exercice 2012 (en milliers d'euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**Total 2012**
Chiffre d'affaires	**832 568**	**324 506**	**211 476**	**(66 125)**	**1 302 425**
Achats externes	(386 060)	(178 420)	(103 766)	66 125	(602 121)
Charges de personnel	(77 592)	(57 186)	(6 697)	-	(141 475)
Impôts et taxes	(19 902)	(7 569)	(4 926)	-	(32 396)
Provisions	(5 658)	(1 676)	(380)	-	(7 715)
Autres produits opérationnels	68 096	21 108	26	-	89 229
Autres charges opérationnelles	(16 030)	(1 148)	-	-	(17 178)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**395 422**	**99 615**	**95 732**	**-**	**590 769**

Exercice 2011 (en milliers d'euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**Total 2011**
Chiffre d'affaires	**835 256**	**331 099**	**201 134**	**(60 632)**	**1 306 856**
Achats externes	(385 001)	(196 681)	(100 647)	60 632	(621 697)
Charges de personnel	(73 451)	(60 975)	(6 609)	-	(141 034)
Impôts et taxes	(18 884)	(5 697)	(3 694)	-	(28 275)
Provisions	(5 269)	(3 286)	598	-	(7 957)
Autres produits opérationnels	60 175	20 147	89	-	80 412
Autres charges opérationnelles	(14 437)	(10 640)	-	-	(25 077)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**398 390**	**73 967**	**90 872**	**-**	**563 229**

Exercice 2010 (en milliers d'euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**Total 2010**
Chiffre d'affaires	**836 802**	**253 353**	**159 825**	**(41 285)**	**1 208 695**
Achats externes	(356 409)	(150 266)	(92 413)	41 285	(557 803)
Charges de personnel	(74 815)	(47 219)	(5 137)	-	(127 170)
Impôts et taxes	(21 437)	(5 283)	(3 411)	-	(30 131)
Provisions	(16 715)	537	(538)	-	(16 716)
Autres produits opérationnels	46 637	17 300	386	-	64 324
Autres charges opérationnelles	(16 659)	(10 676)	1	-	(27 334)
Résultat d'exploitation avant amortissements et dépréciations (EBITDA)	**397 405**	**57 746**	**58 714**	**-**	**513 865**

6 Chiffre d'affaires

Le chiffre d'affaires par nature se décompose de la manière suivante :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Chiffres d'affaires B2C	826 171	830 299	832 566
Chiffres d'affaires B2B	323 201	328 235	252 573
Chiffre d'affaires Wholesale	153 053	148 323	123 556
Chiffre d'affaires total	**1 302 425**	**1 306 856**	**1 208 695**

7 Achats externes

Les achats externes se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Coûts du contenu télévisuel, de l'Internet et de la téléphonie	(332 853)	(345 603)	(324 751)
Sous-traitance et achats de services	(90 752)	(91 908)	(70 129)
Marketing	(30 120)	(30 993)	(22 197)
Honoraires	(31 936)	(31 962)	(31 619)
Redevances et licences versées	(12 089)	(12 810)	(14 031)
Droits de passage versés	(15 316)	(15 983)	(14 241)
Loyers et charges locatives	(25 790)	(26 224)	(20 900)
Energie	(23 938)	(22 789)	(19 868)
Créances douteuses	(9 173)	(10 048)	(9 993)
Frais postaux	(4 378)	(4 676)	(5 158)
Frais de transport	(4 286)	(4 643)	(3 155)
Frais de réparation et de maintenance	(11 911)	(13 321)	(10 577)
Charges opérationnelles diverses	(9 579)	(10 736)	(11 184)
Achats externes	**(602 121)**	**(621 696)**	**(557 803)**

8 Autres produits opérationnels

Les autres produits opérationnels se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Production immobilisée [a]	82 217	64 002	52 537
Produits de cessions d'actifs	3 817	5 042	8 142
Autres [b]	3 195	11 368	3 645
Autres produits opérationnels	**89 229**	**80 412**	**64 324**

(a) La production immobilisée concerne des travaux sur le réseau effectués par des employés du Groupe Combiné en vue de l'accroissement des activités de modernisation du réseau câblé.

(b) En 2011, ce poste incluait une amende de 10 millions d'euros payée par France Télécom. En mars 2011, le Tribunal de Paris a condamné France Télécom en raison d'entraves à la concurrence sur le marché de l'ADSL en 2001 et 2002.

9 Autres charges opérationnelles

Les autres charges opérationnelles se composent pour l'essentiel des éléments suivants :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Valeur nette comptable des actifs cédés	(7 382)	(10 003)	(11 500)
Honoraires payées dans le cadre des opérations de refinancement	(7 372)	(3 526)	(1 050)
Frais de gestion payées à nos actionnaires	(2 424)	(11 509)	(14 651)
Charges opérationnelles diverses	-	(39)	(133)
Autres charges opérationnelles	**(17 178)**	**(25 077)**	**(27 334)**

Des frais de gestion ont été payés à nos actionnaires Altice, Cinven et Carlyle en échange de la prestation de certains services de gestion, de financement et de conseil.

10 Résultat financier

Les résultats financiers aux 31 décembre 2012, 2011 et 2010 peuvent être analysés comme suit :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Produits d'intérêt reçus sur trésorerie et équivalents de trésorerie	106	479	635
Autres produits d'intérêt	4 220	729	173
Produits d'intérêt	**4 326**	**1 208**	**808**
Variation de la juste valeur des instruments dérivés	-	26 982	48 468
Charges d'intérêt sur financement, déterminées sur la base du taux d'intérêt effectif	(183 057)	(204 326)	(223 530)
Intérêts financiers relatifs à la dette financière brute	**(183 057)**	**(177 343)**	**(175 062)**
Autres charges financières	(32 699)	(9 883)	(4 162)
Résultat financier	**(211 430)**	**(186 019)**	**(178 416)**

Au 31 décembre 2012, les autres charges financières peuvent être ventilées comme suit :

- Waiwer Fee relatifs au refinancement de la dette de 17,4 millions d'euros ;
- amortissement des frais payés pour la mise en place des nouveaux prêts (C-One, C-Two A et C-Two B) à hauteur de 3,8 millions d'euros évalués selon la méthode du taux d'intérêt effectif ;
- provisions pour risques financiers à hauteur de 1,9 million d'euros.

Au 31 décembre 2012, les autres produits d'intérêts incluent principalement le premier paiement de 2,8 millions d'euros reçu dans le cadre de l'indemnisation demandée après la faillite de Lehman Brothers en septembre 2008 (voir la note 27.3).

11 Impôts sur les sociétés

11.1 Charge d'impôts sur les sociétés

La charge d'impôts sur les sociétés se décompose comme suit :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Charge d'impôts courants	(2 486)	(13 387)	(3 841)
Charge d'impôts différés	-	-	-
Charge d'impôts	**(2 486)**	**(13 387)**	**(3 841)**

11.2 Réconciliation entre le taux effectif d'impôt et le taux théorique d'impôt

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Résultat net avant impôt	87 416	82 385	30 401
A déduire : Résultat des sociétés mises en équivalence	199	309	(368)
	87 615	82 694	30 033
Taux d'impôt sur les sociétés en France	34,43%	34,43%	34,43%
Charge d' impôts calculée au taux de 34,43%	**(30 166)**	**(28 471)**	**(10 340)**
Réconciliation des charges d'impôts			
Effet des revenus exonérés d'impôt et effet des dépenses non déductibles sur le bénéfice avant impôt (1)	(13 830)	(8 696)	24 724
Effet des déficits fiscaux non reconnus comme impôt différé actif	41 083	23 731	(18 438)
Crédit d'impôt recherche (ou « CIR »)	420	54	322
Effet des autres différences	8	(3)	(107)
Charges d' impôts comptabilisées en résultat	**(2 486)**	**(13 387)**	**(3 840)**
Taux effectif d'impôt(2)	2,84%	16,19%	12,79%

Le taux d'imposition de référence pour les rapprochements de 2012, 2011 et 2010 ci-dessus est le taux d'impôt sur les sociétés de 34,43 % payable par les entreprises en France sur les bénéfices imposables en vertu du code des impôts en vigueur.

(1) Concernant le 31 décembre 2012, il correspond principalement aux charges d'intérêts non déductibles selon les règles de capitalisation restreinte (9,9 millions d'euros).

(2) La réduction du taux effectif d'impôt entre 2011 et 2012 s'explique principalement par le fait que l'augmentation de la provision liée aux contrôles fiscaux (voir la note 11.5) en 2011 a été enregistrée en impôt sur les sociétés (10 millions d'euros).

11.3 Actifs et passifs d'impôt courants

Les actifs d'impôt exigibles aux 31 décembre 2012, 2011 et 2010 n'étaient pas significatifs.

L'impôt sur les sociétés exigible, qui figure au poste « Passifs d'impôt courants », s'élève respectivement pour les exercices clos les 31 décembre 2012, 2011 et 2010 à 2 604 milliers d'euros, 3 448 milliers d'euros et 194 milliers d'euros.

11.4 Impôts différés actifs non reconnus

Au 31 décembre 2012, les déficits fiscaux reportables cumulés s'élevaient à 2 302 millions d'euros, ce qui représentait un actif d'impôt de 790 millions d'euros. L'actif d'impôt correspondant aux déficits fiscaux reportables n'a pas été comptabilisé dans les Comptes Combinés, car sa récupération dépend des bénéfices futurs qui sont incertains.

Le total des déficits fiscaux reportables peut être ventilé comme suit :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Ypso France et ses filiales	1 852 028	1 846 090	1 819 782
Altice B2B France et ses filiales	402 544	448 713	492 449
Ypso Holding Lux et Altice B2B Lux	47 785	235 890	235 328
Total des déficits fiscaux reportablesire	**2 302 357**	**2 530 693**	**2 547 559**
Impôt différé actif non reconnu	**790 212**	**859 028**	**864 864**

Il inclut des pertes contestées par l'administration fiscale (56 millions d'euros au 31 décembre 2012).

11.5 Contrôles fiscaux

Certaines filiales du Groupe Combiné, Ypso France SAS, NC Numericable SAS, Numericable SAS, Est Videocommunication et Completel SAS font l'objet d'un contrôle fiscal par l'administration fiscale française pour les exercices clos du 31 décembre 2007 au 31 décembre 2010. Par conséquent, une provision pour risque fiscal d'un montant de 25,1 millions d'euros est comptabilisé au 31 décembre 2012 (27,0 millions d'euros au 31 décembre 2011 et 15,7 millions d'euros au 31 décembre 2010).

12 Ecarts d'acquisition

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Montant comptabilisé, net			
Solde au début de l'exercice	1 458 638	1 458 585	1 618 485
Ecarts d'acquisition reconnus au cours de la période (1)	48	53	50 295
Cession de Coditel	-	-	(210 195)
Solde à la clôture de l'exercice (2)	**1 458 686**	**1 458 638**	**1 458 585**

(1) En 2010, l'écart d'acquisition supplémentaire de 50,3 millions d'euros s'explique principalement par l'acquisition d'Altitude Telecom (comme indiqué dans la note « Evénements significatifs ») pour un montant de 49,4 millions d'euros.

En janvier 2012, le groupe a acquis les actions de Sequalum Participation détenues par Eiffage (15,78%). Suite à cette opération, le groupe détient 95% du capital de Sequalum Participation. Le prix d'achat était de 6 mille euros pour une quote part de capitaux acquise négative de 41 mille euros. Cette opération a engendré la comptabilisation d'un écart d'acquisition supplémentaire de 48 mille euros en 2012.

Le Groupe Combiné est le résultat d'une série d'acquisitions. Ainsi, au 31 décembre 2012, l'écart d'acquisition peut être ventilé comme suit :

Valeur nette comptable (en milliers d'euros)	
Activités B2C	984 583
Activités B2B	474 103
Total	**1 458 686**

13 Autres immobilisations incorporelles

(en milliers d'euros)	Coûts de développement capitalisés	Droits d'usage, brevets et licences	Droits commerciaux	Autres immobilisations incorporelles	Total
Valeur brute					
Solde au 1er janvier 2012	5 384	649 724	35 949	39 392	**730 449**
Acquisitions	464	53 749	2 219	4 384	60 817
Reclassements	-	66	3 862	(3 929)	-
Application d'IFRIC 12*	-	17 195	-	-	17 195
Solde au 31 décembre 2012	5 848	720 735	42 030	39 847	**808 462**
Amortissements et dépréciations cumulés					
Solde au 1er janvier 2012	(2 043)	(322 439)	(34 690)	(25 222)	**(384 393)**
Amortissements	(1 199)	(78 726)	-	(6 190)	(86 115)
Reclassements	-	(12 299)	-	541	(11 758)
Application d'IFRIC 12*	-	(9)	-	-	(9)
Solde au 31 décembre 2012	(3 242)	(413 473)	(34 690)	(30 871)	**(482 275)**
Valeur comptable nette					
Solde au 1er janvier 2012	3 341	327 285	1 259	14 170	**346 056**
Solde au 31 décembre 2012	2 606	307 262	7 340	8 976	**326 187**

(en milliers d'euros)	Coûts de développement capitalisés	Droits d'usage, brevets et licences	Droits commerciaux	Autres immobilisations incorporelles	Total
Valeur brute					
Solde au 1^{er} janvier 2011	3 263	592 171	35 871	49 809	**681 114**
Acquisitions	2 121	29 352	78	4 048	35 599
Reclassements	-	28 242	-	(14 464)	13 778
Cessions	-	(41)	-	-	(41)
Solde au 31 décembre 2011	5 384	649 724	35 949	39 392	**730 449**
Amortissements et dépréciations cumulés					
Solde au 1^{er} janvier 2011	(760)	(246 133)	(34 660)	(22 767)	**(304 323)**
Amortissements	(1 283)	(71 619)	(30)	(7 158)	(80 090)
Reclassements	-	(4 687)	-	4 703	16
Cessions	-	-	-	-	-
Solde au 31 décembre 2011	(2 043)	(322 439)	(34 690)	(25 222)	**(384 393)**
Valeur comptable nette					
Solde au 1^{er} janvier 2011	2 503	346 038	1 211	27 041	**376 793**
Solde au 31 décembre 2011	3 341	327 285	1 259	14 170	**346 056**

(en milliers d'euros)	Coûts de développement capitalisés	Droits d'usage, brevets et licences	Droits commerciaux	Autres immobilisations incorporelles	Total
Valeur brute					
Solde au 1^{er} janvier 2010	7 771	573 245	33 944	23 492	**638 453**
Acquisitions	2 134	18 993	-	10 996	32 124
Regroupements d'entreprises	8	4 067	30	15 321	19 426
Cession de Coditel	(6 650)	(2 855)	-	-	(9 505)
Reclassements	-	(1 279)	1 897	-	618
Solde au 31 décembre 2010	3 263	592 171	35 871	49 809	**681 114**
Amortissements et dépréciations cumulés					
Solde au 1^{er} janvier 2010	(5 372)	(255 933)	(33 700)	(5 982)	**(300 987)**
Amortissements	(535)	(69 588)	-	(6 151)	(76 274)
Regroupements d'entreprises	(8)	(3 673)	-	(4 858)	(8 539)
Cession de Coditel	5 155	2 373	-	-	7 528
Reclassements	-	80 688	(960)	(5 777)	73 951
Solde au 31 décembre 2010	(760)	(246 133)	(34 660)	(22 767)	**(304 320)**
Valeur comptable nette					
Solde au 1^{er} janvier 2010	2 400	317 309	244	17 510	**337 463**
Solde au 31 décembre 2010	2 503	346 038	1 211	27 041	**376 793**

La rubrique « Droits d'usage, brevets et licences » est principalement constitutée de droits d'usage. Ceux-ci correspondent principalement aux droits d'utilisation de l'infrastructure et des installations de génie civil construites par l'opérateur historique France Telecom.

(*) Comme expliqué dans la note 2.11, le Groupe Combiné a appliqué l'interprétation de la norme IFRIC 12 en 2012 en ce qui concerne le contrat de délégation du service public signé avec le département des Hauts-de-Seine (Délégation de Service Public 92).

L'application de cette interprétation a eu les incidences suivantes sur le bilan combiné:

- Reclasement de la valeur nette comptable à fin 2011 en « Autres Immobilisations incorporelles » pour 17,2 millions d'euros (26,6 millions d'euros d'investissements moins 9,5 millions d'euros de subventions reçues au 31 décembre 2011)
- Comptabilisation de 26,4 millions d'euros d'investissements en 2012 dans la rubrique « Droits d'usage, brevets et licences » (38,0 millions d'euros d'investissements moins 11,5 millions d'euros de subventions reçues en 2012)

Ces investissement d'un montant de 26,4 millions d'euros au titre de 2012 réalisés dans le cadre du contrat de délégation du service public signé avec le département des Hauts-de-Seine (Délégation de Service Public 92) sont classés parmi les activités d'investissement dans le tableau des flux de trésorerie combiné.

14 Immobilisations corporelles

(en milliers d'euros)	Terrains	Bâtiments	Réseau et équipements techniques	Immobilisations en cours	Autres	Total
Valeur brute						
Solde au 1er janvier 2012	1 321	70 154	2 459 782	91 739	99 488	**2 722 484**
Acquisitions	1	4 083	244 244	2 470	8 934	259 732
Regroupements d'entreprises	-	-	-	-	-	-
Cessions	-	(1 496)	(31 058)	-	(625)	(33 179)
Reclassements	-	69 435	(62 919)	(4 087)	(2 S22)	(93)
Application d'IFRIC 12	-	-	(8 095)	(9 100)	-	(17 195)
Solde au 31 décembre 2012	1 322	142 176	2 601 954	81 022	105 275	**2 931 749**
Amortissements et dépréciations cumulés						
Solde au 1er janvier 2012	0	(41 206)	(1 241 599)	(1 333)	(89 782)	**(1 373 920)**
Amortissements	(2)	(5 194)	(191 812)	-	(5 247)	(202 255)
Dépréciations (dotations)	-	-	-	(3 355)	-	(3 355)
Cessions	-	1 29S	24 028	-	618	25 941
Reclassements	-	(68 394)	77 622	-	2 535	11 763
Application d'IFRIC 12	-	-	9	-	-	9
Solde au 31 décembre 2012	(2)	(113 499)	(1 331 752)	(4 688)	(91 876)	**(1 541 817)**
Valeur comptable nette						
Solde au 1er janvier 2012	1 321	28 948	1 218 183	90 406	9 706	**1 348 564**
Solde au 31 décembre 2012	1 320	28 677	1 270 202	76 334	13 399	**1 389 932**

(en milliers d'euros)	Terrains	Bâtiments	Réseau et équipements techniques	Immobilisations en cours	Autres	Total
Valeur brute						
Solde au 1er janvier 2011	1 352	54 532	2 307 505	72 318	92 708	**2 528 415**
Acquisitions	-	1 952	217 190	19 421	7 702	246 265
Regroupements d'entreprises	-	-	-	-	-	0
Cessions	(31)	(273)	(35 383)	-	(1 753)	(37 440)
Reclassements	-	13 943	(29 530)	-	831	(14 756)
Solde au 31 décembre 2011	1 321	70 154	2 459 782	91 739	99 488	**2 722 484**
Amortissements et dépréciations cumulés						
Solde au 1er janvier 2011		(24 649)	(1 080 272)	(678)	(81 913)	**(1 187 512)**
Amortissements	-	(5 143)	(199 322)	-	(9 314)	(213 779)
Dépréciations (dotations)	-	-	-	(1 333)	-	(1 333)
Dépréciations (reprises)	-	-	-	678	-	678
Cessions	-	272	26 016	-	1 749	28 037
Reclassements	-	(11 686)	11 979	-	(304)	(11)
Solde au 31 décembre 2011	0	(41 206)	(1 241 599)	(1 333)	(89 782)	**(1 373 920)**
Valeur comptable nette						
Solde au 1er janvier 2011	1 352	29 883	1 227 233	71 640	10 795	**1 340 903**
Solde au 31 décembre 2011	1 321	28 948	1 218 183	90 406	9 706	**1 348 564**

(en milliers d'euros)	Terrains	Bâtiments	Réseau et équipements techniques	Immobilisations en cours	Autres	Total
Valeur brute						
Solde au 1er janvier 2010	1 422	48 612	2 172 666	79 357	104 504	**2 406 561**
Acquisitions	-	862	208 387	651	4 060	213 960
Regroupements d'entreprises	-	5 764	19 414	288	4 033	29 499
Cessions, autres que Coditel	-	-	(46 690)	(4 361)	(793)	(51 844)
Cession de Coditel	(70)	(706)	(51 168)	-	(19 150)	(71 094)
Reclassements	-	-	4 896	(3 617)	54	1 333
Solde au 31 décembre 2010	1 352	54 532	2 307 505	72 318	92 708	**2 528 415**
Amortissements et dépréciations cumulés						
Solde au 1er janvier 2010	-	(19 323)	(924 084)	-	14 551	**(928 856)**
Amortissements	-	(4 170)	(201 112)	-	(20 521)	(225 803)
Dépréciations (dotations)	-	-	-	(678)	-	(678)
Dépréciations (reprises)	-	-	29 685	-	765	30 450
Regroupements d'entreprises	-	(2 933)	(10 041)	-	(3 238)	(16 212)
Cessions autres que Coditel	-	-	328	-	-	328
Cession de Coditel	-	222	14 061	-	12 978	27 261
Reclassements	-	1 555	10 891	-	(86 448)	(74 002)
Solde au 31 décembre 2010	-	(24 649)	(1 080 272)	(678)	(81 913)	**(1 187 512)**
Valeur comptable nette						
Solde au 1er janvier 2010	1 422	29 289	1 248 582	79 357	119 055	**1 477 705**
Solde au 31 décembre 2010	1 352	29 883	1 227 230	71 641	10 796	**1 340 903**

La valeur nette comptable des actifs détenus par le biais de contrats de location financement se décompose de la manière suivante :

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Terrains	1 029	1 029	1 029
Bâtiments	6 868	7 179	7 489
Réseau et équipements techniques	31 632	25 897	18 886
Autres	160	108	200
	39 689	**34 213**	**27 604**

15 Tests de dépréciation

15.1 Allocation de l'écart d'acquisition entre les unités génératrices de trésorerie (« UGT »)

Conformément à la norme IAS 36 *Dépréciations d'actifs* (« **IAS 36** »), l'écart d'acquisition a été réparti entre deux UGT. La première, « Activités B2C », comprend les filiales opérationnelles de la société Ypso, à savoir Numericable, NC Numericable et Est Videocommunication. La seconde, « Activités B2B », correspond à la principale entité opérationnelle de la société Altice, à savoir Completel SAS.

15.2 Principales hypothèses retenues pour déterminer la valeur recouvrable des UGT

Le test de dépréciation de l'écart d'acquisition a été réalisé sur la base des unités génératrices de trésorerie définies ci-dessus. Conformément à la norme IAS 36 relative à la dépréciation des actifs, le test de dépréciation est réalisé en comparant la valeur comptable et la valeur recouvrable. La valeur recouvrable est déterminée à partir de la valeur d'utilité calculée selon la méthode des flux de trésorerie actualisés.

La valeur d'utilité est déterminée en utilisant des projections de trésorerie fondées sur des budgets financiers validés par la Direction et portant sur des périodes respesctives de 8 ans pour l'UGT B2C et de 6 ans pour l'UGT B2B. La période de projection relativement longue pour l'estimation des flux de trésorerie futurs est justifiée par la relation contractuelle de longue durée avec les clients.

Les projections en matière de nombre d'abonnés, de chiffre d'affaires, de coûts et d'investissements sont fondées sur des hypothèses raisonnables et correspondent aux meilleures estimations de la direction. Les principales hypothèses sont relatives aux nombre d'abonnés et au niveau de dépenses d'amélioration des infrastructures du réseau. Les projections sont fondées aussi bien sur l'expérience passée que sur le taux de pénétration anticipé pour les différents produits.

Comme indiqué dans la note 3, l'établissement de la valeur d'utilité dépend d'hypothèses en matière de taux d'actualisation et de taux de croissance à l'infini. Ces hypothèses peuvent évoluer, ce qui pourrait se traduire par une baisse de la valeur recouvrable en-deçà de la valeur comptable, ce qui entraînerait la constatation d'une dépréciation.

Aucune dépréciation n'a été constatée au 31 décembre 2012, 2011 et 2010.

La valeur d'utilité est déterminée à partir des estimations suivantes aux 31 décembre 2012, 2011 et 2010 :

CGU « Opérations B2C »	**2012**	**2011**	**2010**
Durée de la période de projection	8 ans	8 ans	8 ans
Taux d'actualisation appliqué aux projections des flux de trésorerie	7,56%	8,18%	8,02%
Taux de croissance à l'infini (« GTP ») utilisé pour le calcul de la valeur terminale	1,75%	1,75%	1,50%

En termes de sensibilité des montants recouvrables, une variation à la hausse ou à la baisse de 0,25% du taux d'actualisation se traduirait par une diminution / augmentation de la valeur recouvrable d'environ 145 millions d'euros. De même, une variation à la hausse ou à la baisse de 0,25% du taux de croissance à l'infini se traduirait par une augmentation / diminution de la valeur recouvrable d'environ 100 millions d'euros.

Au 31 décembre 2012, la valeur recouvrable serait égale à la valeur comptable si les principales hypothèses évoluaient comme suit :

- augmentation du taux d'actualisation de 7,56% à 10,60%;
- diminution du taux de croissance à l'infini de 1,75% à -3,62% ;
- Baisse de la marge brute de 10,1%, de 49,4% en moyenne à 39,3% en moyenne.

CGU « Opérations B2B »	**2012**	**2011**	**2010**
Durée de la période de projection	6 ans	6 ans	6 ans
Taux d'actualisation appliqué aux projections des flux de trésorerie	9,42%	10,25%	9,77%
Taux de croissance à l'infini (« GTP ») utiliés pour le calcul de la valeur terminale	1,00%	1,00%	1,00%

En termes de sensibilité des montants recouvrables, une variation à la hausse ou à la baisse de 0,25% du taux d'actualisation se traduirait par une dimunution / augmentation de la valeur recouvrable d'environ 60 millions d'euros. De même, une variation à la hausse ou à la baisse de 0,25% du taux de croissance à l'infini se traduirait par une augmentation / une diminution de la valeur recouvrable d'environ 40 millions d'euros.

Au 31 décembre 2012, la valeur recouvrable serait égale à la valeur comptable si les hypothèses principales évoluaient comme suit:

- augmentation du taux d'actualisation de 9,42% à 18,75%;
- diminution du taux de croissance à l'infini de 1% à -26,25% ;
- baisse de la marge brute de 38,9% en moyenne à 24,4% en moyenne.

16 Titres mis en équivalence

Le Groupe Combiné exerce une influence notable sur Alsace Connexia Participation, une filiale intégrée selon la méthode de la mise en équivalence. Alsace Connexia Participation était à l'origine détenue à 38,14% par Ypso France, à 38,15% par LD Collectivités et à 23,71% par Sogetrel Réseaux. En 2009, LD Collectivités a acquis la participation de Sogetrel Réseaux, et détient désormais une participation majoritaire (61,86%) dans Alsace Connexia Participation.

Alsace Connexia Participation possède une participation de 70% dans Alsace Connexia. Cette dernière est titulaire d'un contrat de délégation de service public qui lui a été attribué par la Région Alsace, pour la conception, la réalisation, le financement, l'exploitation et la commercialisation d'une infrastructure de télécommunications sur la région pour une période de 15 ans. Le contrat de concession est entré en vigueur le 3 février 2005.

Le tableau ci-après détaille les actifs nets et les résultats opérationnels d'Alsace Connexia Participation :

(en milliers d'euros)	31 décembre 2012	31 décembre 2011	31 décembre 2010
Actif net	8 888	9 413	10 227
Quote-part de l'actif net	3 378	3 577	3 886

(en milliers d'euros)	2012	2011	2010
Chiffre d'affaires (Alsace Connexia)	13 050	12 027	12 674
Résultat net	(524)	(815)	968
Quote-part de résultat	(199)	(310)	368

17 Autres actifs financiers courants et non courants

(en milliers d'euros)	Courants			Non courants		
	31 décembre 2012	**31 décembre 2011**	**31 décembre 2010**	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Instruments dérivés	-	-	-	5	313	2 380
Participations dans des entités qui ne sont pas comprises dans la combinaison	-	-	-	35	52	71
Autres actifs financiers	4 034	42	249	6 791	7 396	4 920
Total des actifs financiers	**4 034**	**42**	**249**	**6 831**	**7 761**	**7 371**

Comme indiqué dans la note 27.3, le Groupe Combiné dispose de contrats de cap de taux qui lui permettent de limiter son exposition aux taux d'intérêts mais ces instruments ne sont pas considérés comme des instruments de couverture au sens de la norme IAS 39. En conséquence, les variations de juste valeur de ces instruments dérivés sont constatées immédiatement dans le compte de résultat en résultat financier car ces instruments sont directement liés à l'application de la politique de gestion des risques de taux d'intérêt du Groupe, même s'ils ne sont considérés comme des instruments de couverture au sens de la norme IAS 39.

Ces instruments dérivés sont classés dans les actifs financiers non courants car ils ne sont pas détenus dans le but principal de les revendre, mais détenus à des fins de couverture du risque de taux.

En 2009, le Groupe Combiné a conclu des contrats de cap de taux, dont l'objectif est d'obtenir une compensation financière dans le cas où le taux d'intérêt dépasserait un seuil prédéterminé (*strike*). Ces caps de taux sont évalués à leur juste valeur et classés comme actifs financiers non courants pour un montant de 5 milliers d'euros au 31 décembre 2012 et 313 milliers d'euros au 31 décembre 2011.

Les participations dans des entités qui ne sont pas comprises dans la combinaison et classées comme actifs disponibles à la vente incluent notamment Câble Toulousain de Videocom, Médiamétrie Expansion, Rennes Cité Média et TV7 Bordeaux. Ces sociétés ne sont pas comprises dans le périmètre de combinaison car le Groupe n'a pas de contrôle ou d'influence notable sur celles-ci.

Au 31 décembre 2012, les autres actifs financiers incluent un gage de 4 millions d'euros accordé dans le cadre de la DSP 92 (voir note 2.11). Le solde correspond à des dépôts de garantie versés par le Groupe Combiné notamment dans le cadre des locations de bâtiments.

18 Stocks

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Valeur brute	46 808	40 033	35 035
Provision pour dépréciation	(1 199)	(1 035)	(1 035)
Valeur nette comptable	**45 609**	**38 998**	**33 843**

Les stocks sont principalement composés de modems et décodeurs utilisés par les clients pour la réception des programmes. Le montant des dépréciations constatées pour ramener les stocks à leur valeur recouvrable est non significatif pour les exercices 2012, 2011 et 2010.

19 Créances clients

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Créances clients	272 864	248 239	242 379
Provision pour dépréciation	(27 167)	(26 770)	(33 069)
Créances clients, nettes	**245 697**	**221 469**	**209 310**
Avances et acomptes	2 211	2 090	4 691
Comptes courants	50	50	2 075
Créances fiscales et sociales	141 806	117 961	117 358
Charges constatées d'avance	18 025	8 15S	9 019
Autres créances	9 582	13 256	14 637
Créances clients et autres créances, nettes	**417 371**	**362 981**	**357 090**

Les créances clients présentées ci-dessus sont classées sont évaluées au coût amorti. Les créances clients ayant une échéance courte, leur juste valeur et leur coût amorti sont équivalents à leur valeur nominale. Les créances clients sont principalement liées aux clients individuels (B2C), qui constituent un très grand nombre de clients répartis dans un grand nombre de zones géographiques.

Clients B2C

Le délai moyen de règlement des clients individuels est de 5 jours. Aucun intérêt de retard n'est appliqué aux créances impayées. Au 31 décembre 2012, le Groupe Combiné a provisionné les créances individuelles échues à plus de 90 jours à hauteur de 81% sur la base du taux de recouvrement historiquement observé sur ces créances qui s'élève à 19%. Les créances clients individuelles échues entre 0 et 90 jours sont également provisionnées sur la base de l'historique de recouvrement et d'une analyse de la situation financière du client.

Clients B2B

Au 31 décembre 2012, le Groupe Combiné a provisionné les créances clients B2B échues à plus de 90 jours à hauteur de 60% sur la base du taux de recouvrement historiquement observé sur ces créances qui s'élève à 40%.

Les créances clients présentées dans le tableau ci-dessus incluent des créances impayées à la clôture de l'exercice (se référer également à l'échéancier des créances clients ci-dessous), qui n'ont pas été provisionnées en l'absence de variation significative du risque de crédit et dans la mesure où les sommes sont toujours considérées comme recouvrables. Le Groupe ne dispose pas d'assurance crédit sur ces créances et ne peut légalement pas compenser ces créances avec les montants que le Groupe Combinés doit à la contrepartie.

Echéances des créances clients

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Non exigible	121 232	101 927	73 809
0-90 jours	62 825	43 983	53 739
> 90 jours	88 808	102 329	114 831
Total	**272 864**	**248 239**	**242 379**

La concentration du risque de crédit est limitée étant donné que la base de clients est vaste et disparate. Aucun client ne représente plus de 5% du total des créances clients.

La variation de la provision pour dépréciation des créances clients est comme suit:

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Solde au début de l'exercice	**(26 770)**	**(33 068)**	**(32 558)**
Dotation de l'exercice	(9 322)	-	(6 435)
Pertes sur créances irrécouvrables	8 925	4 395	3 746
Reprise de provision pour dépréciation	-	1 903	-
Créances classées dans les actifs déstinés à être cédés	-	-	2 924
Regroupements d'entreprises	-	-	(745)
Solde à la clôture de l'exercice	**(27 167)**	**(26 770)**	**(33 068)**

20 Trésorerie et équivalents de trésorerie

La trésorerie et les équivalents de trésorerie présentés dans le tableau des flux de trésorerie combiné incluent les disponibilités et dépots à court-terme. La réconciliation entre la position de trésorerie présentée dans le tableau des flux de trésorerie combiné et la trésorerie présentée dans la rubrique « Trésorerie et équivalents de trésorerie » du bilan combiné est comme suit:

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Disponibilités	7 996	40 580	30 897
Equivalents de trésorerie	-	-	-
Trésorerie et équivalents de trésorerie présentés dans le bilan combiné	**7 996**	**40 580**	**30 897**
Trésorerie des activités cédées ou en cours de cession	-	-	3 656
Découverts bancaires comptabilisés en dettes financières dans le bilan combiné	-	-	-
Trésorerie et équivalents de trésorerie présentés dans le tableau des flux de trésorerie combiné	**7 996**	**40 580**	**34 553**

Aux 31 décembre 2012, 2011 et 2010, aucun équivalent de trésorerie n'était détenu par le Groupe Combiné.

21 Capitaux propres combinés

Aux 31 décembre 2012, 2011 et 2010, et au 1er janvier 2010, les capitaux propres combinés correspondent à l'addition des capital sociaux et des réserves consolidées des deux sous-groupes Ypso et Altice B2B.

21.1 Dividendes

Le Groupe Combiné n'a pas distribué de dividendes à ses actionnaires au cours des exercices 2012, 2011 et 2010. Le Groupe Combiné ne prévoit pas de distribuer de dividendes en 2013.

21.2 Gestion du risque en matière de capital

Le Groupe Combiné gère ses ressources en capital de manière à assurer la pérennité de l'activité de ses entités opérationnelles et le meilleur rendement possible pour les actionnaires, en optimisant son endettement et ses fonds propres, notamment via des remboursements anticipés de sa dette financière. La stratégie globale du Groupe Combiné est restée inchangée de 2010 à 2012.

La structure financière du Groupe Combiné se compose de l'endettement net (passifs financiers tels que détaillés à la note 22 minorés de la trésorerie et des équivalents de trésorerie) et des fonds propres du Groupe Combiné (qui incluent les réserves ainsi que les capitaux propres attribuables aux participations ne donnant pas le contrôle tels que détaillés dans le tableau combiné de variations des capitaux propres).

22 Passifs financiers

Les passifs financiers se décomposent de la manière suivante :

(en milliers d'euros)		Courants			Non courants		
	Note	31 décembre 2012	31 décembre 2011	31 décembre 2010	31 décembre 2012	31 décembre 2011	31 décembre 2010
Passifs financiers dans le cadre du *Senior Facility Agreement*	22.1	93 187	170 300	186 453	2 707 498	2 701 109	2 953 503
Titres subordonnés à durée indéterminée	22.2	-	-	-	35 208	32 880	30 710
Passifs financiers dans le cadre de contrats de location-financement	29.2	19 432	19 967	9 618	7 886	9 631	14 776
Autres passifs financiers	22.4	2 113	1 297	1 097	131 234	125 359	118 316
Total des prêts et passifs financiers		**114 732**	**191 564**	**197 168**	**2 881 826**	**2 868 979**	**3 117 306**
Instruments dérivés		-	-	21 580	-	1 106	6 508
Dépôts de garantie reçus de clients	22.3	-	-	-	44 517	42 896	50 712
Découverts bancaires		-	-	-	-	-	-
Total des passifs financiers		**114 732**	**191 564**	**218 748**	**2 926 343**	**2 912 981**	**3 174 526**

Compte tenu des renégociations réalisées en juillet et août 2013 et comme décrit à la note 32, l'échéancier des passifs financiers dans le cadre du *Senior Facility Agreement* a été modifié.

22.1 Passifs financiers dans le cadre du Senior Facility Agreement

Senior Facility Agreement accordé à Ypso

Le Groupe Combiné a conclu un contrat dit *Senior Facility Agreement* (« **SFA** ») en date du 6 juin 2006 (amendé le 18 juillet 2006, le 28 juillet 2006 et le 2 mars 2007, amendé par courrier daté du 24 juin 2008, amendé le 9 décembre 2009 et le 8 septembre 2011 et amendé par courrier daté du 12 janvier 2012, accepté par l'agent le 24 janvier 2012 et amendé par courrier daté du 25 septembre 2012, accepté par l'agent le 12 octobre 2012) auprès de BNP Paribas, CALYON, Lehman Brothers Bankhaus AG, London Branch et Morgan Stanley Bank International Limited, en tant que chefs de file, BNP Paribas en tant qu'agent et *security agent* et d'autres prêteurs. Certaines filiales du Groupe Combiné se sont portées garantes dans le cadre du SFA, chacune assumant, dans certaines limites, les obligations des autres emprunteurs et garants dans le cadre du SFA.

Le montant initialement mis à disposition dans le cadre du SFA était de 3 225 millions d'euros. Au 31 décembre 2012, le solde dû s'élevait à 2 347 millions d'euros.

Des engagements financiers (*covenants*) sont attachés au SFA et pourraient avoir un impact sur les taux d'intérêt supportés par le Groupe Combiné ainsi que sur les marges applicables au SFA (voir détails ci-dessous).

Senior Facility Agreement accordé à Altice B2B

Le Groupe Combiné a conclu un *Senior Facility Agreement* (« **SFA** ») en date du 29 août 2007, amendé le 12 mars 2008, le 12 août 2008, le 30 septembre 2009, le 10 décembre 2010 et le 28 février 2011 auprès de CALYON, en tant que chef de file et *security agent* et d'autres prêteurs. Certaines filiales du Groupe Combiné se sont portées garantes dans le cadre du SFA, chacune assumant, dans certaines limites, les obligations des autres emprunteurs et garants dans le cadre du SFA.

Le montant initialement mis à disposition dans le cadre du SFA était de 551 millions d'euros. Au 31 décembre 2012, le solde dû s'établissait à 453 millions d'euros.

Des engagements financiers (*covenants*) sont attachés au SFA et pourraient avoir un impact sur les taux d'intérêt supportés par le Groupe Combiné ainsi que sur les marges applicables au SFA (voir détails ci-dessous).

Refinancement de la dette en 2012

En 2012, comme indiqué en note 4.1.1 « Evénements significatifs de la période », le Groupe Combiné a émis trois emprunts obligataires pour refinancer une partie de sa dette à court terme dans le cadre des SFA. L'émetteur des obligations est Numericable Finance & Co. S.C.A. (société de titrisation non réglementée constituée sous forme de société en commandite par actions de droit luxembourgeois).

Le produit des émissions obligataires a été utilisé par Numericable Finance & Co. pour financer trois nouveaux emprunts auprès de la banque prêteuse (JP Morgan) dans le cadre du *Senior Facility Agreement* à destination d'Ypso France SAS :

- une tranche « C-One » de 360 millions d'euros ;
- une tranche « C-Two A » de 225 millions d'euros ;
- une tranche « C-Two B » de 275 millions d'euros.

En 2012, le *Senior Facility Amendment and Restatement* conclu en septembre 2011 est entré en vigueur. Celui-ci divise chaque tranche en deux. Les tranches non prorogées et prorogées sont respectivement nommées Facility I et Facility II. Les tranches prorogées et non prorogées ont des maturités différentes (les tranches prorogées ont une maturité de deux ans de plus que les tranches non prorogées) et des prix différents (voir tableau ci-dessous).

Tranche	Maturité
A (Recap) I	15 juin 2013
A (Recap) II	6 juin 2015
A (Acq) I	15 juin 2013
A (Acq) II	6 juin 2015
B (Recap) I	15 juin 2014
B (Recap) II	6 juin 2016
B (Acq) I	15 juin 2014
B (Acq) II	6 juin 2016
C (Recap) I	31 décembre 2015
C (Recap) II	31 décembre 2017
C (Acq) I	31 décembre 2015
C (Acq) II	31 décembre 2017
Capital Investment I	15 juin 2013
Capital Investment II	6 juin 2015
Additional Revolving Facility	31 mars 2016 au plus tôt

Garanties et caution

Les tranches sont garanties sans condition et de façon irrévocable, conjointement et individuellement par chacun des garants dans le cadre du *Senior Facility Agreement*, sous réserve de certaines limites légales.

Les tranches sont garanties par des sûretés réelles, notamment un nantissement des actions d'Ypso France SAS, d'Altice B2B France et de certaines de leurs filiales.

Covenants

La mise à disposition des tranches senior mentionnées à la Note 22.1 ne dépend pas des notes de crédit du groupe combiné, mais de son respect des *covenants* financiers liés à la capacité du groupe Ypso à générer suffisamment de trésorerie pour rembourser sa dette nette. En conséquence, le *Senior Facility Agreement* comprend des engagements opérationnels et financiers, avec des exceptions particulières, notamment des engagements limitant la capacité du groupe combiné à :

- s'associer, fusionner ou intégrer toute autre personne, faire l'objet d'une refonte ou modifier de manière significative la nature de l'activité du groupe combiné dans son ensemble ;
- céder, transférer, louer, prêter ou renoncer à tout ou partie de ses actifs, ou signer un accord à ces fins ;
- entreprendre des transactions importantes non liées aux conditions commerciales normales et ce pour la totalité de la valeur marchande ;
- réaliser des acquisitions ou des investissements ;
- ouvrir ou conserver tout compte auprès d'une banque ou d'une institution financières proposant des services autres que ceux d'une banque ou institution de crédit autorisée à entreprendre des transactions bancaires en France, en Belgique ou au Luxembourg ;
- allouer ou émettre des actions ou des titres ;
- modifier la date de clôture de l'exercice.

Le *Senior Facility Agreement* oblige également le groupe combiné à se conformer aux engagements financiers suivants :

- un ratio maximum de dette nette consolidée rapporté à l'excédent brut d'exploitation (EBITDA) annualisé ;
- un ratio minimum de trésorerie consolidée rapporté au service de la dette;
- un ratio minimum d'EBITDA annualisé rapporté à la charge d'intérêts consolidée et
- un niveau maximum d'investissements annuel.

Le respect des engagements est vérifié tous les trimestres et un audit annuel au 31 décembre est réalisé lors de la préparation des comptes consolidés établis conformément aux principes comptables français. Depuis la mise en œuvre du SFA, le groupe combiné a toujours respecté les engagements financiers prévus par celui-ci.

Comme prévu dans le cadre du SFA, les covenants sont calculés sur la base d'agrégats financiers déterminés conformément aux principes comptables français, et non pas aux normes IFRS. En conséquence, l'EBITDA annualisé utilisé pour le caclul des covenant est différent de celui présenté dans le compte de résultat consolidé du groupe Ypso.

L'EBITDA annualise est calculé en additionnant les EBITDA des deux derniers trimestres et en multipliant le résultat par deux. Il ne peut donc pas être réconcilié avec l'EBITDA présenté dans les comptes consolidés préparés par le groupe Ypso.

22.2 Titres Subordonnés à Durée Indéterminée

En 2006, un montant de 23,7 millions d'euros a été émis sous la forme de Titres Subordonnés à Durée Indéterminée (« **TDSI** ») par NC Numericable, une filiale du Groupe Combiné, à destination d'un seul souscripteur, GDF Suez Groupe (Vilorex)(interets capitalisés exclus). Les fonds issus de cet emprunt sont destinés à financer la construction de prises des villes comprises dans la plaque sud du SIPPEREC (*Syndicat Intercommunal de la Périphérie de Paris pour l'Electricité et les Réseaux de Communication*), un regroupement de villes situées dans l'agglomération parisienne. L'emprunt est rémunéré à un taux d'intérêt annuel de 7% appliqué sur le montant non amorti des TSDI. Les intérêts des titres sont capitalisés. Le remboursement est soumis à conditions. Le montant total des intérêts courus sur les TSDI s'élevait respectivement à 11,6 millions d'euros et 9,2 millions d'euros aux 31 décembre 2012 et 2011 et ont été classés dans les passifs financiers non courants dans le tableau figurant en note 22.

L'instrument contient une obligation contractuelle de remboursement en numéraire (intérêts inclus) dans le cas où les cash flows générés par l'activité permettraient au Groupe Combiné de rembourser le prêt. En vertu des stipulations du contrat, le paiement des intérêts et le remboursement de la dette dépendent du niveau de trésorerie généré mais le Groupe Combiné ne dispose pas de droit inconditionnel qui lui permettrait d'éviter le remboursement. En conséquence, l'instrument est considéré comme un passif financier évalué au coût amorti conformément à la norme IAS 32.

22.3 Dépôts de garantie reçus de clients

Les dépôts de garantie reçus de clients représentent respectivement 44,5 millions d'euros, 42,9 millions d'euros et 50,7 millions d'euros aux 31 décembre 2012, 2011 et 2010. Ces dépôts sont versés par les clients lorsqu'ils reçoivent les équipements fournis par le Groupe Combiné. Ce dépôt leur est remboursé à la fin de la période contractuelle si les factures et le matériel renvoyé. A la cloture de chaque exercice, les dépôts de garantie sont comptabilisés dans les passifs non courants.

22.4 Autres passifs financiers

Au 31 décembre 2012, 2011 et 2010, les autres passifs financiers sont principalement composés de :

- La dette d'Ypso Holding Lux S.à.r.l. à l'égard des actionnaires pour un montant de 128 962 milliers d'euros. Il est prévu que cette dette subordonnée envers les actionnaires soit remboursée dans son intégralité dans le cadre de l'admission aux négociations sur Euronext Paris des actions de la Société;
- La dette de Numericable à l'égard de plusieurs banques (principalement envers la *Caisse d'Epargne d'Alsace-Lorraine*) pour 2 374 milliers d'euros.

23 Provisions et passifs éventuels

La décomposition et l'évolution des provisions pour les exercices clos au 31 décembre 2012, 2011 et 2010 sont comme suit:

(en milliers d'euros)	1er janvier 2012	Dotation	Utilisation	Reprise	Reclass.	31 décembre 2012
Provisions pour retraites	6 101	2 357	-	(3)	-	8 455
Provisions pour litiges prudhommaux	3 604	1 183	(719)	-	-	4 068
Provisions pour litiges commerciaux	21 935	6 252	(8 829)	(1 315)	-	18 043
Provisions pour risques fiscaux	26 977	212	(2 093)	-	-	25 096
Autres	13 227	1 395	(3 902)	-	-	10 720
	71 845	11 399	(15 543)	(1 318)	-	66 382

* Voir note 11.5.

(en milliers d'euros)	1er janvier 2011	Dotation	Utilisation	Reprise	Reclass. *	31 décembre 2011
Provisions pour retraites	5 545	576	-	(20)	-	6 101
Provisions pour litiges prudhommaux	7 789	749	(689)	(3 495)	(750)	3 604
Provisions pour litiges commerciaux	865	11 441	(215)	(2 068)	11 912	21 935
Provisions pour risques fiscaux	16 224	10 861	(108)	-	-	26 977
Autres	18 254	6 135	-	-	(11 162)	13 227
	48 677	29 762	(1 012)	(5 583)	-	71 845

* ce reclassement réalisé en 2011 porte principalement sur des risques commerciaux qui étaient classés dans la rubrique « Autres » au 1er janvier 2011 et qui ont été reclassés dans la rubrique « Provisions pour litiges commerciaux » fin 2011.

(en milliers d'euros)	1er janvier 2010	Dotation	Utilisation	Annulation	Reclass.	Cession de Coditel	31 décembre 2010
Provisions pour retraites	10 697	1 078	-	(21)	1	(6 210)	5 545
Provisions pour litiges prudhommaux	6 396	3 598	(1 003)	(1 411)	209	-	7 789
Provisions pour litiges commerciaux	9 219	197	(162)	(5 102)	(3 287)	-	865
Provisions pour risques fiscaux	13 045	4 959	-	(1 395)	-	(385)	16 224
Autres	7 841	9 558	(1 373)	-	3 078	(851)	18 253
	47 198	19 390	(2 538)	(7 929)	1	(7 446)	48 677

Le montant des provisions est principalement non courant aux 31 décembre 2012, 2011 et 2010.

Le Groupe Combiné est impliqué dans des procédures judiciaires, administratives ou réglementaires dans le cours normal de son activité.

Une provision est enregistrée par le Groupe Combiné dès lors qu'il existe une probabilité suffisante que de tels litiges entraînent des coûts à la charge du Groupe Combiné et que le montant de ces coûts peut être raisonnablement estimé. Certaines sociétés du Groupe Combiné sont parties à un certain nombre de contentieux liés aux activités ordinaires du Groupe. Seuls les procédures et litiges les plus significatifs auxquels le Groupe Combiné est partie sont décrits ci-après.

Le Groupe Combiné n'a pas connaissance d'autres procédures gouvernementales, judiciaires ou d'arbitrage (y compris toute procédure dont le Groupe a connaissance, qui est en suspens ou dont le Groupe est menacé) que celles mentionnées ci-dessous au présent paragraphe, susceptibles d'avoir ou ayant eu au cours des douze derniers mois des effets significatifs sur la situation financière ou la rentabilité de la Société ou du Groupe.

23.1 Litiges fiscaux

L'administration fiscale française a procédé à des vérifications sur diverses sociétés du Groupe Combiné depuis 2005 en ce qui concerne les taux de TVA applicables aux offres multi-play du Groupe Combiné. En droit fiscal français, les services de télévision sont assujettis à un taux de TVA à 5,5%, qui a été porté à 7% à compter du 1er janvier 2012, tandis que les services internet et de téléphonie sont soumis à un taux de TVA de 19,6%. Lors de la commercialisation d'offres multi-play, le Groupe Combiné applique une réduction de prix par rapport au prix auquel il facturerait ces services sur une base individuelle. Le Groupe impute cette réduction de prix principalement sur la part du prix de ses offres multi-play correspondant aux services internet et de téléphonie, parce que ces services ont été plus récemment inclus dans le catalogue d'offres du Groupe Combiné. Par conséquent, la TVA facturée aux abonnés multi-play du Groupe Combiné est inférieure à celle qui leur serait facturée si la réduction de prix devait s'imputer principalement sur la part du prix de ses offres multi-play correspondant aux services de télévision ou au prorata sur l'ensemble des services.

L'administration fiscale française considère que ces réductions de prix auraient dû être imputées au prorata sur le prix individuel de chacun des services (télévision, internet haut débit, téléphonie fixe et/ou mobile) inclus dans les offres multi-play du Groupe et a adressé des propositions de rectification en ce sens pour les exercices 2006 à 2010.

Le Groupe Combiné a formellement contesté les redressements fiscaux relatifs aux exercices 2006 à 2009. Le Groupe a par ailleurs saisi le Ministère des Finances en décembre 2011 et a sollicité un règlement d'ensemble des rectifications opérées par l'administration concernant les différentes sociétés du Groupe Combiné pour la période 2006 à 2009. Suite à ces demandes, l'administration a revu à la baisse les montants des redressements pour les années 2008 et 2009 en incluant dans son calcul une limitation basée sur la règle du 50/50 applicable sur la TVA composite qui était en vigueur de 2008 à 2010. Les nouveaux montants des redressements s'élevant à 17,3 millions d'euros (hors pénalités de 40%) pour la période 2006 - 2009 ont été communiqués au Groupe Combiné fin août 2012.

En parallèle, en 2012, l'administration fiscale a initié une procédure de vérification du Groupe Combiné pour l'exercice 2010, dans les mêmes conditions et pour les mêmes raisons que les vérifications décrites ci-dessus dont le Groupe Combiné a fait l'objet dans le passé. Ces procédures ont donné lieu à l'établissement de propositions de rectifications fin juin 2013, calculées à l'identique de 2007 à 2009, pour un montant total de 6,1 millions d'euros (hors pénalités de 40%). Le Groupe Combiné a contesté les rectifications opérées fin août 2013.

L'administration a également mis en recouvrement le rappel de l'année 2006 sur NC Numericable (soit environ 2 millions d'euros). Le Groupe Combiné a demandé un sursis de paiement et déposé une réclamation en septembre 2012 qui a été rejetée par l'administration fiscale le 27 juin 2013. Le Groupe Combiné a introduit une requête introductive d'instance en date du 20 août 2013.

Au 31 décembre 2012, une provision fiscale pour un montant total de 25,1 millions d'euros a été comptabilisée couvrant essentiellement la totalité des risques TVA (hors pénalités de 40% dont le montant s'élève à 7,1 millions d'euros) au titre des rectifications notifiées portant sur les exercices 2006 à 2010 (soit 23,5 millions d'euros) Le Groupe a répondu le 21 août 2013 pour contester les rectifications proposées) L'année 2011 ne fait pas l'objet d'un contrôle.

Les règles de TVA applicables aux offres multiplay ont changé à compter du 1er janvier 2011.

23.2 Litiges civils et commerciaux

23.2.1 Litige avec Orange concernant certains IRUs

Le Groupe Combiné a conclu quatre IRUs non-exclusifs avec Orange, les 6 mai 1999, 18 mai 2001, 2 juillet 2004 et 21 décembre 2004, dans le cadre de l'acquisition par le Groupe Combiné de certaines entreprises exploitant des réseaux câblés construits par Orange. Ces réseaux câblés sont accessibles uniquement grâce aux installations de génie civil d'Orange (principalement ses conduits) qui sont mises à la disposition du Groupe Combiné par Orange aux termes de ces IRUs non-exclusifs. Chacun de ces IRUs couvre une zone géographique différente et a été conclu pour une durée de 20 ans.

En application de la décision de l'ARCEP numéro 2008-0835 du 24 juillet 2008, Orange a publié, le 15 septembre 2008, une offre technique et tarifaire d'accès aux infrastructures de génie civil constitutives de la boucle locale filaire à destination des opérateurs de télécommunications permettant aux opérateurs de déployer leurs propres réseaux de fibre optique dans les conduits d'Orange. Les termes de cette offre technique et tarifaire obligatoire sont plus restrictifs que ceux dont le Groupe Combiné bénéficiait aux termes des IRUs qu'il a conclus avec Orange. Orange a ensuite demandé à Numericable de suivre les procédures générales d'accès aux installations de génie civil d'Orange, pour le maintien et l'amélioration de son réseau. Cette affaire a été portée devant l'ARCEP (le 4 novembre 2010) et la Cour d'appel de Paris (le 23 juin 2011) qui ont chacune statué en faveur d'Orange. Numericable a formé un pourvoi en cassation et, le 25 septembre 2012, la Cour de cassation, pour l'essentiel, a confirmé la décision de la Cour d'appel de Paris.

Par ailleurs, le 21 octobre 2011, l'ARCEP engagé une procédure de sanction à l'encontre de Numericable en raison du non-respect par Numericable de la décision de l'ARCEP du 4 novembre 2010. Par conséquent, en décembre 2011, Numericable a conclu des avenants aux IRUs avec Orange afin de se conformer à la décision de l'ARCEP du 4 novembre 2010 et d'aligner les procédures d'exploitation prévues au titre des IRUs avec les procédures définies dans l'offre technique et tarifaire générale publiée par Orange.

La conclusion des avenants aux IRUs n'a toutefois pas suspendu la procédure de sanction initiée par l'ARCEP et, le 20 décembre 2011, Numericable a été condamné à payer une amende de 5,0 millions d'euros pour non-respect de la décision de l'ARCEP du 4 novembre 2010. Numericable a déposé un recours devant le Conseil d'Etat à l'encontre de cette décision. La procédure est toujours en cours devant le Conseil d'Etat. Aucun calendrier de procédure n'a été établi à ce jour. Dans le cadre de ce recours, Numericable a soulevé une question préjudicielle de constitutionalité, renvoyée devant le Conseil constitutionnel, sur la conformité à la constitution de l'Article L. 36-11 du CPCE qui prévoit les pouvoirs de sanction de l'ARCEP. Le 5 juillet 2013, le Conseil constitutionnel a fait droit à la demande de Numericable et a invalidé les alinéas 1 à 12 de l'Article L. 36-11 du CPCE sur le fondement desquels la décision de sanction de l'ARCEP du 20 décembre 2011 mentionnée ci-dessus a été rendue. Numéricable a demandé au Conseil d'Etat de tirer les conséquences de cette décision et d'annuler, en conséquence, la décision de l'ARCEP du 20 décembre 2011.

En parallèle, Numericable a assigné Orange devant le tribunal de commerce de Paris le 7 octobre 2010 et demande sa condamnation au paiement de la somme de 2,7 milliards d'euros à titre de dommages et intérêts pour le préjudice résultant de la violation et la modification des IRUs par Orange. Le 23 avril 2012, le tribunal de commerce de Paris s'est prononcé en faveur d'Orange et a rejeté les demandes en dommages et intérêts de Numericable, estimant qu'il n'y avait pas de différences significatives entre les procédures d'exploitation d'origine et les nouvelles procédures d'exploitation imposées à Numericable par Orange aux termes de son offre technique et tarifaire générale publiée le 15 septembre 2008. Numericable a interjeté appel de cette décision devant la Cour d'appel de Paris et demande le même montant de dommages et intérêts. Orange, de son côté, soutient que cette procédure a affecté de manière significative sa marque et son image et demande la condamnation de Numericable au paiement de la somme de 50 millions d'euros à titre de dommages et intérêts. La Cour d'Appel de Paris devrait rendre sa décision pendant le second trimestre de l'année 2014.

23.2.2 Litige avec Free concernant l'annonce d'une offre mobile

Une action a été intentée le 3 août 2011 à l'encontre de Numericable et NC Numericable devant le tribunal de commerce de Paris par l'opérateur de télécommunications Free concernant le lancement de l'offre mobile de Numericable au printemps 2011 au travers d'un évènement annoncé comme « La révolution du mobile continue ».

Free, qui a utilisé le terme « révolution » pour désigner ses services de téléphonie mobile et dont la dernière offre porte le nom de « Freebox Révolution », affirme, entre autres, que la campagne de Numericable a créé de la confusion chez les consommateurs et a porté atteinte à sa marque et à son image. Par deux assignations, Free demande la condamnation de Numericable et NC Numericable au paiement d'une somme globale s'élevant à 10 millions d'euros à titre de dommages et intérêts. La procédure est toujours en cours devant le tribunal de commerce de Paris. A l'issue des plaidoiries, le tribunal a sollicité un avis de la direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF) concernant la réalité des allégations de Free au regard du droit de la publicité. La DGCCRF a rendu un avis dans lequel elle indique considérer que les points soulevés par Free ne constituent pas une publicité mensongère ou irrégulière non-conforme au droit de la publicité applicable. Le jugement du tribunal de commerce de Paris devrait être rendu au cours du second semestre 2013.

23.2.3 Litige avec Orange concernant des factures impayées

Par assignation du 6 septembre 2011, Orange a assigné Numericable devant le tribunal de commerce de Paris. Orange invoque le non-paiement par Numericable de factures pour un montant de 3,1 millions d'euros. Ces factures concernent l'occupation par Numericable de l'infrastructure physique d'Orange entre 2005 et 2007, suite à la cession par Orange de ses réseaux câblés à Numericable. Numericable soutient qu'Orange l'a empêché de sortir de ces infrastructures et que, par conséquent, les factures litigieuses ne sont pas dues. Par assignation du 1er février 2012, Orange a assigné Numericable devant le tribunal de commerce de Paris et, sur un fondement identique, demandé sa condamnation au paiement de la somme de 543 000 euros. Ces procédures sont toujours en cours devant le tribunal de commerce de Paris. Aucune date d'audience de plaidoirie n'est fixée à ce jour.

23.2.4 Litiges avec divers éditeurs de services à valeur ajoutée (SVA)

Par assignations groupées en date du 10 février 2013, cinq sociétés éditrices de services téléphoniques à valeur ajoutée qui proposent leurs services au public au moyen de numéros surtaxés (0899) de Completel, ont assigné Completel devant le tribunal de commerce de Nanterre et demandé sa condamnation au paiement de la somme globale de 350 000 euros à titre de remboursement de sommes correspondant à des retenues prélevées par Completel sur les sommes perçues pour leur compte. Completel a procédé à ces retenues en réponse aux pratiques de ces sociétés qu'elle estime contraires aux contrats conclus entre ces sociétés et Completel ainsi qu'aux règles déontologiques du secteur. Elles sollicitent en outre le versement de dommages et intérêts d'un montant global de 12 millions d'euros en réparation du préjudice prétendument subi à raison de la rétention des sommes par Completel.

Par ailleurs, Completel ayant décidé en novembre 2012 de mettre un terme à cette activité, elle a suspendu certains reversements et appliqué diverses pénalités contractuelles à des sociétés commercialisant ce type de services téléphoniques à valeur ajoutée. Certaines de ces sociétés ont assigné Completel devant divers tribunaux de commerce et demandé sa condamnation au paiement des sommes retenues par Completel ou la suppression des pénalités appliquées par Completel. Le montant global montant réclamé s'élève à environ 900 000 euros dont 850 000 euros de sommes perçues pour le compte des éditeurs.

23.2.5 Litige avec Orange concernant l'accès au marché de l'ADSL

Le 5 aout 2010, Completel a assigné Orange devant le tribunal de commerce de Paris et demandé sa condamnation au paiement de la somme d'environ 500 millions d'euros à titre de dommages et intérêts en réparation de son préjudice résultant de pratiques anticoncurrentielles alléguées d'Orange qui auraient retardé la mise en place du dégroupage et l'accès au marché du DSL pour les concurrents d'Orange pendant les années 1999 à 2003. Le 13 décembre 2011, le tribunal de commerce de Paris a rejeté les demandes de Completel. Completel a interjeté appel de ce jugement. La décision de la Cour d'appel de Paris devrait intervenir dans le courant de l'année 2014.

23.2.6 Litiges prud'homaux

Le Groupe est impliqué dans un certain nombre de litiges prud'homaux dont une part importante résulte de la dernière période de fusion survenue en 2006-2007, avec UPC-NOOS, qui a donné lieu, jusqu'en 2009, à des ajustements et harmonisations des pratiques sociales qui ont pu être conflictuels. Le Groupe encourt un risque global de condamnation d'environ 4 millions d'euros pour l'ensemble de ces contentieux. L'essentiel de ces contentieux consiste en une contestation par le salarié des motifs et ou de la forme de son licenciement.

24 Avantages du personnel

En France, les salariés du Groupe Combiné bénéficient d'un régime général de retraite. Le Groupe Combiné reverse ainsi à l'état les cotisations sociales dues dans le cadre de ces régimes généraux. Ce régime est considéré comme un régime à contribution définie tel que défini par la norme IAS 19. Les salariés du Groupe Combiné sont rattachés à la Convention Collective Nationale des Télécommunications, qui est utilisée pour calculer le montant de l'indemnité de retraite dûe lors du départ en retraite du salarié.

Les indemnités de départ à la retraite ont été évalués individuellement, sur la base de plusieurs paramètres et hypothèses, notamment l'âge, le poste occupé, l'ancienneté et le salaire, conformément à leur contrat de travail.

24.1 Hypothèses employées pour les plans de prestations définis

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Taux d'actualisation	3,0%	4,75%	4,75%
Taux de croissance des salaires	3,0%	3,0%	3,0%
Taux d'inflation	2,0%	2,0%	2,0%
Taux de rotation des cadres (moyenne)	7,0%	7,0%	7,0%
Taux de rotation des autres employés (moyenne)	15,0%	15,0%	15,0%

Le taux de rotation peut fortement varier en fonction de l'ancienneté.

24.2 Composantes de la charge

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Coût des services rendus	713	660	555
Charge d'intérêt	287	263	221
Rendement attendu des actifs du plan	-	-	-
Reconnaissance des écarts actuariels	1 496	(244)	281
Coût des services passés	-	-	-
Regroupements d'entreprise	-	22	58
Réductions/Paiements	(57)	(145)	-
Charge au titre des avantages postérieurs à l'emploi	**2 439**	**556**	**1 115**
Perte (Gain) actuariels	1 496	(244)	281
Exprimé en pourcentage de la valeur actuelle des engagements de retraites	17,7%	(4,0)%	5,1%

Les gains et pertes actuariels découlant des variations des hypothèses actuarielles sont comptabilisés directement dans le compte de résultat combiné de l'exercice au cours duquel ils ont été constatés.

L'effet d'actualisation des provisions pour indemnités de départ à la retraite sont comptabilisées dans le compte de résultat dans la rubrique « Charges de personnel ».

24.3 Variation de l'engagement

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Engagement au titre des régimes à prestations définies à l'ouverture de l'exercice	**6,101**	**5,545**	**3,936**
Coût des services rendus	713	660	555
Charge d'intérêt	287	263	221
Apports versés	-	-	-
Ecarts actuariels	1 496	(244)	281
Prestations versées	(87)	-	-
Coût des services passés	-	-	-
Regroupement d'entreprises	-	22	58
Réductions/Paiements	(57)	(145)	-
Engagement au titre des régimes à prestations définies à la clôture de l'exercice	**8,455**	**6,101**	**5,545**

25 Autres passifs non courants

(en milliers d'euros)	**31 décembre 2012**	**31 décembre 2011**	**31 décembre 2010**
Produits constatés d'avance (à plus d'un an)	105 791	94 777	101 402
Dettes fournisseurs non courantes	5 175	5 906	6 634
Dettes fiscales et sociales non courantes	300	300	2 303
Autres passifs non courants	**111 266**	**100 983**	**110 339**

A la clôture de l'exercice, les produits constatés d'avance sont principalement constitués du chiffre d'affaires non reconnu provenant de la location du réseau.

Dans le cadre de certains contrats conclus avec des clients B2B, le Groupe Combiné reçoit des paiements d'avance relatifs à des contrats d'IRU et des frais d'accès aux services. Le chiffre d'affaires relatif à ces contrats est généralement étalé sur la durée du contrat.

La part non courante des produits constatés d'avance présentés dans le tableau ci-dessus correspond au chiffre d'affaires qui sera reconnu dans plus d'un an à compter de la date clôture.

La part courante des produits constatés d'avance (c'est-à-dire qui sera constatée dans les douze mois suivants la clôture de l'exercice) est classée dans la rubrique « Dettes fournisseurs et autres dettes » comme indiqué en note 26.

26 Dettes fournisseurs et autres dettes

(en milliers d'euros)	31 décembre 2012	31 décembre 2011	31 décembre 2010
Dettes fournisseurs courantes	416 183	424 334	392 170
Dettes fournisseurs d'immobilisation	87 145	65 640	69 492
Avances et acomptes reçus	19 884	30 564	34 703
Comptes courants	21 219	13 062	232
Dettes fiscales	87 358	64 353	58 927
Dettes sociales	45 871	39 937	38 490
Produits constatés d'avance (à moins d'un an)	45 319	37 574	36 189
Autres dettes	3 054	23 206	53 670
Dettes fournisseurs et autres dettes	**726 033**	**698 670**	**639 282**

27 Instruments financiers

Les principales règles et méthodes comptables adoptées (critères de reconnaissance, méthodes d'évaluation et méthodes de reconnaissance des produits et charges) pour chaque classe d'actifs financiers, de passifs financiers et d'instruments de capitaux propres sont détaillées dans les notes 2.15 et 2.19.

27.1 Juste valeur des instruments financiers

Méthodes d'évaluation et hypothèses appliquées afin de déterminer la juste valeur des instruments dérivés

La juste valeur des instruments dérivés est calculée à l'aide de prix de marchés. Lorsque de tels cours ne sont pas disponibles, une analyse des flux de trésorerie actualisés est menée, en utilisant la courbe d'intérêt applicable pour la durée des instruments dans le cas de produits dérivés sans option, et des modèles d'évaluation des options dans le cas d'instruments dérivés optionnels. La juste valeur des swaps de taux d'intérêt est mesurée à la valeur actuelle des flux futurs de trésorerie estimés et actualisée selon les courbes de taux applicables dérivées des taux d'intérêts de marché.

Conformément aux amendements apportés à la norme IFRS 7, le Groupe Combiné classe ses instruments financiers évalués à la juste valeur selon trois niveaux (la hiérarchie de la juste valeur).

- Niveau 1 : l'évaluation de la juste valeur est dérivée de prix de marché (non ajustés) issus de marchés actifs pour des actifs ou passifs identiques.
- Niveau 2 : l'évaluation de la juste valeur est dérivée de données autres que les prix de niveau 1, qui sont observables pour l'actif ou le passif, soit directement (par exemple des prix), soit indirectement (par exemple, des éléments dérivant du prix).
- Niveau 3 : l'évaluation de la juste valeur est dérivée de techniques d'évaluation incluant des données sur l'actif ou le passif qui ne sont pas fondées sur des données observables sur le marché (informations non observables).

Des évaluations de niveau 2 ont été utilisées pour les dérivés de taux d'intérêt. Il n'y a pas d'instruments financiers significatifs pour lesquels des évaluations de niveau 1 ou de niveau 3 aient été utilisées et aucun transfert d'instruments financiers n'a eu lieu entre les différents niveaux.

Evaluation de la valeur des autres actifs financiers

Compte tenu de leur courte échéance, la juste valeur de la trésorerie et des équivalents de trésoreries, des créances commerciales et autres actifs courants, des dettes commerciales et autres passifs courants est très proche de leur valeur nette comptable.

Les participations dans des entités non incluses dans le Groupe Combiné sont des titres non cotés. De ce fait, leur juste valeur ne peut pas être mesurée de manière fiable et ils sont donc évalués à leur coût d'acquisition.

Garanties financières

Dans le cadre du *Senior Facility Agreement*, les actifs du Groupe ont été donnés en garantie aux banques prêteuses.

27.2 Actifs financiers

	31 décembre 2012				
			Actifs financiers à la juste valeur au compte de résultats		
(en milliers d'euros)	Disponible à la vente	Prêts et créances	Evalués à la juste valeur au compte de résultats	Détenu en vue du négoce	Total des actifs
Actifs financiers non courants	35	6 791	-	5	6 831
Créances clients	-	442 020	-	-	442 020
Instruments dérivés	-	-	-	-	-
Trésorerie et équivalents de trésorerie	-	7 996	-	-	7 996
Actifs financiers	**35**	**456 807**	-	**5**	**456 847**

	31 décembre 2011				
			Actifs financiers à la juste valeur au compte de résultats		
(en milliers d'euros)	Disponible à la vente	Prêts et créances	Evalués à la juste valeur au compte de résultats	Détenu en vue du négoce	Total des actifs
Actifs financiers non courants	52	7 396	-	313	7 761
Créances clients	-	362 981	-	-	362 981
Instruments dérivés	-	-	-	-	-
Trésorerie et équivalents de trésorerie	-	40 580	-	-	40 580
Actifs financiers	**52**	**410 957**	-	**313**	**411 322**

(en milliers d'euros)	31 décembre 2010				
			Actifs financiers à la juste valeur au compte de résultats		
	Disponible à la vente	Prêts et créances	Evalués à la juste valeur au compte de résultats	Détenu en vue du négoce	Total des actifs
Actifs financiers non courants	71	4 920	-	2 380	7 371
Créances clients	-	357 090	-	-	357 090
Instruments dérivés	-	-	-	-	-
Trésorerie et équivalents de trésorerie	-	30 897	-	-	30 897
Actifs financiers	**71**	**392 907**	**-**	**2 380**	**395 358**

27.3 Passifs financiers

A l'exception des instruments dérivés, les passifs financiers sont évalués à leur coût amorti, qui correspond à la valeur estimée du passif financier au moment de sa comptabilisation initiale, minorée des remboursements en principal, et minorée ou majorée de l'amortissement cumulé, déterminé selon la méthode du taux d'intérêt effectif, provenant de tout écart entre ce montant initial et le montant à la date de maturité, et déduction faite de toute provision pour dépréciation ou irrécouvrabilité.

Les instruments dérivés détenus à des fins de négoce sont évalués à la juste valeur dans le compte de résultat.

27.4 Objectifs de gestion des risques financiers

Objectif de la fonction de trésorerie du Groupe Combiné

Le service trésorerie du Groupe Combiné, commun aux sous-groupes Ypso et Altice B2B, fournit des services, coordonne l'accès aux marchés financiers nationaux et internationaux, évalue et gère les risques financiers liés aux activités du Groupe Combiné par le biais de rapports de risques internes, qui analysent l'exposition aux différents risques financiers. Ces risques comprennent les risques de marché (principalement les risques de taux d'intérêt, puisque les activités du Groupe Combiné ne l'exposent pas aux risques de change), les risques de crédit et les risques de liquidité. L'objectif du Groupe Combiné est de limiter ces risques au maximum en utilisant des instruments financiers dérivés pour couvrir les risques d'exposition. Le Groupe Combiné ne dispose d'aucun instrument financier, dérivés inclus, ni n'opère de transaction sur ceux-ci, à des fins spéculatives.

Le service trésorerie présente tous les mois un rapport à la direction du Groupe Combiné qui supervise les risques et les mesures adoptées pour limiter l'exposition aux risques.

Gestion des risques liés au taux d'intérêt

Le Groupe Combiné est exposé aux risques lies au taux d'intérêt car il emprunte des fonds, la plupart du temps à un taux d'intérêt variable. Le Groupe Combiné limite ces risques en concluant des contrats de swap de taux d'intérêt et des contrats de cap de taux. Bien que le Groupe Combiné n'applique pas les dispositions de la norme IAS 39 en matière de comptabilité de couverture, la stratégie de couverture est régulièrement revue de manière à l'adapter à l'évolution prévisible des taux d'intérêt, de manière à garantir une stratégie de couverture la plus efficace possible, conformément aux exigences du SFA.

L'exposition du Groupe Combiné aux taux d'intérêt sur les actifs et passifs financiers est détaillée dans le paragraphe intitulé « Gestion du risque de liquidité » de la présente note.

Analyse de la sensibilité au taux d'intérêt

L'analyse de sensibilité présentée ci-après a été réalisée sur la base de l'exposition aux taux d'intérêt des instruments dérivés et non dérivés à la clôture de l'exercice. Pour les dettes à taux variables, l'analyse a été réalisée en estimant que le solde à rembourser à la clôture de l'exercice était constant sur l'ensemble de l'exercice. Une hausse ou une baisse de 50 points de base est utilisée pour la présentation interne du risque de taux d'intérêt à la direction. Il s'agit de l'estimation de la Direction en matière d'évolution possible des taux d'intérêt.

Si les taux d'intérêt avaient varié à la baisse (ou à la hausse) de l'odre de 50 points de base, toutes choses égales par ailleurs, le résultat net du Groupe Combiné au 31 décembre 2012 aurait été majoré (ou minoré) de 13 millions d'euros. Cette variation découle principalement de l'exposition du Groupe Combiné aux taux d'intérêt sur la partie de ses emprunts à taux variable.

Contrats de swap de taux d'intérêt

Dans le cadre des contrats de swap de taux d'intérêt, le Groupe Combiné échange un taux d'intérêt variable contre un taux fixe pour un montant notionnel donné. Ces contrats permettent au Groupe Combiné de limiter le risque d'évolution du taux d'intérêt sur la juste valeur de la dette à taux fixe et l'exposition au risque sur flux de trésorerie relatifs aux dettes à taux variable. A la clôture de l'exercice, la juste valeur des swaps de taux est déterminée en actualisant les flux de trésorerie futurs avec les courbes d'intérets à la clôture de l'exercice et le risque de crédit inhérent au contrat.

Gestion du risque de crédit

Le risque de crédit désigne le risque que la contrepartie ne respecte pas ses obligations contractuelles, ce qui se traduirait par une perte financière pour le Groupe Combiné.

Les instruments financiers qui pourraient augmenter le risque de crédit sont principalement les créances clients, la trésorerie et les équivalents de trésorerie, les investissements et les instruments financiers dérivés. L'exposition maximale du Groupe Combiné au risque de crédit correspond à la valeur comptable des actifs financiers comptabilisés dans le bilan combiné, nets des dépréciations comptabilisées.

Comme indiqué dans la note 19, le Groupe Combiné estime qu'il a une exposition extrêmement limitée à la concentration du risque de crédit pour ce qui concerne les créances clients en raison à la fois du nombre et de la diversité des clients (clients individuels et institutions publiques) qui opèrent de surcroit dans des secteurs d'activité variés et sont localisés partout en France. Le risque maximal de crédit sur ces actifs financiers équivaut à leur valeur nette comptable. L'analyse du risque de crédit sur les créances clients nettes échues est mentionnée en note 19.

Le Groupe Combiné est attaché à investir sa trésorerie, ses équivalents de trésorerie ainsi que ses titres négociables dans des institutions financières ou des groupes industriels disposant d'une note de crédit « A-/A3 » au minimum. Le Groupe Combiné a conclu des contrats de taux d'intérêt avec des institutions financières de premier plan et estime que le risque que ces contreparties fassent défaut est extrêmement bas, car leurs notes de crédit sont surveillées et que leur exposition financière à d'autres institutions financières est limitée.

Pourtant, en septembre 2008, la banque Lehman Brothers a fait faillite. Une partie des passifs financiers du Groupe Combiné étaient couverts par des contrats de swap de taux d'intérêt conclus avec Lehman Brothers. A la suite de sa faillite, Lehman Brothers a fait défaut sur ces swaps. Le Groupe Combiné a formulé une demande de remboursement auprès de Lehman Brothers pour un montant total d'environ 11,2 millions d'euros. En 2012, le Groupe Combiné a reçu une première tranche de 2,8 millions d'euros dans le cadre de cette demande. Le solde de 8,4 millions d'euros représente un gain potentiel pour le Groupe Combiné mais n'a pas été constaté dans les comptes clos au 31 décembre 2012.

Gestion du risque de liquidité

La gestion du risque de liquidité relève en premier lieu de la responsabilité de la Direction, qui a établi un cadre approprié de gestion du risque de liquidité pour faire face aux besoins en financements à court, moyen et long terme du Groupe Combiné. Le Groupe Combiné gère ses liquidités en maintenant un niveau adéquat de liquidités, de facilités de crédit, en supervisant en permanence les prévisions de flux de trésorerie et les flux réels de trésorerie, et en adaptant les profils de maturités des actifs et passifs financiers.

Les tableaux ci-après présentent les maturités contractuelles auxquelles les passifs financiers du Groupe Combiné devront faire l'objet de remboursements. Les tableaux ont été construits à partir des flux de trésorerie non actualisés pour les passifs financiers sur la base de la date d'exigibilité de remboursement. Les tableaux incluent les flux de trésorerie liés au remboursement du capital. La date de maturité contractuelle correspond à la date la plus à laquelle le Groupe Combiné pourrait etre contraint rembourser le passif.

	31 décembre 2012			
(en milliers d'euros)	Moins de un an	1-5 ans	Plus de 5 ans	Total
Passifs financiers dans le cadre du *Senior Facility Agreement*	93 187	1 851 552	855 946	2 800 686
Titres subordonnés à durée indéterminée	-	-	35 208	35 208
Passifs financiers dans le cadre de contrats de location-financement	19 432	6 359	1 527	27 318
Autres passifs financiers	2 113	2 012	129 222	133 347
Total obligations et prêts	**114 732**	**1 859 923**	**1 021 903**	**2 996 559**
Instruments dérivés	-	-	-	-
Dépôts de garantie reçus de clients	-	44 517	-	44 517
Découverts bancaires	-	-	-	-
Total des passifs financiers	**114 732**	**1 904 440**	**1 021 903**	**3 041 075**

Compte tenu des renégociations réalisées en juillet et août 2013 et comme décrit à la note 32, l'échéancier des passifs financiers dans le cadre du *Senior Facility Agreement* a été modifié.

	31 décembre 2011			
(en milliers d'euros)	Moins de 1 year	1-5 ans	Plus de 5 ans	Total
Passifs financiers dans le cadre du *Senior Facility Agreement*	170 300	2 701 109	-	2 871 409
Titres subordonnés à durée indéterminée	-	-	32 880	32 880
Passifs financiers dans le cadre de contrats de location-financement	19 967	7 919	1 712	29 598
Autres passifs financiers	1 297	124 931	428	174 214
Total obligations et prêts	**191 564**	**2 833 959**	**35 020**	**3 060 543**
Instruments dérivés	-	1 106	-	1 106
Dépôts de garantie reçus de clients	-	42 896	-	42 896
Découverts bancaires	-	-	-	-
Total des passifs financiers	**191 564**	**2 877 961**	**35 020**	**3 104 545**

	31 décembre 2010			
(en milliers d'euros)	Moins de 1 year	1-5 ans	Plus de 5 ans	Total
Passifs financiers dans le cadre du *Senior Facility Agreement*	186 453	2 870 711	82 792	3 139 956
Titres subordonnés à durée indéterminée	-	-	30 710	30 710
Passifs financiers dans le cadre de contrats de location-financement	9 618	12 384	2 393	24 395
Autres passifs financiers	1 097	3 249	115 067	119 413
Total obligations et prêts	**197 168**	**2 886 344**	**230 962**	**3 314 474**
Instruments dérivés	21 580	6 508	-	28 088
Dépôts de garantie reçus de clients	-	50 712	-	42 895
Découverts bancaires	-	-	-	-
Total des passifs financiers	**218 748**	**2 943 564**	**230 962**	**3 393 274**

Le Groupe Combiné considère que sa trésorerie disponible et la trésorerie opérationnelle anticipée qui sera générée par l'activité opérationnelle sont suffisants pour couvrir ses dépenses, ses investissements et les engagements financiers liés à sa dette pour les douze prochains mois.

28 Transactions avec les parties liées

Les actionnaires ultimes du Groupe Combiné sont les fonds d'investissement privés Altice, Cinven et Carlyle.

Les soldes bilanciels et flux réciproques entre les entités du Groupe Combiné ont été éliminés lors de la préparation des Comptes Combinés. Les détails des transactions entre le Groupe Combiné et les autres parties liées sont présentés ci-dessous.

28.1 Opérations de financement et prestations de services

Au cours de l'exercice, les entités du Groupe Combiné ont conclu les transactions suivantes avec des parties liées qui ne font pas partie du périmètre de combinaison :

(en milliers d'euros)	*Prestations de services*			*Montants dus par les parties liées*			*Montants dus aux parties liées*		
	2012	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
Actionnaires									
Cinven	610	622	641	-	-	-	-	185	748
Altice	1 214	10 287	13 410	-	-	-	-	-	2 091
Carlyle	600	600	600	-	-	-	450	-	875
Sociétés affiliées									
Alsace Connexia Participation SAS	-	-	-	2 235	2 574	2 518	-	-	-

Des management fees ont été versés aux actionnaires (Cinven, Altice and Carlyle) en lien avec certains services de gestion, de financement et de conseils fournis (pour respectivement 2 424 milliers d'euros, 11 509 millieurs d'euros et 14 651 milliers d'euros en 2012, 2011 et 2010).

Les actionnaires du Groupes Combiné ont également fourni plusieurs financements via des dettes subordonnées.

28.2 Relations avec les parties liées

(1) Relations avec les actionnaires du Groupe Combiné

Relations avec Altice

Le 30 juin 2011, le Groupe Combiné a cédé ses filiales Coditel Belgium et Coditel Luxembourg à un consortium d'investisseurs, parmi lesquels Altice, pour un montant de 369,2 millions d'euros.

Par ailleurs, Altice détient des réseaux câblés dans les Antilles françaises et le Groupe Combiné reverse des frais de terminaisons d'appel à ces réseaux pour les appels émis par les abonnés de son réseau à destination des abonnés des réseaux Antillais. Le Groupe Combiné perçoit à l'inverse des frais de terminaison d'appel pour les appels émis par les abonnés de ces réseaux à destination des abonnés du Groupe Combiné.

Enfin, Altice détient la société Auberimmo qui loue des infrastructures au Groupe Combiné. Auberimmo a pour seul client Completel SAS, membre du Groupe Combiné.

Relations avec Carlyle

Sagemcom, l'un de nos principaux fournisseurs de décodeurs, a été acheté par des fonds gérés par Carlyle le 17 août 2011.

(2) Relations avec Coditel, entité détenue par Altice ainsi que par d'autres parties non liées au Groupe Combiné

Dans le cadre de la cession de Coditel Belgium et de Coditel Luxembourg en juin 2011, le Groupe Combiné a conclu un accord de service et un accord de licence de marque avec Coditel Holding S.A. afin de garantir la poursuite de l'activité de ces sociétés.

Accord de service

Le 30 juin 2011, Numericable SAS a conclu un accord de service avec Coditel ("Coditel Services Agreement"). Selon les termes de l'accord, le Groupe Combiné continue de fournir à Coditel tous les services qu'il fournissait avant sa cession, incluant:

- services de plateforme de vidéo à la demande et services de contenu de vidéo à la demande ;
- services d'ingénierie de voix, d'IP et télévisuels ;
- assistance technique pour l'achat de matériel et appareils nécessaire à son activité, notamment décodeurs, logiciels, modems, routeurs et combinés de téléphonie mobile, ainsi que contenus de télévision et de vidéo à la demande ;
- livraison de signaux de chaînes de télévision et de flux de données existants le réseau du Groupe Comniné;
- mise à jour du logiciel de facturation de Coditel ; et
- poursuite de l'assistance aux systèmes Coditel actuellement situés dans les locaux du Groupe Combiné ou actuellement assistés par les systèmes du Groupe Combiné.

En contrepartie des services fournis, Coditel a accepté de verser au Groupe Combiné un montant total de 100.000 euros par an. En outre, Coditel doit reverser au Groupe Combiné 10% de son chiffre d'affaires mensuel généré par les vidéos à la demande.

Accord de licence de marque

Le 30 juin 2011, Coditel et Numericable ont également conclu un accord de licence de marque ("Trade Mark Agreement"). Selon les termes de l'Accord de licence de marque, le Groupe Combiné fournit une licence à Coditel pour l'utilisation de la marque « Numericable », enregistré sous Ma14502, exclusivement en Belgique et au Luxembourg en lien avec l'offre, la promotion et la commercialisation de produits et services de téléphonie, d'Internet et télévisuels. Les frais de licence sont inclus dans les 100.000 euros annuels de l'Accord de service. L'Accord de licence prend fin de manière automatique au 30 juin 2017, à la fin de tous les services couverts par l'Accord de service ou à l'échéance de l'Accord de services.

28.3 Rémunération de la Direction

La rémunération des membres du Comité exécutif s'est élevée respectivement à 2 100 milliers d'euros, 2 039 milliers d'euros et 2 325 milliers d'euros au cours de l'exercice 2012, 2011 et 2010. Ce montant ne comprend que les avantages à court terme comme les salaires, traitements et bonus.

Le Groupe Combiné ne propose pas de paiement à base d'actions et le montant total des avantages postérieurs à l'emploi accordés à la Direction est non significatif.

29 Contrats de location

29.1 Lorsque le Groupe Combiné est bailleur

Location financement

Le Groupe Combiné n'a pas conclu de contrat de location financement en tant que bailleur.

Location simple

La location simple se rapporte principalement aux infrastructures du réseau détenues par le Groupe Combiné et louées à d'autres sociétés du secteur des télécommunications, sur des durées comprises entre 15 et 30 ans. Tous les contrats de location contiennent des clauses de révision de marché dans le cas où le preneur exercerait son option de renouvellement. Le preneur ne dispose d'aucune option d'achat à l'issue du bail.

Les revenus futurs relatifs à ces contrats de location simple sont comme suit:

(en milliers d'euros)	Montant des futur minimum des loyers		
	31 décembre 2012	31 décembre 2011	31 décembre 2010
A un an au plus	45 318	38 815	35 459
Plus d'un an et moins de 5 ans	40 930	30 621	34 848
Plus de 5 ans	64 545	62 381	64 214
	150 793	**131 817**	**134 521**

29.2 Lorsque le Groupe Combiné est locataire

Location financement

Le Groupe Combiné a conclu divers accords de location financement liés à des biens immobiliers, pour lesquels le bail est généralement d'une durée de 20 à 30 ans et liés à des équipements de bureau pour lesquels le bail est généralement d'une durée de 4 ans.

Le principal contrat de location financement se rapporte à des équipements de réseau achetés à Cisco et à la location de l'immeuble occupé par le Groupe Combiné à Champs-sur-Marne pour lequel le Groupe Combiné dispose d'une option d'achat à l'issue du bail, à un prix qui devrait être suffisamment inférieur à la juste valeur à la date où l'option pourra être exercée.

Tous les contrats sont libellés en euros. Certains contrats de location financement immobilière spécifient qu'au début du bail, les paiements annuels seront fixés à un montant donné, mais qu'au cours des années suivantes, ce montant sera augmenté à un taux d'inflation (soit un pourcentage d'augmentation).

(en milliers d'euros)	Versements locatifs minimum		Valeur actuelle des versements locatifs minimum	
	31 décembre 2012	31 décembre 2011	31 décembre 2012	31 décembre 2011
Un an au plus tard	11 685	20 219	11 302	19 529
Plus d'un an et moins de 5 ans	13 883	7 229	12 830	6 621
Plus de 5 ans	721	928	595	753
	26 288	**28 376**	**24 728**	**26 903**
Dont charges financières futures	(1 560)	(1 473)	-	-
Valeur actuelle des versements locatifs minimum	24 728	26 903	24 728	26 903
Passifs financiers liés aux contrats de location-financement - part courante			11 302	19 529
Passifs financiers liés aux contrats de location-financement – part non courante			13 426	7 374

Le taux d'intérêt implicite du contrat de location est fixé à la date de signature du contrat et ce pour l'ensemble de la durée du contrat. Le taux d'intérêt effectif annuel moyen s'élève à environ 3,24% et 3,53% respectivement pour 2012 et 2011.

Location simple

Le Groupe Combiné a également des engagements de location simple concernant des véhicules et biens immobiliers. La durée pour ces contrats de location simple est généralement de 3, 6 ou 9 ans, soit une durée standard de bail immobilier commercial en France. Le contrat de location pour les véhicules est d'une durée de 3 ans.

Les contrats de location d'IRU (droits irrévocables d'utilisation de boucle ou de réseau) d'équipement et de réseaux ou les autres contrats de location (droits de passage) pour lesquels le Groupe Combiné est preneur sont considérés comme non significatif.

Dans le cadre de ses activités de divertissement, le Groupe Combiné a également conclu des accords de location et d'achat de programmes télévisés.

Au 31 décembre 2012, les engagements de location simple non résiliables s'élevaient à :

(en milliers d'euros)	31 décembre 2012
Un an au plus tard	5 554
Plus d'un an et moins de 5 ans	19 513
Plus de 5 ans	5 717
	30 784

30 Actifs non courants détenus en vue de la vente et activités cédées ou en cours de cession

Cette section fournit des détails sur les activités du Groupe Combiné en Belgique et au Luxembourg et qui sont classifiées comme activités cédées ou en cours de cession dans le compte de résultat combiné et le tableau de flux de trésorerie combiné. Comme expliqué en Note 4, ces activités correspondent aux filiales Coditel en Belgique et au Luxembourg.

Le compte de résultats détaillé des activités cédées ou en cours de cession est comme suit en 2011 et 2010 :

(en milliers d'euros)	**2011** **6 mois**	**2010** **12 mois**
Chiffre d'affaires	31 978	62 256
Résultat d'exploitation	**16 525**	**42 290**
Résultat financier	(4 074)	(7 800)
Résultat des activités cédées ou en cours de cession avant impôts	**12 451**	**34 490**
Impôts sur les sociétés	(1 296)	(3 252)
Résultat net	**11 154**	**31 237**
Résultat de cession	118 486	-
Honoraires payées dans le cadre de la cession de Coditel	(3 580)	-
Résultat net des activités cédées ou en cours de cession	**126 059**	**31 237**

Au 31 décembre 2010, les actifs et passifs destinés à être cédés ont été présentés comme un élément distinct du bilan combiné et peuvent être analysés comme suit :

(en milliers d'euros)	
ACTIF	
Ecarts d'acquisition	210 195
Autres immobilisations incorporelles	1 852
Immobilisations corporelles	43 142
Autres actifs financiers non courants	71
Total de l'actif non courant	**225 260**
Stocks	539
Créances clients, nettes	11 095
Créances d'impôts	-
Trésorerie et équivalents de trésorerie	3 655
Total de l'actif courant	**15 289**
TOTAL ACTIF	**270 549**

PASSIF ET CAPITAUX PROPRES	
TOTAL CAPITAUX PROPRES	**59 122**
Passifs financiers non courants	156 735
Provisions non courantes	2 137
Impôts différés passifs	3 958
Autres passifs non courants	113
Total des passifs non courants	**162 943**
Passifs financiers courants	18 765
Provisions courantes	-
Dettes fournisseurs et autres passifs courants	29 719
Total des passifs courants	**48 484**
TOTAL DU PASSIF	**211 427**
TOTAL PASSIF ET CAPITAUX PROPRES	**270 549**

Les flux de trésorerie des activités cédées ou en cours de cession pour 2011 et 2010 se présentent comme suit :

(en milliers d'euros)	**2011 6 mois**	**2010 12 mois**
Résultat net des activités cédées	**126 060**	**31 237**
Amortissements et dépréciations	3 887	4 858
Gains et pertes sur cessions d'actifs	(118 501)	116
Autres éléments non monétaires	130	-
Flux net de trésorerie généré par les activités opérationnelles avant variation du besoin en fonds de roulement, intérêts décaissés et impôts sur les sociétés	**11 577**	**36 210**
Résultat financier	4 105	7 828
Impôts sur les sociétés décaissés	84	628
Variation du besoin en fonds de roulement	(15 246)	2 271
Flux net de trésorerie générés par les activités opérationnelles	**519**	**46 937**
Acquisitions d'immobilisations corporelles et incorporelles	(4 776)	(9 696)
Produits de cession d'actifs corporels et incorporels	19	147
Diminution (augmentation) des prêts et autres actifs financiers	-	17
Flux net de trésorerie net affectés aux opérations d'investissements	**(4 758)**	**(9 532)**
Produit de la cession de Coditel	350 184	
Emissions d'emprunts	1 101	2 654
Remboursements d'emprunts	(186 684)	(17 035)
Intérêts décaissés	(4 105)	(7 828)
Flux net de trésorerie affectés aux opérations de financement	**160 497**	**(22 209)**
Flux de trésorerie net provenant des activités cédées ou en cours de cession	**156 258**	**15 196**

31 Engagements et obligations contractuelles

31.1 Engagements contractés

Garanties liées au Senior Facility Agreement

Dans le cadre du *Senior Facility Agreement* conclu par les filiales du Groupe Combiné, les engagements suivants ont été donnés aux banques prêteuses :

- Respect des engagements financiers ;
- Maintien d'un périmètre d'intégration fiscale stable ;
- Respect des conditions concernant l'acquisition, la cession, l'utilisation et le contrôle des actifs.

Tous les actifs des filiales du Groupe ont été nantis auprès des banques.

Engagements liés à l'activité opérationnelle

Le Groupe Combiné s'est engagé à construire 75.000 prises pour un montant total de 4,5 millions d'euros pour la ville du Havre.

Pour opérer des réseaux de télécommunication, le Groupe Combiné a besoin de licences, d'autorisations ou de droits d'usage des infrastructures du domaine public ou privé. Le Groupe Combiné paie donc généralement des droits à l'administration publique responsable de la gestion des infrastructures ou au propriétaire privé. Dans le cadre de ses activités commerciales normales, le Groupe Combiné a par ailleurs conclu des accords de sous-traitance, en particulier pour certains services de maintenance de réseau.

En 2010, le Groupe Combiné a conclu plusieurs accords d'exploitation de réseau mobile virtuel (*MVNO*) pour la transmission de voix et de données avec Bouygues Telecom, en vertu desquels le Gruope Combiné fournit des services de téléphonie mobile à des clients individuels sous sa propre marque mais via le réseau national de Bouygues Telecom. Les accords liés aux services de transmission de voix arrivent à échéance en 2017 et ceux liés à la transmission de données arrivent à échéance en 2013. Ces contrats seront automatiquement renouvelés en l'absence d'une notification contraire de l'une ou l'autre des parties dans le respect d'un préavis de six mois avant la date d'expiration du contrat. Selon les termes financiers de ces contrats, nous sommes dans l'obligation de verser une somme fixe à Bouygues Telecom correspondant au niveau minimum de consommation des services pertinents de transmission de données et de voix par nos clients finaux.

Engagements de location liés aux activités opérationnelles

Comme indiqué en note 29, le Groupe Combiné a conclu divers accords de location.

Obligations contractuelles

		Maturité		Total
(en milliers d'euros)	< 1 an	1 – 5 ans	> 5 ans	31 décembre 2012
Prêts et engagements financiers	114 732	1 904 440	1 021 903	3 041 075
Contrats de location opérationnelle	5 554	19 513	5 717	30 784
Total	**120 286**	**1 923 953**	**1 027 620**	**3 071 859**

31.2 Engagements reçus

Le Groupe Combiné a reçu un engagement d'un montant total de 25 millions d'euros de GDF Suez pour la souscription à des obligations à taux variable à durée indéterminée (TSDI), qui financeront la construction du réseau Sipperec. Au 31 décembre 2012, le Groupe Combiné a déjà perçu 23,8 millions d'euros en principal de GDF Suez.

Dans le cadre de la cession de NC Numéricâble au 31 mars 2005 par les groupes France Télécom, TDF et Vivendi/Canal+, les cédants ont accordé des garanties spécifiques jusqu'en 2014 au Groupe Combiné, comprenant notamment les risques fiscaux et sociaux ainsi que les risques spécifiques liés aux réseaux plan câble exploités par NC Numéricâble.

32 Evénements postérieurs à la clôture

Refinancement de la dette en juillet 2013

En juillet et en août 2013, le Groupe Combiné a amendé ses Dettes Senior ce qui a permis au Groupe Combiné de rééchelonner une grande partie de sa dette financière.

Le nouvel échéancier des Dettes Senior est comme suit:

Maturité	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
En millions d'euros	41,7	26,3	63,1	102,2	1 246,7	698,4	584,4	2 762,8

Pour mémoire, l'échéancier des Dettes Senior, avant les opérations de refinancement opérées en juillet et août 2013 était comme suit :

Maturité	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
En millions d'euros	54,0	125,0	453,9	808,7	465,2	271,6	584,4	2 762,8

Dans le cadre du refinancement d'août 2013, le Groupe Combiné a également obtenu une nouvelle ligne de crédit revolving (dénommée *Revolving Credit Facility*) de 24 millions d'euros. Ainsi, le montant total disponlble au titre de ces lignes de crédit est porté à 89 millions d'euros.

Enquête approfondie de la Commission européenne sur la cession par certaines collectivités d'infrastructures câblées

Le 17 juillet 2013, la Commission européenne a indiqué avoir décidé d'ouvrir une enquête approfondie afin de déterminer si la cession d'infrastructures câblées publiques opérée entre 2003 et 2006 par plusieurs collectivités territoriales françaises à Numericable était conforme aux règles de l'Union Européenne en matière d'aides d'Etat. La Commission européenne a exprimé à ce stade des doutes sur la compatibilité de l'aide que représenterait l'avantage économique conféré selon elle à Numericable, à raison des conditions de cette cession.

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

(in thousands of euros)	Notes	Years Ended December 31, 2012	2011	2010
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,		
(in thousands of euros)	2012	2011	2010
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

(in thousands of euros)	Notes	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	Net invested equity attributable to the owners of the entity	Non-controlling Interests	**Total invested equity**
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,		
(in thousands of euros)	2012	2011	2010
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.

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.

1.4 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 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:

- o 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.

- o 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;
- 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.

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 Vidéocommunication	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 $329^{\text{ème}}$ – 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	102 Avenue des	Full	100%	100%	100%	100%	100%	100%

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
France SAS	Champs Elysées 75008 Paris	consolidation						
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.

1.6 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

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.

- 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 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.

2.5 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.

2.8 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 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;
- 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 25th year, the service arrangement will end.

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.

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.

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.

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.

2.20 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 tum-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.

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.

- 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%.

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 conceming the penalties for fiscal years 2005 to 2009.

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

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 - (in thousands of euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**FY 2012 Total**
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 - (in thousands of euros)	**B2C**	**B2B**	**Wholesale**	**Eliminations**	**FY 2011 Total**
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 - (in thousands of euros)	B2C	B2B	Wholesale	Elimi-nations	FY 2011 Total
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,		
(in thousands of euros)	2012	2011	2010
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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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%

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.

(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.

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.

11.4 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:

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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.

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.

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

(in thousands of euros)	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
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

(in thousands of euros)	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
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

(in thousands of euros)	Capitalized development costs	Usage rights, patents and licenses	Commercial rights	Other intangible assets	Total
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

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.

(*) 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).

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

(in thousands of euros)	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
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

(in thousands of euros)	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
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

(in thousands of euros)	Land	Buildings	Network and technical equipment	Work in progress	Other	Total
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:

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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 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%;
- 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:

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
Net assets	8,888	9,413	10,227
Share of net assets of Ypso France SAS	3,378	3,577	3,886

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	Current			Non-current		
	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
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 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

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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 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

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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 statements of cash flows and cash and cash equivalents presented in the combined statements of financial position is presented below:

(in thousands of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in thousands of euros)		Current			Non-current		
	Note	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2012	December 31, 2011	December 31, 2010
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.

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 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 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:

(in thousands of euros)	January 1, 2012	Increase	Utilization	Reversal	Reclass.	December 31, 2012
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.

(in thousands of euros)	January 1, 2011	Increase	Utilization	Reversal	Reclass*	December 31, 2011
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.

(in thousands of euros)	January 1, 2010	Increase	Utilization	Reversal	Reclass.	Disposal of Coditel	December 31, 2010
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.

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 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.

23.2.4 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.

24.1 Assumptions used for defined benefit plans

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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)

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in thousands of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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.

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		
(in thousands of euros)	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
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

	December 31, 2011				
			Financial assets at fair value through profit and loss		
(in thousands of euros)	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
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		

(in thousands of euros)	Available-for-sale	Loans and receivables	Designated at fair value through profit and loss	Held for trading	Total Assets
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.

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 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			
(in thousands of euros)	Less than 1 year	1-5 years	5+ years	Total
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**

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			
(in thousands of euros)	Less than 1 year	1-5 years	5+ years	Total
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			
(in thousands of euros)	Less than 1 year	1-5 years	5+ years	Total
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.

28.1 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:

(in thousands of euros)	*Purchase of goods and services*			*Amounts owed by related parties*			*Amounts owed to related parties*		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
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;
- 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.

Future minimum rental income under non-cancellable operating leases is as follows:

(in thousands of euros)	Future minimum rental income		
	December 31, 2012	December 31, 2011	December 31, 2010
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).

(in thousands of euros)	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
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.
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:

(in thousands of euros)	**2011** 6 months	**2010** 12 months
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**

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		**EQUITY AND LIABILITIES**	
Goodwill	210,195	**TOTAL EQUITY**	**59,122**
Other intangible assets	1,852	Non-current portion of financial liabilities	156,735
Property, plant and equipment	43,142	Non-current provisions	2,137
Other non-current financial assets	71	Deferred tax liabilities	3,958
Non-current assets	**225,260**	Other non-current liabilities	113
Inventories	539	**Non-current liabilities**	**162,943**
Trade receivables and other receivables, net	11,095	Current portion of financial liabilities	18,765
Income tax receivable	-	Current provisions	-
Cash and cash equivalents	3,655	Trade payables and other current liabilities	29,719
		Current liabilities	**48,484**
Current assets	**15,289**	**TOTAL LIABILITIES**	**211,427**
TOTAL ASSETS	**270,549**	**TOTAL EQUITY AND LIABILITIES**	**270,549**

Details of cash flows from discontinued operations in 2011 and 2010 are as follows:

(in thousands of euros)	December 31, 2011 6 months	December 31, 2010 12 months
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.

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

(in thousands of euros)	< 1 year	Maturity 1 – 5 years	> 5 years	Total December 31, 2012
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 Numéricable.

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

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.

KPMG Audit
Le Belvédère
1 Cours Valmy
CS 50034
92923 Paris La Défense Cedex
France

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
France

Vivendi S.A.

Rapport d'audit des commissaires aux comptes sur les Comptes Combinés des sociétés SFR, SIG 50 et de leurs filiales, relatifs aux exercices clos les 31 décembre 2013, 2012 et 2011

Exercices clos les 31 décembre 2013, 2012 et 2011
Vivendi S.A.
42 avenue de Friedland - 75008 Paris
Ce rapport contient 75 pages
FQ-141-061

KPMG Audit
Le Belvédère
1 Cours Valmy
CS 50034
92923 Paris La Défense Cedex
France

Building a better working world
ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
France

Vivendi S.A.

Siège social : 42 avenue de Friedland - 75008 Paris

Rapport d'audit des commissaires aux comptes sur les Comptes Combinés des sociétés SFR, SIG 50 et de leurs filiales, relatifs aux exercices clos les 31 décembre 2013, 2012 et 2011

Au Président du directoire,

En notre qualité de commissaires aux comptes de la société Vivendi S.A. et en réponse à votre demande, dans le cadre de la mise en œuvre, le cas échéant, du projet de séparation des activités Médias et Télécoms du groupe Vivendi, nous avons effectué un audit des comptes combinés des sociétés SFR, SIG 50 et de leurs filiales (ci-après « le Groupe ») relatifs aux exercices clos les 31 décembre 2013, 2012 et 2011 (ci-après « les Comptes Combinés ») tels qu'ils sont joints au présent rapport.

Ces Comptes Combinés ont été établis sous la responsabilité de votre directoire. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les Comptes Combinés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes combinés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues, et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

A notre avis, les Comptes Combinés présentent sincèrement, dans tous leurs aspects significatifs et au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, le patrimoine et la situation financière du Groupe, aux 31 décembre 2013, 2012, 2011, ainsi que le résultat de ses opérations pour chacun des exercices écoulés.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note « Base de préparation » de l'annexe qui expose notamment le contexte, le périmètre de la combinaison et les conventions retenues pour l'établissement des Comptes Combinés.

Paris-La Défense, le 11 avril 2014

Les Commissaires aux Comptes

KPMG Audit
Département de KPMG S.A.

Frédéric Quélin
Associé

ERNST & YOUNG et Autres

Jean-Yves Jégourel
Associé

COMPTES COMBINES ET NOTES ANNEXES DE SFR ET SIG 50 ET DE LEURS FILIALES AUX 31 DECEMBRE 2013, 2012, 2011

Compte de résultat combiné

(en millions d'euros)	Note	2013	2012	2011
Chiffre d'affaires	4.1	**10 199**	**11 288**	**12 183**
Coût des ventes		(6 129)	(6 299)	(6 857)
Coûts commerciaux et de distribution		(2 199)	(2 222)	(1 932)
Frais généraux		(699)	(978)	(1 102)
Autres produits opérationnels	4.2	2	11	14
Autres charges opérationnelles	4.2	(169)	(270)	(84)
Résultat opérationnel		**1 005**	**1 530**	**2 222**
Produits d'intérêts de la trésorerie		3	3	1
Charges d'intérêts sur la dette		(232)	(220)	(209)
Coût net du financement		***(229)***	***(217)***	***(208)***
Autres produits financiers	5	2	2	8
Autres charges financières	5	(24)	(34)	(70)
Résultat financier		**(251)**	**(249)**	**(270)**
Quote-part dans le résultat net des sociétés mises en équivalence		(12)	(13)	(17)
Résultat des activités avant impôt		**742**	**1 267**	**1 935**
Impôt sur les résultats	6.1	(315)	(516)	(535)
Résultat net		**426**	**752**	**1 400**
Dont attribuable				
Au groupe :		**420**	**746**	**1 399**
Résultat net des activités poursuivies		420	746	1 399
Aux intérêts ne donnant pas le contrôle		**6**	**6**	**1**
Résultat net des activités poursuivies		6	6	1

Pour le résultat par action, se reporter à la Base de préparation.

Les notes annexes font partie intégrante des états financiers combinés

État de résultat global combiné

(en millions d'euros)	Note	2013	2012	2011
Résultat net		**426**	**752**	**1 400**
Écarts de conversion		-	-	(1)
Instruments financiers / couverture de change		-	-	(2)
Instruments financiers / couverture de taux		-	-	67
Autres		-	-	2
Impôt lié		-	-	(23)
Autres éléments liés aux entités mises en équivalence		2	(2)	(3)
Éléments recyclables en résultat net		**2**	**(2)**	**40**
Écarts actuariels sur avantages postérieurs à l'emploi	19.2	(7)	(15)	-
Impôt lié		3	5	-
Éléments non recyclables en résultat net		**(4)**	**(10)**	-
Résultat global combiné		**424**	**740**	**1 440**
Dont				
Résultat global, part du groupe		418	734	1 439
Résultat global, part des intérêts ne donnant pas le contrôle		6	6	1

Les notes annexes font partie intégrante des états financiers combinés

Bilan combiné

(en millions d'euros)	Note	2013	2012	2011
ACTIF				
Écarts d'acquisition	8	5 188	5 188	5 188
Immobilisations incorporelles	9	3 931	4 082	3 117
Immobilisations corporelles	10	4 532	4 468	4 244
Titres mis en équivalence	11	152	138	49
Impôts différés actifs	6	127	157	109
Autres actifs non courants	12	185	161	149
Actifs non courants		**14 115**	**14 194**	**12 855**
Stocks	13	240	245	356
Créances clients et autres créances	14	2 558	2 544	3 015
Autres actifs financiers courants	12	2	2	2
Trésorerie et équivalents de trésorerie	15	394	267	228
Actifs courants		**3 194**	**3 057**	**3 601**
TOTAL ACTIF		**17 309**	**17 252**	**16 456**
PASSIF				
Réserves combinées		1 860	2 098	1 248
Résultat		420	746	1 399
Capitaux propres, part du groupe		**2 281**	**2 844**	**2 647**
Intérêts ne donnant pas le contrôle		11	8	4
Capitaux propres combinés	16	**2 291**	**2 852**	**2 651**
Provisions non courantes	18	156	173	137
Emprunts et dettes financières non courants	20	1 248	1 561	4 490
Impôts différés passifs	6	2	1	0
Autres passifs non courants	22	540	597	633
Passifs non courants		**1 947**	**2 333**	**5 259**
Provisions courantes	18	335	408	236
Emprunts et dettes financières courants	20	7 846	6 506	2 896
Dettes fournisseurs et autres dettes	21	4 874	5 136	5 412
Autres passifs financiers courants	22	17	17	3
Passifs courants		**13 071**	**12 067**	**8 546**
TOTAL PASSIF		**17 309**	**17 252**	**16 456**

Les notes annexes font partie intégrante des états financiers combinés

Tableau des flux de trésorerie combinés

(en millions d'euros)	Note	2013	2012	2011
Résultat net, part du groupe		**420**	**746**	**1 399**
Neutralisations				
Intérêts ne donnant pas le contrôle		6	6	1
Impôt sur les sociétés (courant et différé)	6.1	315	516	535
Autres charges (dont +/- values de cession d'actifs financiers)		2	5	(11)
Résultat financier	5	251	249	270
Résultat des sociétés mises en équivalence		12	13	17
Amortissements et provisions opérationnelles		1 549	1 745	1 569
Plus ou moins values de cession d'immobilisations incorporelles et corporelles		8	7	7
Impôts payés	6.1	(299)	(537)	(643)
Variation du besoin en fonds de roulement		(305)	143	54
Stocks	13	6	111	(41)
Clients et comptes rattachés	14	69	203	126
Autres créances	14	(84)	198	(48)
Dettes fournisseurs d'exploitation	21	(84)	(191)	(80)
Autres dettes	21	(212)	(178)	97
Flux nets des activités opérationnelles		**1 960**	**2 892**	**3 197**
Acquisition d'immobilisations corporelles et incorporelles	9, 10	(1 665)	(2 765)	(1 845)
Acquisition d'entités combinées nette de trésorerie acquise		(3)	(30)	(48)
Acquisition d'autres immobilisations financières		(37)	(15)	(68)
Investissements		***(1 705)***	***(2 809)***	***(1 962)***
Cession d'immobilisations corporelles et incorporelles	9, 10	17	13	13
Cession d'entités combinées nette de trésorerie cédée		10	13	20
Cession d'autres immobilisations financières		3	3	2
Désinvestissements		***29***	***30***	***35***
Variation nette du BFR lié aux investissements corporels et incorporels		38	15	23
Flux affectés aux activités d'investissements		***38***	***15***	***23***
Flux nets des activités d'investissement		**(1 638)**	(2 765)	**(1 903)**
Intérêts versés	5	(232)	(219)	(209)
Intérêts reçus	5	3	3	1
Dividendes versés	16	(985)	(538)	(1 458)
Remboursement emprunts (y compris emprunts obligataires)	20	(15)	(1 019)	(447)
Variation de la dette actionnaire	20	1 066	2 144	2 142
Variation des autres dettes financières	20	(25)	(455)	(1 144)
Autres flux liés aux activités financières		(7)	(5)	(40)
Flux nets des activités de financement		**(195)**	**(89)**	**(1 155)**
Variation de la trésorerie		**128**	**38**	**139**
Trésorerie et équivalents de trésorerie :				
Ouverture	15	267	228	89
Clôture	15	394	267	228
Variation de la trésorerie		**128**	**38**	**139**

Les notes annexes font partie intégrante des états financiers combinés

Tableau de variation des capitaux propres combinés

(en millions d'euros)	Réserves combinées yc résultat	Eléments du résultat global (a)	**Capitaux propres, part du groupe**	Intérêts ne donnant pas le contrôle	**Capitaux propres combinés**
SITUATION AU 31 DÉCEMBRE 2010	**2 583**	**(48)**	**2 535**	**10**	**2 545**
Dividendes versés	*(454)*	-	*(454)*	*(4)*	***(458)***
Autres opérations	*(874)*	-	*(874)*	*(3)*	***(877)***
Dividendes et autres opérations	**(1 328)**	**-**	**(1 328)**	**(7)**	**(1 335)**
Résultat net	*1 399*	-	*1 399*	*1*	***1 400***
Charges et produits comptabilisés directement en capitaux propres (a)	-	*40*	*40*	-	***40***
Résultat global combiné	**1 399**	**40**	**1 439**	**1**	**1 440**
Variations de la période	**71**	**40**	**111**	**(6)**	**105**
SITUATION AU 31 DÉCEMBRE 2011	**2 654**	**(8)**	**2 647**	**4**	**2 651**
Dividendes versés	*(536)*	-	*(536)*	*(2)*	***(538)***
Dividendes et autres opérations	**(536)**	**-**	**(536)**	**(2)**	**(538)**
Résultat net	*746*	-	*746*	*6*	***752***
Charges et produits comptabilisés directement en capitaux propres (a)	-	*(12)*	*(12)*	-	***(12)***
Résultat global combiné	**746**	**(12)**	**734**	**6**	**740**
Variations de la période	**209**	**(12)**	**197**	**4**	**201**
SITUATION AU 31 DÉCEMBRE 2012	**2 864**	**(20)**	**2 844**	**8**	**2 852**
Dividendes versés	*(982)*	-	*(982)*	*(3)*	***(985)***
Dividendes et autres opérations	**(982)**	**-**	**(982)**	**(3)**	**(985)**
Résultat net	*420*	-	*420*	*6*	***426***
Charges et produits comptabilisés directement en capitaux propres (a)	-	*(2)*	*(2)*	-	***(2)***
Résultat global combiné	**420**	**(2)**	**418**	**6**	**424**
Variations de la période	**(562)**	**(2)**	**(564)**	**3**	**(561)**
SITUATION AU 31 DÉCEMBRE 2013	**2 302**	**(21)**	**2 281**	**11**	**2 291**

(a) Détail dans l'état de résultat global

Les notes annexes font partie intégrante des états financiers combinés

Notes annexes aux comptes combinés

Base de préparation

Les présents comptes combinés ont été établis par Vivendi en sa qualité d'actionnaire de contrôle des sociétés SFR et SIG 50, dans le cadre de la mise en œuvre, le cas échéant du projet de séparation des activités Médias et Télécoms du groupe Vivendi.

Ils ont été établis sur la base des éléments comptables des sociétés SFR et SIG 50 et de leurs filiales, tels qu'arrêtés au titre de leurs exercices clos le 31 décembre 2011, 2012 et 2013 et préparés pour les besoins de l'établissement des comptes consolidés du groupe Vivendi.

Ces comptes combinés de SFR et SIG 50 et de leurs filiales ont été arrêtés par le Directoire de Vivendi réuni le 8 avril 2014.

Contexte

Comme ils en ont régulièrement informé les actionnaires en 2012 et 2013, le Directoire et le Conseil de surveillance de Vivendi ont engagé une revue des orientations stratégiques du groupe. En 2013, Vivendi a vendu la majorité de sa participation dans Activision Blizzard et a conclu un accord définitif avec Etisalat pour la cession de ses titres dans Maroc Telecom. Le Groupe a décidé de se concentrer sur ses activités de médias et de contenus qui occupent des places de leader et bénéficient d'un marché du numérique en pleine croissance. Il s'est renforcé dans Canal+ France, dont il détient désormais 100 % du capital. Vivendi travaille également à la reconfiguration de SFR. L'opérateur enregistre les premiers effets positifs de son plan de transformation, reprenant tout à la fois l'avantage sur le plan commercial et réduisant ses coûts. Un accord de mutualisation d'une partie de son réseau mobile avec Bouygues Telecom a été conclu, ce qui lui permettra de proposer à ses clients une meilleure couverture et une qualité de service renforcée. Sur ces bases, le Groupe entend positionner le futur Vivendi comme un acteur dynamique des médias et des contenus. Avec SFR, il a la volonté de participer à la recomposition du secteur des télécommunications en France en explorant activement toutes les opportunités.

Le 26 novembre 2013, le Conseil de surveillance a validé la pertinence du projet de séparation du groupe en deux sociétés distinctes : d'une part, un nouveau Groupe de médias international basé en France, avec des positions très fortes dans la musique (où il est le leader mondial), dans le cinéma en Europe, dans la télévision payante en France, en Afrique, au Vietnam et en Pologne ainsi que dans l'internet et les services associés au Brésil ; d'autre part les activités de téléphonie France.

Présentation de l'activité de téléphonie en France

L'activité de téléphonie en France comprend principalement :

- l'activité de téléphonie de SFR S.A. en France qui développe des services mobile, fixe, Internet ou de télévision auprès des clients grand public, professionnels, entreprises, collectivités et opérateurs. SFR S.A. opère en France métropolitaine, ainsi qu'à la Réunion et à Mayotte,
- les activités de distribution en France de produits et services de télécommunications.

Afin de présenter l'information financière historique du groupe au titre des exercices 2013, 2012 et 2011, des comptes combinés ont été établis.

Périmètre de la combinaison

L'ensemble qui constitue le nouveau groupe autonome (dénommé ci-après « le groupe »), n'a pas d'existence juridique propre préalablement à la séparation, mais est constitué d'entités sous contrôle commun de Vivendi.

Au 1er janvier 2011, le groupe est principalement constitué des sociétés suivantes :

- les entités détenues directement ou indirectement par SFR S.A. et ses filiales,
- la participation de Vivendi, au travers de la société SIG 50, dans les activités de distribution de produits et services de télécommunication, en raison de leur attachement opérationnel à l'activité du groupe.

Ainsi, le périmètre de combinaison exclut la société SPT, détenue par SFR S.A. et détentrice de Maroc Telecom.

Le périmètre de combinaison est présenté dans la Note 27 – Liste des entités combinées.

Modalités de traitement de la holding SPT détenant la participation dans Maroc Telecom :

- les titres de SPT ont été annulés en contrepartie d'une diminution des capitaux propres,
- les dividendes reçus de SPT, nets des retenues à la source, ont été présentés dans la variation des capitaux propres et dans le tableau des flux de trésorerie, en diminution des dividendes versés par SFR S.A. à Vivendi S.A.

Conventions retenues pour l'établissement des comptes combinés

Les opérations de regroupement d'entités sous contrôle commun telles qu'envisagées, ont été comptabilisées dans les comptes combinés du groupe aux valeurs comptables historiques. Les présents comptes combinés historiques du groupe ont été établis sur la base des valeurs figurant dans les états financiers consolidés de Vivendi retraitées des ajustements de consolidation et des incidences comptables des opérations d'acquisition d'intérêts dans l'activité de téléphonie France par Vivendi.

En l'absence de texte IFRS spécifique traitant des comptes combinés, le groupe a défini les principes et convention de combinaison présentés ci-après. Le niveau d'endettement net retenu dans ces comptes combinés reflète l'endettement et ses niveaux de rémunération historiques vis-à-vis du groupe vivendi ou des tiers des entités incluses dans le périmètre des comptes combinés.

Opérations réciproques entre le groupe et les autres entités du groupe Vivendi

Tous les soldes relatifs aux opérations courantes entre les entités du groupe et les autres entités du groupe Vivendi ont été présentés au bilan comme des comptes de tiers actifs ou passifs dans les comptes combinés.

Tous les prêts et emprunts entre les entités du groupe et les autres entités du groupe Vivendi ont été présentés comme des actifs ou passifs financiers dans les comptes combinés.

Les opérations avec les autres entités du groupe Vivendi sont présentées en Note 24 – Opérations avec les parties liées.

Résultat par action

Le groupe combiné n'étant pas juridiquement constitué à cette date, le nombre d'actions en circulation n'est pas déterminable. Par voie de conséquence, aucun résultat par action n'est présenté dans les états financiers combinés.

Impôts sur les sociétés

Les impôts différés comptabilisés au titre des déficits reportables ont été déterminés en prenant en compte l'effet de l'intégration fiscale mise en place au sein de Vivendi.

Les résultats fiscaux des sociétés de ce périmètre ont été pris en compte dans le cadre du régime d'intégration fiscal mis en place par Vivendi, en application des dispositions de l'article 223-A du Code général des impôts. En application de la convention d'intégration fiscale, les déficits constatés pendant la période d'appartenance à l'intégration fiscale, et jusqu'au 31 décembre 2013, resteront la propriété de Vivendi. En conséquence, aucun impôt différé actif n'a été reconnu au titre de ces déficits dans les comptes combinés présentés.

Note 1. Principes comptables

1.1. Cadre général

En application du règlement européen 1606/2002 du 19 juillet 2002, la base de préparation ci-avant décrit comment le référentiel IFRS tel qu'adopté par l'Union européenne a été appliqué pour la préparation des comptes combinés historiques aux 31 décembre 2011, 31 décembre 2012 et 31 décembre 2013.

Le nouvel ensemble que constitue le groupe n'a jamais établi de comptes IFRS, ni publié d'états financiers au titre des exercices précédents.

Dès lors, en tant que premier adoptant, le groupe a établi ses états financiers combinés relatifs à l'exercice clos le 31 décembre 2013 conformément aux dispositions de la norme IFRS 1 – *Première adoption des Normes internationales d'information financière*.

À l'égard d'une filiale devenant premier adoptant après sa Société mère, la norme IFRS 1 donne le choix pour l'évaluation des actifs et passifs au sein du bilan d'ouverture de la filiale :

- soit d'évaluer les actifs et passifs aux valeurs comptables telles qu'elles ressortent de la contribution de la filiale aux états financiers consolidés historiques de la Société mère, après retraitement des ajustements liés aux procédures de consolidation et aux incidences liées au traitement du regroupement d'entreprises au cours de laquelle la société mère a acquis la filiale ;
- soit d'évaluer les actifs et les passifs aux valeurs comptables établies selon les dispositions de la norme IFRS 1 appliquée à la date de transition de la filiale aux IFRS. Dans ce cas, les options d'IFRS 1 appliquées par la filiale peuvent être différentes de celles retenues par la mère.

Conformément à la possibilité offerte par IFRS 1, le groupe a choisi d'établir ses premiers états financiers combinés IFRS sur la base des valeurs comptables de ses actifs et passifs tels qu'ils ressortent dans sa contribution aux états financiers consolidés historiques de Vivendi, compte tenu de la date de transition de Vivendi aux IFRS, après élimination des ajustements liés aux procédures de consolidation du groupe Vivendi et aux incidences des regroupements d'entreprises au cours desquels Vivendi a acquis des intérêts dans SFR et dans les activités de distribution en France.

Ainsi les dispositions transitoires de première adoption retenues par le groupe sont identiques à celles appliquées par le groupe Vivendi lors de la transition aux normes IFRS, soit :

- Regroupements d'entreprises : non retraitement des regroupements d'entreprises réalisés par les entités du groupe combiné antérieurement au 1er janvier 2004, date de transition aux IFRS du groupe Vivendi ;
- Avantages du personnel : constatation au 1er janvier 2004 des écarts actuariels non encore comptabilisés en contrepartie des capitaux propres consolidés ;
- Paiements sur la base d'actions : option pour l'application rétrospective de la norme IFRS 2 à compter du bilan d'ouverture au 1er janvier 2004. Ainsi, tous les plans pour lesquels des droits restaient à acquérir au 1er janvier 2004 sont comptabilisés selon la norme IFRS 2.
- Montant cumulé des différences de conversion : transfert en réserves consolidées des écarts de conversion au 1^er^ janvier 2004, relatifs à la conversion en euros des comptes d'entités ayant une devise étrangère comme monnaie de fonctionnement.

L'exemption offerte par la norme IFRS 1 permettant de réévaluer au 1er janvier 2004 certaines immobilisations incorporelles et certaines immobilisations corporelles à leur juste valeur n'avait, quant à elle, pas été retenue par le groupe Vivendi lors de la transition aux IFRS.

Normes, amendements de normes et interprétations en vigueur
Les états financiers combinés au 31 décembre 2013 du groupe ont été établis conformément aux normes IFRS (*International Financial Reporting Standards*) telles qu'adoptées dans l'UE (*Union européenne*), et conformément aux normes IFRS telles que publiées par l'IASB (*International Accounting Standards Board*) et d'application obligatoire au 31 décembre 2013.
Le groupe a appliqué dans ses états financiers combinés de l'exercice 2013 de nouvelles normes et amendements tels qu'adoptés par l'Union européenne et d'application obligatoire au 1er janvier 2013.

Il s'agit de :

- Amendements à la norme IAS 1 – *Présentation des états financiers : présentation des autres éléments du résultat global*, ont été publiés par l'IASB le 16 juin 2011, adoptés dans l'UE le 5 juin 2012, et publiés au Journal officiel de l'UE le 6 juin 2012. Ils traitent de la présentation des autres éléments du résultat global (nommés « charges et produits comptabilisés en autres éléments du résultat global » dans le tableau du résultat global combiné) qui sont désormais regroupés selon leur recyclage ou non au compte de résultat.
- Amendements à la norme IAS 19 – *Avantages du personnel*, ont été publiés par l'IASB le 16 juin 2011, adoptés dans l'UE le 5 juin 2012, et publiés au Journal officiel de l'UE le 6 juin 2012. Les principes comptables et les méthodes d'évaluation relatifs aux régimes d'avantages du personnel sont présentés en Note 1.3.15 – Régimes d'avantages au personnel.
- Norme IFRS 13 – *Évaluation de la juste valeur*, relative à la définition de la notion de juste valeur en termes d'évaluation et d'informations à fournir, a été publiée par l'IASB le 12 mai 2011, adoptées dans l'UE le 11 décembre 2012, et publiée au Journal officiel de l'UE le 29 décembre 2012. Son application n'a pas d'incidence matérielle, ni sur les méthodes d'évaluation utilisées par le groupe, ni sur les informations communiquées en notes annexes.
- Amendements à différentes normes IFRS contenus dans le texte d'Améliorations annuelles Cycle 2009-2011 ont été publiés par l'IASB en mai 2012, adoptés dans l'UE le 27 mars 2013, et publiés au Journal officiel de l'UE le 28 mars 2013.

Le groupe a par ailleurs décidé d'appliquer par anticipation dans ses états financiers combinés au 31 décembre 2013 les nouvelles normes relatives aux méthodes de consolidation : IFRS 10 – *États financiers consolidés*, IFRS 11 – *Partenariats*, IFRS 12 – *Informations à fournir sur les intérêts détenus dans d'autres entités*, et IAS 28 – *Participations dans des entreprises associées et des coentreprises*, publiées par l'IASB le 12 mai 2011, adoptées dans l'UE le 11 décembre 2012 et publiées au Journal officiel de l'UE le 29 décembre 2012. Elles sont d'application obligatoire à compter du 1er janvier 2014 dans l'Union Européenne.

Les principes relatifs aux méthodes de combinaison introduits par ces nouvelles normes sont présentés ci-après dans la Note 1.3.2 – Méthodes de combinaison.

Nouvelles normes IFRS et interprétations IFRIC publiées mais non encore entrées en vigueur
Parmi les autres normes IFRS et interprétations IFRIC émises par l'IASB/l'IFRS IC, mais non encore entrées en vigueur, pour lesquelles le groupe n'a pas opté pour une application anticipée, et qui sont susceptibles de concerner le groupe, figure principalement l'interprétation IFRIC 21 – *Droits ou taxes*, publiée par l'IFRS IC le 20 mai 2013, dont la date d'application obligatoire n'est pas encore connue à ce jour, l'UE n'ayant pas encore adopté cette interprétation. L'application de cette interprétation pourrait conduire, le cas échéant, à modifier l'analyse du fait générateur de la reconnaissance du passif.
Le processus de détermination par le groupe des impacts potentiels de l'application de cette interprétation sur les états financiers combinés et le contenu des notes annexes aux états financiers combinés est en cours.
Par ailleurs, le groupe suit l'évolution de la norme IFRS 9 – *Instruments financiers* visant à remplacer IAS 39. Le Board de l'IASB a provisoirement décidé de décaler la date d'entrée en vigueur de la norme (initialement prévue en 2015), sans se prononcer sur une autre date.

1.2. Présentation des états financiers combinés

1.2.1. Compte de résultat combiné

Les principales rubriques présentées dans le compte de résultat combiné du groupe sont le chiffre d'affaires, le résultat opérationnel, le résultat financier, la quote-part de résultat net des sociétés mises en équivalence, l'impôt sur le résultat et le résultat net.

Le résultat opérationnel est le résultat du processus d'exploitation après prise en compte des dotations nettes aux amortissements et provisions et des éléments non récurrents, classés en autres charges et produits opérationnels.

Les autres charges et produits opérationnels regroupent notamment les coûts de restructuration, les dotations aux amortissements des actifs incorporels acquis dans le cadre de regroupement d'entreprises, les résultats de cession des immobilisations incorporelles et corporelles ainsi que les autres charges et produits non récurrents à caractère non financier.

Le résultat financier, est composé des charges d'intérêts sur les emprunts, des produits d'intérêts de la trésorerie, ainsi que des autres charges et produits financiers (notamment, effet de désactualisation des actifs et des passifs).

1.2.2. Autres éléments du résultat global

Les autres éléments du résultat global sont principalement les écarts de conversion, les variations de juste valeur des instruments de couverture de flux de trésorerie (change et taux), les écarts actuariels sur les avantages postérieurs à l'emploi, ainsi que les effets d'impôts liés.

Ces éléments sont classés en fonction de leur nature et sont répartis entre les éléments qui seront recyclables ultérieurement en résultat net et ceux qui ne le seront pas.

1.2.3. Bilan combiné

Les actifs et passifs dont la maturité est inférieure au cycle d'exploitation, généralement égal à 12 mois, sont classés en actifs ou passifs courants. Si leur échéance excède cette durée, ils sont ainsi généralement classés en actifs ou passifs non courants sauf les impôts différés qui sont classés en toutes circonstances en actifs et passifs non courants.

1.2.4. Tableau des flux de trésorerie

Flux nets de trésorerie des activités opérationnelles

Pour déterminer le flux net des activités opérationnelles, le résultat net est retraité des éléments sans incidence sur la trésorerie, et de la variation nette du besoin en fonds de roulement opérationnel. Ce résultat net est par ailleurs aussi retraité de l'impôt courant et différé, et de l'ensemble des composantes du résultat financier. Les flux nets de trésorerie provenant des activités opérationnelles excluent aussi la variation nette du besoin en fonds de roulement lié aux immobilisations corporelles et incorporelles.

Flux nets de trésorerie des activités d'investissement

Les flux nets de trésorerie des activités d'investissement intègrent notamment les acquisitions et cessions d'immobilisations corporelles, incorporelles et financières, la variation nette du besoin en fonds de roulement lié aux immobilisations corporelles et incorporelles ainsi que les flux de trésorerie provenant de l'obtention ou de la perte de contrôle dans une filiale.

Flux nets de trésorerie des activités de financement

Les flux nets de trésorerie des activités de financement intègrent notamment les souscriptions et remboursements d'emprunts, la variation de la dette envers Vivendi S.A., les dividendes versés, les augmentations de capital et le coût du financement, ainsi que toutes les incidences sur la trésorerie des autres éléments liés aux activités financières.

1.2.5. Performance opérationnelle du groupe

Le groupe considère que l'EBITDA et le CFFO constituent des indicateurs pertinents des performances opérationnelles du groupe.

EBITDA
Le groupe considère l'EBITDA, mesure à caractère non comptable, comme une mesure de la performance. Il met en évidence le profit généré par l'activité du groupe indépendamment des conditions de financement, des contraintes fiscales (impôts sur les sociétés) et de l'obsolescence de l'outil d'exploitation (dotations nettes aux amortissements et provisions). Tel que défini par le groupe, il correspond au résultat opérationnel retraité des autres produits et charges opérationnels et des dotations nettes aux amortissements et provisions sur les immobilisations incorporelles et corporelles.

CFFO
Le groupe considère le CFFO, mesure à caractère non comptable, comme un indicateur pertinent des performances opérationnelles du groupe. Le CFFO correspond notamment aux flux nets de trésorerie provenant des activités opérationnelles du Tableau des Flux de Trésorerie (TFT) après déduction des investissements nets de cession et de variation de BFR y afférente et corrigé des décaissements de l'impôt sur les sociétés.

1.2.6. Information sectorielle

L'évolution de l'activité du groupe entraînant la convergence accrue des activités de téléphonie mobile et de services Internet haut débit et fixe conduit la direction du groupe à suivre les opérations de façon globale et unifiée. Le principal décideur opérationnel, vérifie les résultats et les plans opérationnels, et décide de l'affectation des ressources à l'échelle du groupe. Le groupe a donc identifié un seul secteur opérationnel répondant aux critères de la norme IFRS 8.
De même, considérant que la quasi-totalité de l'activité du groupe est réalisée sur le territoire français un seul axe géographique est retenu.
Cette présentation pourrait être modifiée à l'avenir, en fonction de l'évolution des activités du groupe et des critères opérationnels.

1.3. Principes de préparation des états financiers combinés

1.3.1. Recours à des estimations

L'établissement des états financiers combinés conformément aux normes IFRS requiert que le groupe procède à certaines estimations et retienne certaines hypothèses, qu'il juge raisonnables et réalistes. Même si ces estimations et hypothèses sont régulièrement revues, en particulier sur la base des réalisations passées et des anticipations, certains faits et circonstances peuvent conduire à des changements ou des variations de ces estimations et hypothèses, ce qui pourrait affecter la valeur comptable des actifs, passifs, capitaux propres et résultat du groupe.

Les principales estimations et hypothèses utilisées concernent l'évaluation des postes suivants :

- provisions : estimation du risque, effectuée au cas par cas, étant précisé que la survenance d'évènements en cours de procédure peut entraîner à tout moment une réappréciation de ce risque (Cf. Notes 1.3.14 et 18),
- avantages au personnel : hypothèses mises à jour annuellement, telles que la probabilité du maintien du personnel dans le groupe jusqu'au départ en retraite, l'évolution prévisible de la rémunération future, le taux d'actualisation et le taux d'inflation, table de mortalité (Cf. Notes 1.3.15 et 19),
- écarts d'acquisition : immobilisations incorporelles à durée de vie indéfinie et immobilisations en cours : hypothèses mises à jour annuellement, dans le cadre des tests de perte de valeur, relatives à la détermination des unités génératrices de trésorerie (UGT), des flux de trésorerie futurs et des taux d'actualisation (Cf. Notes 1.3.6 et 8).
- impôts différés : estimations pour la reconnaissance des impôts différés actifs mises à jour annuellement telles que les résultats fiscaux futurs du groupe ou les variations probables des différences temporelles actives et passives (Cf. Notes 1.3.16 et 6),

- chiffre d'affaires : identification des éléments séparables d'une offre packagée et allocation en fonction des justes valeurs relatives de chaque élément ; durée d'étalement des revenus liés aux frais d'accès au service selon la nature du produit et la durée du contrat ; présentation du revenu en net ou brut selon que le groupe agit en qualité d'agent ou principal. (Cf. Note 1.3.4 et 4.1).
- Immobilisations incorporelles et corporelles : estimation de la durée d'utilité basée notamment sur l'obsolescence effective des immobilisations et sur l'utilisation qui en est faite (Cf. Notes 1.3.7 et 9 ; 1.3.8 et 10)

1.3.2. Méthodes de combinaison

La liste des entités combinées est présentée à la Note 27 – Liste des sociétés combinées.

Entités contrôlées
Le nouveau modèle de contrôle, introduit par la norme IFRS 10 en remplacement de la norme IAS 27 révisée – *États financiers consolidés et individuels* et de l'interprétation SIC 12 – *Entités ad hoc*, est fondé sur les trois critères suivants à remplir simultanément afin de conclure à l'exercice du contrôle par la société mère :

- la société mère détient le pouvoir sur la filiale lorsqu'elle a des droits effectifs qui lui confèrent la capacité actuelle de diriger les activités pertinentes, à savoir les activités ayant une incidence importante sur les rendements de la filiale. Le pouvoir peut être issu de droits de vote existants et / ou potentiels et / ou d'accords contractuels. Les droits de vote doivent être substantiels, *i.e.* leur exercice doit pouvoir être mis en œuvre à tout moment, sans limitation et plus particulièrement lors des prises de décision portant sur les activités significatives. L'appréciation de la détention du pouvoir dépend de la nature des activités pertinentes de la filiale, du processus de décision en son sein et de la répartition des droits des autres actionnaires de la filiale ;
- la société mère est exposée ou a droit à des rendements variables en raison de ses liens avec la filiale qui peuvent varier selon la performance de celle-ci. La notion de rendement est définie largement, et inclut les dividendes et autres formes d'avantages économiques distribués, la valorisation de l'investissement, les économies de coûts, les synergies, etc… ;
- la société mère a la capacité d'exercer son pouvoir afin d'influer sur les rendements. Un pouvoir qui ne conduirait pas à cette influence ne pourrait pas être qualifié de contrôle.

Ces entités sont combinées selon la méthode de l'intégration globale.

Méthode de l'intégration globale
Elle consiste à intégrer dans les comptes combinés les éléments du bilan, du compte de résultat et du tableau des flux de trésorerie des entreprises contrôlées au sens IFRS 10, effectuer les retraitements éventuels, éliminer les opérations et comptes les concernant réciproquement ainsi que les résultats internes et répartir les capitaux propres et le résultat entre les intérêts de la société mère et les intérêts ne donnant pas le contrôle.
Le compte de résultat combiné inclut les résultats des filiales acquises au cours de l'exercice à compter de la date de leur acquisition. Les résultats des filiales cédées au cours de la même période sont pris en compte jusqu'à leur date de cession.
Les intérêts ne donnant pas le contrôle dans l'actif net des filiales sont présentés sur une ligne distincte des capitaux propres intitulée « Intérêts ne donnant pas le contrôle ». Ils comprennent le montant des intérêts ne donnant pas le contrôle à la date de prise de contrôle et la part des intérêts ne donnant pas le contrôle dans la variation des capitaux propres depuis cette date. Sauf accord contractuel qui indiquerait une allocation différente, les résultats négatifs des filiales sont systématiquement répartis entre capitaux propres attribuables aux propriétaires de la société mère et intérêts ne donnant pas le contrôle sur la base de leurs pourcentages d'intérêt respectifs, et cela même si ces derniers deviennent négatifs.

Partenariats
La norme IFRS 11 – *Partenariats,* qui remplace la norme IAS 31 – *Participations dans des coentreprises* et l'interprétation SIC 13 – *Entités contrôlées en commun - Apports non monétaires*

par des co-entrepreneurs, a pour objectif d'établir les principes d'information financière pour les entités qui détiennent des intérêts dans des entreprises contrôlées conjointement (ou partenariats). Dans un partenariat, les parties sont liées par un accord contractuel leur conférant le contrôle conjoint de l'entreprise. L'entité qui est partie à un partenariat doit donc déterminer si l'accord contractuel confère à toutes les parties, ou à un groupe d'entre elles, le contrôle collectif de l'entreprise. L'existence d'un contrôle conjoint est ensuite déterminée dans le cas où les décisions concernant les activités pertinentes requièrent le consentement unanime des parties qui contrôlent collectivement l'entreprise.

Les partenariats sont classés en deux catégories :

- Les entreprises communes (ou activités conjointes) : il s'agit de partenariats dans lesquels les parties qui exercent un contrôle conjoint sur l'entreprise ont directement des droits sur les actifs, et des obligations au titre des passifs liés, relatifs à celle-ci. Ces parties sont appelées « coparticipants ». Le coparticipant comptabilise 100 % des actifs / passifs, charges / produits de l'entreprise commune détenus en propre, ainsi que la quote-part des éléments détenus conjointement. Ces partenariats concernent les contrats de co-investissements signés par le groupe.
- Les coentreprises : il s'agit de partenariats dans lesquels les parties qui exercent un contrôle conjoint sur l'entreprise ont des droits sur l'actif net de celle-ci. Ces parties sont appelées « co-entrepreneurs ». Chaque co-entrepreneur comptabilise son droit dans l'actif net de l'entité selon la méthode de la mise en équivalence (Cf. paragraphe spécifique à la méthode de mise en équivalence).

Entreprises associées

Les entreprises associées dans lesquelles le groupe détient une influence notable sont mises en équivalence par le groupe (Cf. paragraphe spécifique à la méthode de mise en équivalence).
L'influence notable est présumée exister lorsque le groupe détient, directement ou indirectement, 20 % ou davantage de droits de vote d'une entité, sauf à démontrer clairement que ce n'est pas le cas. L'existence d'une influence notable peut être mise en évidence par d'autres critères tels qu'une représentation au Conseil d'administration ou à l'organe de direction de l'entité détenue, une participation au processus d'élaboration des politiques, l'existence d'opérations significatives avec l'entité détenue ou l'échange de personnels dirigeants.

Méthode de la mise en équivalence

Selon la méthode de la mise en équivalence, les participations dans les entreprises associées et les coentreprises sont inscrites au bilan à leur coût d'acquisition, y compris écarts d'acquisition et coûts de transaction. Les compléments de prix initialement évalués à la juste valeur et les ajustements ultérieurs sont comptabilisés dans le coût de l'investissement, lorsque leurs paiements peuvent être mesurés avec une fiabilité suffisante.
La part du groupe dans le résultat des entreprises associées et coentreprises est reconnue dans le compte de résultat alors que sa part dans les mouvements de réserves postérieurs à l'acquisition est reconnue en réserves. Les mouvements postérieurs à l'acquisition sont portés en ajustement de la valeur de l'investissement. La quote-part du groupe dans les pertes enregistrées par une entreprise associée et une coentreprise est constatée dans la limite de l'investissement réalisé, sauf si le groupe a une obligation légale ou implicite de soutien envers cette entreprise.
Tout excédent du coût d'acquisition sur la quote-part du groupe dans la juste valeur nette des actifs, passifs et passifs éventuels identifiables de l'entreprise associée constaté à la date d'acquisition constitue un écart d'acquisition. Ce dernier est compris dans la valeur comptable de la participation et est pris en considération dans le test de dépréciation relatif à cet actif.

1.3.3. Méthodes de conversion des éléments en devise

Conversion des transactions en devises

Les opérations en monnaies étrangères sont initialement enregistrées dans la monnaie fonctionnelle de l'entité au taux de change en vigueur à la date d'opération. À la date de clôture, les actifs et passifs monétaires libellés en monnaies étrangères sont convertis dans la monnaie fonctionnelle aux taux en vigueur à la date de clôture. Tous les écarts sont enregistrés en résultat de la période.

Conversion des états financiers des sociétés étrangères
Les états financiers des sociétés étrangères dont la monnaie fonctionnelle n'est pas l'euro sont convertis en euros :

- au taux de change de clôture pour le bilan ;
- au taux moyen de l'exercice pour le compte de résultat et le tableau des flux de trésorerie.

Les différences de conversion en résultant sont portées directement dans un poste spécifique des capitaux propres « Écarts de conversion ». Lors des cessions ultérieures des investissements nets libellés en devise étrangère, le montant cumulé des écarts de change différés figurant dans les capitaux propres, relatif à cette activité à l'étranger, est constaté en résultat.

1.3.4. Chiffre d'affaires

Le chiffre d'affaires du groupe est reconnu dès lors qu'il est probable que les avantages économiques futurs bénéficieront au groupe et que ces produits peuvent être évalués de manière fiable.
Le chiffre d'affaires du groupe est constitué principalement de ventes d'équipement, de prestations de services et de locations d'infrastructures de télécommunications.

Ventes d'équipement
Les produits issus de la vente de terminaux sont reconnus en chiffre d'affaires lors du transfert à l'acquéreur des risques et avantages inhérents à la propriété.

Éléments séparables d'une offre commerciale packagée
Le chiffre d'affaires provenant des packs téléphoniques est comptabilisé comme une vente à éléments multiples. Le chiffre d'affaires provenant de la vente de terminaux (téléphones portables et autres) est constaté lors de l'activation de la ligne, net des remises accordées au client via les points de vente et des frais de mise en service.
Les autres coûts d'acquisition et de rétention, constitués notamment des primes non associées à des ventes de terminaux dans le cadre de packs téléphoniques et des commissions versées aux distributeurs sont enregistrées en charges administratives et commerciales.
Lorsque des éléments de ces transactions ne peuvent être identifiés ou analysés comme séparables d'une offre principale, ils sont considérés comme liés et les revenus associés sont reconnus dans leur globalité sur la durée du contrat ou la durée attendue de la relation client.

Prestations de services
Les produits d'abonnement d'accès à Internet ou de souscription à des forfaits de téléphonie (fixe ou mobile) sont comptabilisés de manière linéaire sur la durée de la prestation correspondante.
Le groupe vend certains abonnements téléphoniques au forfait pour lesquels les minutes de communication d'un mois donné peuvent être reportées sur le mois suivant en l'absence de consommation effective. Les minutes reportables sont comptabilisées pour la part du chiffre d'affaires qu'elles représentent dans l'abonnement téléphonique, lors de la consommation effective de ces minutes ou lors de leur péremption.
Le chiffre d'affaires relatif aux communications entrantes et sortantes ainsi que le hors forfait est enregistré lorsque la prestation est rendue.
Le chiffre d'affaires généré par les coupons vendus aux distributeurs et par les cartes prépayées Mobile est enregistré au fil de la consommation du client final, à partir de l'activation de ces coupons et cartes. Le reliquat non utilisé est enregistré en revenu différé à la clôture. Le produit est en tout état de cause, reconnu à la date de fin de validité des cartes ou lorsque la consommation du coupon est statistiquement improbable.
Les ventes de services aux abonnés gérées par le groupe pour le compte de fournisseurs de contenus (principalement les numéros spéciaux et SMS+) sont comptabilisées en brut, ou nettes des reversements aux fournisseurs de contenus selon les critères IAS 18 et notamment lorsque ces derniers ont la responsabilité du contenu et déterminent la tarification de l'abonné.

Les frais d'accès au service ou frais d'installation facturés principalement à des clients opérateurs et entreprises lors de la mise en œuvre de services de type connexion ADSL, service de bande passante ou de connectivité IP sont étalés sur la durée attendue de la relation contractuelle et de la fourniture du service principal.

Le chiffre d'affaires lié aux services commutés est reconnu au fur et à mesure de l'acheminement du trafic.

Le chiffre d'affaires provenant des services de bande passante, de connectivité IP, d'accès local à haut débit et de services de télécommunications est comptabilisé au fur et à mesure des services rendus aux clients.

Accès à des infrastructures de télécommunications

Le groupe foumit l'accès à ses infrastructures de télécommunication à ses clients opérateurs au moyen de différents types de contrats : la location, les contrats d'hébergement ou la concession de droits irrévocables d'usage (ou "IRU" Indefeasible Right of Use). Les contrats d'IRU concèdent l'usage d'un bien (fourreaux, fibres optiques ou bande passante) sur une durée définie généralement longue, le groupe restant propriétaire du bien. Les produits générés par les contrats de locations, les contrats d'hébergement dans les Netcenters et les IRU d'infrastructures sont étalés sur la durée des contrats correspondants, sauf lorsque ces demiers sont qualifiés de location financière ; dans ce cas, l'équipement est alors considéré comme vendu à crédit.

Dans le cas des IRU et parfois des locations ou des contrats de services, la prestation est payée d'avance la première année. Ces prépaiements, non remboursables, sont alors enregistrés en produits constatés d'avance et amortis sur la durée contractuelle attendue. La durée d'amortissement est comprise entre 10 et 25 ans pour les IRU et entre 1 et 25 ans pour les locations et les contrats de services.

Ventes d'infrastructures

Le groupe réalise pour le compte de certains clients la construction d'infrastructures. La durée moyenne des travaux étant inférieure à un an, la prise en compte du chiffre d'affaires se fait au moment du transfert de propriété. Le chiffre d'affaires relatif aux ventes d'infrastructures est pris en compte lors du transfert de propriété. Lorsqu'il est estimé qu'un contrat sera déficitaire, une provision pour contrat déficitaire est constatée.

Programmes de fidélisation

En application de l'interprétation IFRIC 13, le groupe procède à l'évaluation de la juste valeur de l'avantage incrémental octroyé dans le cadre de ces programmes de fidélisation. Au titre des périodes présentées, cette juste valeur étant non significative, aucun chiffre d'affaires n'a été différé à ce titre.

1.3.5. Coûts des ventes, coûts commerciaux et de distribution

Les coûts des ventes sont constitués des achats de marchandises (y compris les achats de terminaux), des coûts d'interconnexion, des coûts du réseau ainsi que de la quote-part des frais de personnel et d'impôts et taxes rattachés.

Les coûts commerciaux et de distribution représentent les coûts de publicité et de marketing, les coûts commerciaux, ainsi que les coûts de fidélisation et de gestion de clientèle. Ils sont constatés en charges dans l'exercice au cours duquel ils sont encourus.

1.3.6. Écarts d'acquisition et regroupements d'entreprises

Regroupements d'entreprises réalisés à partir du 1er janvier 2009

Les regroupements d'entreprises sont comptabilisés selon la méthode de l'acquisition.

Le prix d'acquisition aussi appelé « contrepartie transférée » pour l'acquisition d'une filiale est la somme des justes valeurs des actifs transférés et des passifs assumés par l'acquéreur à la date d'acquisition et des instruments de capitaux propres émis par l'acquéreur. Le prix d'acquisition comprend les compléments éventuels du prix évalués et comptabilisés à leur juste valeur, à la date d'acquisition.

Les compléments de prix sont enregistrés initialement à leur juste valeur et les variations de valeur intervenant ultérieurement sont systématiquement comptabilisées en contrepartie du résultat.
Les coûts directs liés à l'acquisition sont enregistrés en charges dans la période au cours de laquelle ils sont encourus.

À la date d'acquisition, l'écart d'acquisition est évalué comme étant la différence entre :

- la juste valeur de la contrepartie transférée, augmentée du montant des participations ne donnant pas le contrôle dans l'entreprise acquise, et
- le solde net des montants, à la date d'acquisition, des actifs identifiables acquis et des passifs assumés évalués à la juste valeur.

L'évaluation initiale du prix d'acquisition et des justes valeurs des actifs acquis et passifs assumés doit être finalisée dans un délai de 12 mois à compter de la date d'acquisition et tout ajustement est comptabilisé sous forme de correction rétroactive de l'écart d'acquisition. Au-delà de cette période de douze mois, tout ajustement est enregistré directement au compte de résultat. Lors de chaque regroupement d'entreprises, le groupe peut opter pour une comptabilisation de la fraction d'intérêts non acquise:

- soit à sa juste valeur à la date d'acquisition avec, en conséquence, la comptabilisation d'un écart d'acquisition sur cette fraction non acquise (méthode dite du « goodwill » complet) ;
- soit sur la base de sa quote-part dans l'actif net identifiable de l'acquise évalué à la juste valeur, ce qui conduit à ne reconnaître que l'écart d'acquisition attribuable aux propriétaires de la maison mère (méthode dite du « goodwill » partiel).

Si l'écart d'acquisition est négatif, il est constaté en profit directement au compte de résultat.

Les écarts d'acquisition ne sont pas amortis mais font l'objet d'un test de dépréciation dès l'apparition d'indices de pertes de valeur et au moins une fois par an à la date de clôture.
Ultérieurement, l'écart d'acquisition est évalué à son montant d'origine, diminué le cas échéant du cumul des pertes de valeur enregistrées (Cf. Note 8.3 – Tests de dépréciation des écarts d'acquisition).
En outre, les principes suivants s'appliquent aux regroupements d'entreprises :

- en cas de regroupement d'entreprises réalisé par étapes, l'acquéreur doit réévaluer à sa juste valeur à la date d'acquisition toute participation antérieurement détenue et comptabiliser l'éventuel profit ou perte en résultat ;
- en cas d'acquisition d'une participation complémentaire dans une filiale, le groupe comptabilise la différence entre le prix d'acquisition et la valeur comptable des intérêts minoritaires en variation des capitaux propres attribuables aux actionnaires.

Regroupements d'entreprises réalisés avant le 1er janvier 2009
Conformément aux dispositions de la norme IFRS 1, le groupe a choisi de ne pas retraiter les regroupements d'entreprises antérieurs au 1er janvier 2004. IFRS 3, dans sa version publiée par l'IASB en mars 2004, retenait déjà la méthode de l'acquisition. Ses dispositions diffèrent cependant de celles de la norme révisée sur les principaux points suivants :
- les intérêts minoritaires sont évalués sur la base de leur quote-part dans l'actif net identifiable de l'entité acquise, et l'option d'évaluation à la juste valeur n'existe pas,
- les ajustements éventuels du prix d'acquisition sont comptabilisés dans le coût d'acquisition uniquement si leur occurrence est probable et que les montants peuvent être évalués de façon fiable,
- les coûts directement liés à l'acquisition sont comptabilisés dans le coût du regroupement,
- en cas d'acquisition d'une participation complémentaire dans une filiale combinée, le groupe comptabilise la différence entre le coût d'acquisition et la valeur comptable des intérêts minoritaires acquis en écart d'acquisition.

1.3.7. Immobilisations incorporelles

Immobilisations incorporelles acquises

Les immobilisations incorporelles acquises séparément sont comptabilisées à leur coût historique diminué du cumul des amortissements et du cumul des éventuelles pertes de valeur.

Les immobilisations incorporelles acquises dans le cadre d'un regroupement d'entreprises sont comptabilisées à leur juste valeur à la date d'acquisition. Postérieurement à la comptabilisation initiale, le modèle du coût historique est appliqué à ces immobilisations incorporelles.

Licences d'exploitation

Les licences d'exploitation sur le territoire français de services de téléphonie sont comptabilisées pour le montant fixe payé lors de l'acquisition de la licence. La part variable des redevances liées aux licences qui s'élève à 1 % du chiffre d'affaires généré par ces activités ne peut être déterminée de manière fiable et est ainsi comptabilisée en charges de la période durant laquelle elle est encourue.

- La licence UMTS est comptabilisée à son coût historique et est amortie selon le mode linéaire depuis l'ouverture du service intervenue en juin 2004 et ce jusqu'à la fin de la période d'octroi du droit (août 2021), correspondant à sa durée d'utilisation attendue ;
- la licence GSM, renouvelée en mars 2006, est comptabilisée à la valeur actualisée à 4 % de la redevance annuelle fixe de 25 millions d'euros et est amortie selon le mode linéaire depuis cette date et ce jusqu'à la fin de la période d'octroi du droit (mars 2021), correspondant à sa durée d'utilisation attendue ;
- la licence LTE est comptabilisée à son coût historique et est amortie selon le mode linéaire à partir de la date d'ouverture du service jusqu'à la fin de la période d'octroi du droit. La licence concernant la bande 2,6 GHz, acquise en octobre 2011, est amortie depuis fin novembre 2012 (fin d'octroi : octobre 2031). La licence concernant la bande 800 MHz, acquise en janvier 2012, a été mise en service le 3 juin 2013 et sera amortie sur une durée restante de 18 ans (fin d'octroi : janvier 2032).

Autres immobilisations incorporelles acquises

Les frais de recherche de sites pour les antennes relais sont capitalisés et amortis en fonction de leur durée d'utilité, soit principalement dix ans, correspondant à la durée moyenne estimée d'un bail.

Les investissements réalisés dans le cadre de concessions ou de délégations de service public, et liés au déploiement du réseau de télécommunications, sont comptabilisés en immobilisations incorporelles conformément à l'interprétation IFRIC 12. Le « modèle incorporel » prévu par cette interprétation s'applique lorsque le concessionnaire reçoit un droit à facturer les usagers du service public et que le concessionnaire est payé en substance par l'usager. Ces immobilisations incorporelles sont amorties sur la durée la plus courte entre la durée d'utilité estimée des catégories d'immobilisations considérées et la durée de la concession.

Les immobilisations incorporelles sont également constituées des droits de passage ou droits d'accès obtenus. L'amortissement est généralement calculé selon la méthode linéaire sur la durée la plus faible entre la durée contractuelle et 30 ans.

Les frais de connexion DSL (frais d'accès au service ou FAS) facturés par l'opérateur de boucle locale lors de la mise en œuvre du dégroupage d'un client sont immobilisés et amortis sur la durée estimée de consommation des avantages économiques attendus entre deux et quatre ans.

Immobilisations incorporelles générées en interne

Les immobilisations incorporelles générées en interne sont comptabilisées à leur coût historique diminué du cumul des amortissements et du cumul des éventuelles pertes de valeur.

Les coûts de recherche sont comptabilisés en charges lorsqu'ils sont encourus. Les dépenses de développement sont activées lorsque les conditions suivantes sont remplies :

- l'achèvement de l'immobilisation est techniquement réalisable ;
- le groupe a l'intention d'achever l'immobilisation et de la mettre en service ou en vente ;
- le groupe dispose des ressources techniques et financières pour achever l'immobilisation ;

- le groupe a la capacité de mettre l'immobilisation en service ou en vente ;
- la rentabilité du projet est raisonnablement considérée comme assurée ;
- le groupe a la capacité d'évaluer de façon fiable les dépenses attribuables à l'immobilisation.

Les marques et parts de marché générées en interne ne sont pas reconnues en tant qu'immobilisations incorporelles.
Les coûts de développement de logiciels informatiques capitalisés représentent les coûts encourus lors du développement en interne des produits. Les coûts de développement de logiciels informatiques sont capitalisés dès lors que la faisabilité technique a été établie et qu'ils sont considérés comme recouvrables.
Les frais directs internes et externes engagés pour développer des logiciels à usage interne sont capitalisés durant la phase de développement de l'application. Les coûts de la phase de développement de l'application comprennent généralement la configuration du logiciel, le codage, l'installation et la phase de test. Les coûts des mises à jour importantes et des améliorations donnant lieu à des fonctionnalités supplémentaires sont également activés. Ces coûts capitalisés sont amortis sur quatre à huit ans.

Les dépenses ultérieures relatives aux immobilisations incorporelles sont activées seulement si elles augmentent les avantages économiques futurs associés à l'actif spécifique correspondant. Les autres dépenses sont comptabilisées en charges lorsqu'elles sont encourues.

Coûts d'emprunts
Le mode de déploiement par étapes des immobilisations incorporelles ne conduisant généralement pas à une longue période de préparation, le groupe ne capitalise pas, en général, les coûts d'emprunts encourus pendant l'acquisition ou la production des immobilisations incorporelles.

1.3.8. Immobilisations corporelles

Les immobilisations corporelles sont comptabilisées à leur coût historique diminué du cumul des amortissements et du cumul des éventuelles pertes de valeur. Le coût historique inclut le coût d'acquisition ou le coût de production, les coûts directement attribuables pour disposer de l'immobilisation dans son lieu et dans ses conditions d'exploitation, et l'estimation des coûts relatifs au démantèlement et à l'enlèvement de l'immobilisation et à la remise en état du site sur lequel elle est installée, à raison de l'obligation encourue. En outre, les coûts d'emprunt attribuables à un actif dont la période de construction est supérieure à un an sont capitalisés comme un élément du coût de cet actif.
A contrario, les coûts ultérieurs d'entretien (réparations et maintenances) de l'immobilisation corporelle sont comptabilisés en résultat. Les autres dépenses ultérieures qui contribuent à augmenter la productivité ou la durée de vie de l'immobilisation, sont portées à l'actif.
Lorsqu'une immobilisation corporelle comprend des composants significatifs ayant des durées de vie différentes, ils sont comptabilisés et amortis de façon séparée. L'amortissement est calculé de manière linéaire sur la durée de vie utile de l'actif.
Dans le cas particulier des immeubles de type Netcenters, la base amortissable tient compte d'une valeur résiduelle à l'issue de la durée d'utilité.
Les immobilisations corporelles comprennent principalement les équipements de réseaux.

Les durées d'utilisation sont les suivantes :

Constructions et bâtiments techniques	15 à 25 ans
Agencements et mobiliers	5 à 10 ans
Matériels et outillages industriels	5 ans
Box et frais d'accès	4 ans
Équipements du réseau :	

- Fibre optique / FTTH	50 ans
- Pylônes	20 ans
- Autres équipements de réseau	4 à 8 ans
Matériels divers	3 à 5 ans

Les durées d'utilité estimées sont revues régulièrement et les changements dans les estimations sont comptabilisés, le cas échéant, de manière prospective.

La charge d'amortissement est enregistrée dans le coût des ventes, les coûts commerciaux et de distribution ou les frais généraux selon la fonction des actifs auxquels elle se rapporte.

Les matériels et équipements de télécommunications sont des investissements fortement sujets aux évolutions technologiques : des mises au rebut ou amortissements accélérés peuvent être constatés si le groupe doit procéder à des mises au rebut prématurées de certains matériels techniques ou s'il est amené à revoir la durée d'utilisation prévisionnelle de certaines catégories d'équipement.

Les frais de liaisons et raccordements sont classés en immobilisations corporelles. Ces frais sont amortis sur leur durée d'utilité, soit huit ans.

Les contrats commerciaux de fourniture de capacités de télécommunications du groupe sont analysés au regard de l'interprétation IFRIC 4 - *Déterminer si un accord contient un contrat de location* :

- Les contrats de concession de droits irrévocables d'usage (ou « IRU » : Indefeasible Right of Use) concèdent l'usage d'un bien sur une durée définie. Les contrats d'« IRU » qui octroient un droit d'usage spécifique d'une partie déterminée de l'actif sous-jacent sous forme de fibres ou de longueurs d'ondes dédiées sont traités comme des contrats de location. Les coûts des contrats d'« IRU » sont immobilisés si la durée du droit octroyé couvre la majeure partie de la durée de vie de l'actif sous-jacent et amortis sur leur durée contractuelle ;
- Certains contrats commerciaux de fourniture de capacités sont qualifiés de contrats de prestations de services, ceci compte tenu généralement de l'absence de mise à disposition d'un actif spécifique ; les redevances contractuelles sont alors comptabilisées en charges sur la période.

Déploiement FTTH

La décision n° 2009-1106 de l'Autorité de Régulation des Communications électroniques et des Postes (ARCEP) en date du 22 décembre 2009 encadre le déploiement de la fibre optique dans les zones très denses en instituant des règles de co-investissement entre les opérateurs de téléphonie. Les offres de référence publiées par les opérateurs conformément aux dispositions de cette décision sont traitées en IFRS par l'application de la norme IFRS 11 – *Partenariats.* Ainsi, lorsque le groupe est co-investisseur *ab initio,* seule sa quote-part d'actif est conservée en immobilisation corporelle et lorsque le groupe est investisseur *a posteriori*, l'IRU ou le droit d'usage est enregistré en immobilisation corporelle. Le même traitement s'applique pour le co-investissement dans les zones moyennement denses définies par l'ARCEP.

Contrats de location financement

Les contrats de location d'immobilisations corporelles pour lesquels sont transférés au groupe la quasi-totalité des risques et des avantages inhérents à la propriété légale sont considérés comme des contrats de location-financement.

Les immobilisations corporelles ainsi financées sont comptabilisés en actif corporel avec inscription en contrepartie d'une dette financière. Les actifs financés par des contrats de location financement sont capitalisés pour la valeur actualisée des paiements futurs ou la valeur de marché si elle est inférieure, et la dette correspondante est inscrite en «emprunts et autres passifs financiers». Ces actifs sont généralement amortis de façon linéaire sur leur durée d'utilité estimée, correspondant à la durée applicable à des immobilisations de même nature, ou, si la durée du contrat de location est plus courte que la durée d'utilité du bien loué et s'il n'est pas raisonnablement certain que la propriété du bien sera transférée au preneur à la fin du contrat, sur la durée du contrat.

Remise en état des sites

Le groupe a l'obligation contractuelle de remettre en état les sites du réseau (mobile et fixe) à l'échéance du bail, en cas de non renouvellement de celui-ci. En raison de cette obligation, l'activation des coûts de remise en état des sites a été calculée sur la base :

- d'un coût moyen unitaire de remise en état de sites,
- d'hypothèses sur la durée de vie de l'actif de démantèlement, et
- d'un taux d'actualisation.

Subventions d'investissement

Les subventions d'investissement reçues sont comptabilisées au bilan en déduction des immobilisations qu'elles ont permis de financer. Ces subventions d'investissement sont comptabilisées en résultat au même rythme que les amortissements des immobilisations financées.

1.3.9. Perte de valeur des écarts d'acquisition, immobilisations corporelles et incorporelles

Le groupe réexamine la valeur des écarts d'acquisition, des autres immobilisations incorporelles, des immobilisations corporelles et des immobilisations en cours chaque fois que des évènements ou modifications d'environnement de marché indiquent un risque de perte de valeur de ces actifs. En outre, les écarts d'acquisition, les immobilisations incorporelles à durée de vie indéfinie et les immobilisations incorporelles en cours sont soumis à un test de perte de valeur au cours du quatrième trimestre de chaque exercice.

Le test de dépréciation consiste à comparer la valeur recouvrable d'un actif immobilisé ou d'une unité génératrice de trésorerie à sa valeur nette comptable. Si la valeur recouvrable d'un actif ou d'une unité génératrice de trésorerie (UGT) est inférieure à sa valeur nette comptable, cette dernière est ramenée à la valeur recouvrable et la perte de valeur est immédiatement comptabilisée au compte de résultat en autres charges opérationnelles. Dans la situation d'un test de dépréciation d'écart d'acquisition affecté à une UGT ou groupe d'UGT, la perte de valeur est imputée, en premier lieu, sur la valeur comptable de l'écart d'acquisition, puis sur les autres actifs au prorata de leurs valeurs comptables.

Une UGT est le plus petit groupe identifiable d'actifs qui génère des entrées de trésorerie largement indépendantes des entrées de trésorerie générées par d'autres actifs ou groupes d'actifs. Si un actif ne génère pas d'entrées de trésorerie largement indépendantes de celles d'autres actifs ou groupes d'actifs, la valeur recouvrable est déterminée par unité génératrice de trésorerie.

La direction du groupe suit le retour sur investissement de ses acquisitions globalement au niveau du groupe. Cette entité opérationnelle correspond à l'unique UGT au niveau de laquelle les tests de dépréciation sont réalisés.

La valeur recouvrable est déterminée comme la plus élevée entre la valeur d'utilité et la juste valeur diminuée des coûts de cession.

La valeur d'utilité de chaque actif ou groupe d'actifs est déterminée par actualisation de ses flux de trésorerie futurs (méthode dite des *Discounted Cash Flows* ou DCF), en utilisant des prévisions de flux de trésorerie cohérents avec le budget et le plan d'affaires les plus récents approuvés par la direction sur des périodes allant de 1 à 6 ans. Les taux de croissance utilisés pour l'évaluation de l'UGT sont ceux retenus dans le cadre de l'élaboration du budget et du plan d'affaires de l'UGT. Pour les périodes subséquentes, les taux sont estimés par le groupe par extrapolation à partir des taux retenus pour les budgets et plans d'affaires. Ces taux n'excèdent pas le taux de croissance moyen à long terme pour les marchés dans lesquels le groupe opère. Les taux d'actualisation retenus reflètent les appréciations actuelles par les acteurs de marché de la valeur temps de l'argent et des risques spécifiques à chaque actif ou groupe d'actifs.

La juste valeur diminuée des coûts de cession correspond au montant qui pourrait être obtenu de la vente de l'actif ou d'un groupe d'actifs dans des conditions de concurrence normale entre des parties bien informées et consentantes, diminué des coûts de cession. Ces valeurs sont déterminées à partir d'éléments de marché (comparaison avec des sociétés cotées similaires, avec la valeur

attribuée à des actifs ou sociétés similaires lors d'opérations récentes ou des cours boursiers) ou à défaut à partir des flux de trésorerie actualisés.
Les pertes de valeur enregistrées au titre des immobilisations corporelles et incorporelles (hors écarts d'acquisition) peuvent être reprises ultérieurement, si la valeur recouvrable redevient supérieure à la valeur nette comptable, dans la limite de la perte de valeur initialement comptabilisée déduite des amortissements qui auraient été comptabilisés le cas échéant. En revanche, les pertes de valeur enregistrées au titre des écarts d'acquisition sont irréversibles.

1.3.10. Actifs financiers non dérivés

En application des dispositions prévues par la norme IAS 39, les actifs financiers sont classés suivant l'une des quatre catégories suivantes

- les actifs à la juste valeur par le résultat,
- les actifs détenus jusqu'à échéance,
- les prêts et créances,
- les actifs disponibles à la vente.

En application des dispositions prévues par la norme IFRS 7, l'information fournie dans les notes annexes au titre des instruments financiers permet :

- le rapprochement avec les postes présentés dans le bilan,
- d'évaluer l'importance des instruments financiers au regard de la situation et de la performance financières du groupe,
- d'évaluer la nature et l'ampleur des risques découlant des instruments financiers auxquels le groupe est exposé à la date de clôture.

Les achats et ventes d'actifs financiers sont comptabilisés à la date de transaction, date à laquelle le groupe est engagé dans l'achat ou la vente d'actifs. Un actif financier est décomptabilisé si les droits contractuels sur les flux de trésorerie liés à cet actif financier arrivent à expiration ou si cet actif est transféré.
Lors de la comptabilisation initiale, les actifs financiers sont inscrits au bilan à leur juste valeur augmentée des coûts de transaction directement attribuables à l'acquisition ou à l'émission de l'actif (sauf pour la catégorie des actifs financiers évalués à leur juste valeur par résultat, pour lesquels ces coûts de transaction sont comptabilisés en résultat).
La détermination de la juste valeur des principaux actifs et passifs financiers existant au bilan du groupe est détaillée en Note 23 – Instruments financiers.
Un actif financier est qualifié de courant lorsque l'échéance des flux de trésorerie attendus de l'instrument est inférieure à un an.

Actifs financiers à la juste valeur par le résultat

Il s'agit d'actifs financiers négociés afin d'être revendus à très court terme, détenus à des fins de transaction.
Les profits et pertes provenant de la variation de juste valeur sur des actifs financiers classés dans cette catégorie sont comptabilisés en résultat dans la période où ils surviennent.
Les principaux actifs financiers à la juste valeur par le résultat comprennent des OPCVM.
Ces actifs sont majoritairement classés au bilan en trésorerie et équivalents de trésorerie.

Actifs financiers détenus jusqu'à échéance

Les actifs financiers détenus jusqu'à échéance sont des actifs financiers non dérivés, autres que les prêts et créances, assortis de paiements déterminés ou déterminables et d'une échéance fixée, que le groupe a l'intention et la capacité de conserver jusqu'à cette échéance. Après leur comptabilisation initiale, ils sont évalués au coût amorti selon la méthode du taux d'intérêt effectif.
Les principaux actifs financiers détenus jusqu'à l'échéance comprennent notamment les actifs financiers liés aux opérations de Qualified Technology Equipment (QTE) soldés en 2012. Ces actifs sont classés au bilan en actifs financiers non courants.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements déterminés ou déterminables qui ne sont pas cotés sur un marché actif. Ces actifs sont comptabilisés au coût amorti selon la méthode du taux d'intérêt effectif.
Cette catégorie comprend principalement les créances clients et autres créances détaillées dans la Note 14 – Créances clients et autres créances ainsi que les autres actifs tels que les dépôts de garantie et les avances aux sociétés mises en équivalence évoquées dans la Note 12 – Autres actifs courants et non courants.

Les créances clients et autres créances sont initialement inscrites au bilan à leur juste valeur qui correspond en général à leur valeur nominale compte tenu de leur maturité courte sauf si l'effet d'actualisation est significatif.
S'agissant des créances clients sur les offres commerciales du groupe, une partie des créances échues fait l'objet de dépréciations en fonction des règles définies par le service recouvrement et contentieux. Les taux de dépréciation retenus sont différentiés selon les catégories de clients et/ou d'offres, et sont régulièrement mis à jour des dernières tendances constatées et notamment en tenant compte des résultats observés en matière de recouvrement. Les autres créances sont dépréciées, le cas échéant, en fonction de l'évaluation du risque de non-recouvrement.

Actifs financiers disponibles à la vente
Les actifs financiers disponibles à la vente regroupent les actifs financiers non dérivés qui sont désignés comme étant disponibles à la vente ou ne sont pas affectés aux autres catégories d'actifs financiers.
Les actifs financiers disponibles à la vente sont comptabilisés à la juste valeur. Les profits et pertes sur actifs financiers disponibles à la vente sont enregistrés en autres éléments du résultat global jusqu'à ce que l'investissement soit décomptabilisé ou jusqu'à ce qu'il soit démontré que l'investissement a perdu tout ou partie de sa valeur de façon durable et significative, date à laquelle le profit ou la perte cumulé, enregistré jusqu'alors en charges et produits comptabilisés directement en capitaux propres, est transféré dans le compte de résultat.
Cette catégorie comprend les titres de participation non combinés. Ces actifs sont classés au bilan en actifs financiers non courants.

Dépréciation des actifs financiers non dérivés
Une perte de valeur est constatée sur un actif ou un groupe d'actifs financiers s'il existe une indication objective de perte de valeur résultant d'un ou plusieurs évènements intervenus après la comptabilisation initiale de l'actif et que ces évènements ont un impact négatif sur les flux de trésorerie futurs estimés de l'actif financier ou du groupe d'actifs financiers.
La perte de valeur d'un actif financier évalué au coût amorti correspond à la différence entre sa valeur comptable et la valeur des flux de trésorerie futurs estimés, actualisée au taux d'intérêt effectif d'origine.
La perte de valeur d'un actif financier disponible à la vente est calculée par référence à sa juste valeur actuelle.
Un test de dépréciation est réalisé, sur une base individuelle, pour chaque actif financier significatif. Les autres actifs sont testés par groupes ayant des caractéristiques de risques de crédit similaires.
Les pertes de valeur sont comptabilisées en résultat. S'agissant des actifs disponibles à la vente, en cas de perte de valeur, le cumul des variations négatives de juste valeur antérieurement comptabilisées en capitaux propres est transféré en résultat.
La perte de valeur est reprise, si la reprise peut être objectivement liée à un évènement survenant après sa comptabilisation. Pour les actifs financiers évalués au coût amorti et les actifs financiers disponibles à la vente qui représentent des instruments de taux, la reprise est comptabilisée en résultat. Pour les actifs financiers disponibles à la vente qui représentent des instruments de capitaux propres, la reprise est comptabilisée directement en capitaux propres.
Les pertes de valeur relatives aux actifs comptabilisés au coût ne sont pas réversibles.

1.3.11. Stocks

Les stocks sont composés principalement de packs (mobiles associés à un droit d'accès aux services SFR), de mobiles nus, de box ADSL et d'accessoires.
Les stocks sont évalués au plus faible de leur coût et de leur valeur nette de réalisation. Le coût comprend principalement les coûts d'achat et les autres coûts d'approvisionnement. Il est calculé selon la méthode du coût moyen pondéré. La valeur nette de réalisation est le prix de vente estimé dans le cours normal de l'activité, diminué des coûts estimés nécessaires pour réaliser la vente.

1.3.12. Trésorerie et équivalents de trésorerie

La rubrique «Trésorerie et équivalents de trésorerie » comprend les soldes en banque, les OPCVM monétaires qui satisfont aux spécifications de la position AMF n°2011-13 et les placements à court terme très liquides, assortis d'une échéance à l'origine inférieure ou égale à trois mois, facilement convertibles en un montant connu de trésorerie et qui sont soumis à un risque négligeable de variation de valeur.
Les valeurs mobilières de placement sont évaluées à leur juste valeur par résultat.

1.3.13. Passifs financiers non dérivés

Les passifs financiers comprennent des emprunts obligataires, la dette envers Vivendi S.A., des engagements d'achat de participations ne donnant pas le contrôle, et les autres emprunts tels que les billets de trésorerie, les prêts syndiqués et les dettes au titre des opérations de location financement. Les passifs financiers comprennent également les autres passifs financiers non dérivés.

Emprunts

Les emprunts souscrits par le groupe sont initialement enregistrés à la juste valeur diminués des frais directement attribuables à ces emprunts. Postérieurement à la comptabilisation initiale, ils sont évalués au coût amorti selon la méthode du taux d'intérêt effectif. Les primes et frais d'émission d'emprunts sont présentés au passif du bilan en diminution du montant nominal de la dette. Selon cette méthode, la charge d'intérêt est comptabilisée de manière actuarielle sur la durée de l'emprunt.

Autres passifs financiers non dérivés

Les autres passifs financiers non dérivés comprennent les dettes fournisseurs et autres dettes. Elles sont évaluées à leur juste valeur lors de leur comptabilisation initiale qui, dans la plupart des cas, correspond à la valeur nominale compte tenu de leur échéance courte, puis au coût amorti.

Instruments financiers dérivés

Le groupe utilise divers instruments financiers dérivés pour couvrir son exposition au risque de variation des cours de change. Ils comprennent des contrats fermes de change à terme. L'ensemble des instruments financiers dérivés est comptabilisé au bilan à sa juste valeur dès la date de transaction puis réévalué à sa juste valeur à chaque clôture.
Les principaux instruments de couverture et la détermination de la juste valeur instruments dérivés sont détaillés en Note 23 – Instruments financiers.

1.3.14. Provisions

Des provisions sont comptabilisées lorsqu'à la fin de la période concernée, le groupe a une obligation légale, réglementaire, contractuelle ou implicite résultant d'évènements passés, qu'il est probable qu'une sortie de ressources représentatives d'avantages économiques soit nécessaire pour éteindre l'obligation et que le montant peut être évalué de façon fiable.
Si l'effet de la valeur temps est significatif, les provisions sont déterminées en actualisant les flux futurs de trésorerie attendus à un taux d'actualisation avant impôt qui reflète les appréciations actuelles par le marché de la valeur temps de l'argent. Si aucune estimation fiable du montant de l'obligation ne peut être effectuée, aucune provision n'est comptabilisée et une information est donnée en annexe.

Les provisions incluent pour l'essentiel :

- les provisions destinées à couvrir les litiges, contentieux des activités du groupe, dont l'estimation du montant est fondée sur l'appréciation du niveau de risque au cas par cas. La survenance d'événements en cours de procédure peut entraîner à tout moment une réappréciation de l'estimation de ces provisions ;
- les provisions pour restructuration, qui sont constituées dès lors que la restructuration a fait l'objet d'une annonce et d'un plan détaillé ou d'un début d'exécution. Ces provisions ne sont en général pas actualisées du fait de leur caractère court terme ;
- les provisions pour remise en état des sites, qui sont évaluées sur la base du nombre de sites concernés, d'un coût moyen unitaire de remise en état de site et des hypothèses sur la durée de vie de l'actif de démantèlement et du taux d'actualisation. Lorsqu'un site fait l'objet d'un démantèlement, la provision correspondante est reprise ;
- les provisions au titre des avantages au personnel sont détaillées dans le paragraphe ci-après.

1.3.15. Régimes d'avantages au personnel

En vertu d'obligations résultant de la législation française ou d'accords d'entreprise, le groupe offre à ses salariés des prestations de retraite pouvant prendre la forme de versement d'une indemnité lors du départ en retraite du salarié ou de pensions.

Concernant les régimes à prestations définies, un passif net est comptabilisé au bilan. Ce passif est déterminé par des actuaires indépendants selon la méthode des unités de crédit projetées. Cette méthode repose sur des hypothèses mises à jour annuellement, telles que la probabilité du maintien du personnel dans le groupe jusqu'au départ en retraite, l'évolution prévisible de la rémunération future et des contributions associées, et un taux d'actualisation approprié.

Dans le cadre du financement de ces régimes, le groupe a souscrit des contrats d'assurance visant à externaliser en partie ou totalement ces engagements.

Si ces actifs de couverture excèdent les engagements comptabilisés, un actif financier est généré dans la limite de la valeur actualisée des remboursements futurs et des diminutions de cotisations futures attendues.

Le groupe comptabilise de facto des actifs et des passifs au titre des retraites, ainsi que la charge nette correspondante sur toute la durée estimée de service des employés. Les écarts actuariels relatifs aux avantages postérieurs à l'emploi sont reconnus en totalité en « Autres éléments du résultat global » lors la période de survenance.

Le coût des régimes est comptabilisé en résultat opérationnel à l'exception du coût de la désactualisation et du rendement théorique des actifs du régime qui sont comptabilisés en autres charges et produits financiers.

Le coût des services passés, généré par les modifications et les réductions de régime, est comptabilisé immédiatement et en intégralité au compte de résultat.

1.3.16. Impôts

Le groupe calcule ses impôts sur le résultat conformément aux législations fiscales en vigueur dans les pays où les résultats sont imposables.

La charge d'impôt courante est calculé sur la base des législations fiscales adoptées ou quasi adoptées à la date de clôture des comptes dans les pays où le groupe exerce ses activités et génère des revenus imposables. Le management évalue périodiquement les positions fiscales prises au regard de la réglementation fiscale applicable dès lors qu'elle est sujette à interprétation, et détermine le cas échéant, les montants qu'il s'attend à verser aux autorités fiscales.

Les différences existant à la date de clôture entre la valeur fiscale des actifs et passifs et leur valeur comptable au bilan constituent des différences temporelles. En application de la méthode bilancielle du report variable, ces différences temporelles donnent lieu à la comptabilisation :

- d'actifs d'impôt différé, lorsque la valeur fiscale d'un actif est supérieure à sa valeur comptable et lorsque la valeur fiscale d'un passif est inférieure à sa valeur comptable (situation correspondant à une économie future d'impôt attendue) ;

- ou de passifs d'impôt différé, lorsque la valeur fiscale d'un actif est inférieure à sa valeur comptable et lorsque la valeur fiscale d'un passif est supérieure à sa valeur comptable (situation correspondant à une taxation future attendue).

Les actifs et passifs d'impôt différé sont déterminés sur la base des taux d'impôt et réglementations fiscales dont l'application est attendue sur l'exercice au cours duquel l'actif sera réalisé ou le passif réglé. Ces estimations sont revues à la clôture de chaque exercice, en fonction de l'évolution éventuelle des taux d'impôt applicables.

Des actifs d'impôt différé sont comptabilisés pour toutes différences temporelles déductibles, déficits fiscaux reportables et crédits d'impôt non utilisés, dans la mesure où il est probable qu'un bénéfice imposable sera disponible. La valeur comptable des actifs d'impôt différé est revue à la clôture de chaque exercice et, le cas échéant, réévaluée ou réduite, pour tenir compte de perspectives plus ou moins favorables de réalisation d'un bénéfice imposable disponible permettant leur utilisation. Pour apprécier la probabilité de réalisation d'un bénéfice imposable disponible, il est notamment tenu compte de l'historique des résultats des exercices précédents, des prévisions de résultats futurs, des éléments non récurrents qui ne seraient pas susceptibles de se renouveler à l'avenir. De ce fait, l'évaluation de la capacité du groupe à utiliser ses impôts différés actifs repose sur une part de jugement importante. Si les résultats fiscaux futurs du groupe s'avéraient sensiblement différents de ceux anticipés, le groupe serait alors dans l'obligation de revoir à la hausse ou à la baisse la valeur comptable des actifs d'impôt différé, ce qui pourrait avoir un effet significatif sur le bilan et le résultat du groupe.

Pour mémoire, le traitement des impôts différés liés aux résultats fiscaux des sociétés incluses dans le périmètre d'intégration fiscale de Vivendi est détaillé au chapitre « Impôts sur les sociétés » de la base de préparation des comptes combinés.

Les actifs et passifs d'impôt différé sont compensés lorsque les deux conditions suivantes sont réunies :

- le groupe a juridiquement le droit de compenser les actifs et passifs d'impôt courant, et
- les actifs et passifs d'impôt différé ont trait à des impôts relevant d'une même juridiction fiscale.

Les impôts relatifs aux éléments reconnus directement en autres éléments du résultat global sont comptabilisés en autres éléments du résultat global et non dans le compte de résultat.

1.3.17. Rémunérations payées en actions

Avec pour objectif d'aligner l'intérêt des dirigeants et des salariés sur celui des actionnaires en leur donnant une incitation supplémentaire à améliorer les performances de l'entreprise et à accroître le cours de l'action sur le long terme, Vivendi a mis en place, au profit des dirigeants et salariés du groupe, des plans de rémunération fondés sur l'action Vivendi (plans d'achat d'actions, plans d'attribution d'actions de performance, plans d'attribution gratuite d'actions) ou d'autres instruments de capitaux propres dérivés de la valeur de l'action Vivendi (options de souscription d'actions), dénoués par livraison d'actions. Le directoire et le conseil de surveillance de Vivendi ont approuvé l'attribution de ces plans. Par ailleurs, pour les options de souscription d'actions et les actions de performance, ils ont fixé les critères de performance qui déterminent leur attribution définitive. En outre, tous les plans attribués sont soumis à condition de présence à la date d'acquisition des droits.

La quote-part des plans relatifs aux salariés du groupe a fait l'objet d'une refacturation de Vivendi S.A. à SFR S.A.

Comptabilisation des instruments

Les rémunérations fondées sur des instruments de capitaux propres et réglées en instruments de capitaux propres sont comptabilisées comme des charges de personnel à hauteur de la juste valeur des instruments attribués par contrepartie d'un compte fournisseur.

La juste valeur des instruments attribués a été estimée et figée à la date d'attribution à l'aide d'un modèle binomial, reposant sur des hypothèses mises à jour à la date d'évaluation telles que la volatilité estimée du titre concerné et un taux d'actualisation correspondant au taux d'intérêt sans risque ainsi que le taux de dividendes estimé. La durée de vie estimée d'une option est calculée comme la moyenne entre la durée d'acquisition des droits et la durée de vie contractuelle de l'instrument.

1.3.18. Résultat par action

Le résultat de base par action est obtenu en divisant le résultat net de la période par le nombre moyen pondéré d'actions en circulation au cours de la période.

Le résultat dilué par action est obtenu en divisant le résultat net de la période par le nombre moyen pondéré d'actions en circulation au cours de la période ajusté de l'effet de tous les instruments dilutifs existants.

1.3.19. Engagements contractuels, actifs et passifs éventuels

Sur une base annuelle, le groupe établit un recensement détaillé de l'ensemble des obligations contractuelles, engagements financiers et commerciaux et obligations conditionnelles auxquelles il est partie ou exposé. De manière régulière, ce recensement est actualisé par les services compétents et revu par la direction du groupe.

Note 2. Principaux mouvements de périmètre

Exercice 2011

La Poste Telecom

SFR et La Poste ont créé en 2011 une filiale commune, la Poste Telecom, détenue respectivement à 49 % et 51 % ; cette filiale est un opérateur mobile virtuel sur le marché de détail de la téléphonie mobile, qui propose un ensemble de services de téléphonie mobile, qui sont commercialisés sous la marque La Poste Mobile, grâce au réseau de points de vente de La Poste. Cette société est mise en équivalence dans les comptes combinés du groupe.

Exercice 2012

Numergy

Le 31 août 2012, SFR a créé avec Bull et la Caisse des Dépôts et Consignations, la société Numergy ; SFR détient 46,7 % de son capital. Numergy propose, à l'ensemble des acteurs économiques, des infrastructures informatiques capables d'héberger des données et des applications accessibles à distance et sécurisées (« services de *cloud computing* »). Cette société est mise en équivalence dans les comptes combinés du groupe.

Note 3. Information sectorielle

Comme indiqué dans la base de préparation des comptes combinés présentée en introduction de la Note 1 – Principes comptables, le groupe n'a identifié qu'un seul secteur opérationnel répondant aux critères de la norme IFRS 8 – *Segments opérationnels.*

Information géographique

Considérant par ailleurs que l'activité du groupe est réalisée sur le territoire français, un seul axe géographique est retenu.

Information sur les principaux clients

Aucun client ne représente plus de 10% du chiffre d'affaires du groupe.

Note 4. Résultat opérationnel

Le détail des éléments inclus dans le résultat opérationnel est présenté en Note 1.3.4 – Chiffres d'affaires, 1.3.5 – Coût des ventes, coûts commerciaux et de distribution et 1.2.1 – Compte de résultat combiné.

4.1. Détail du chiffre d'affaires

(en millions d'euros)	2013	2012	2011
Ventes de biens	540	516	568
Ventes de services	9 658	10 772	11 615
Chiffre d'affaires	**10 199**	**11 288**	**12 183**

4.2. Autres charges et produits opérationnels

(en millions d'euros)	2013	2012	2011
Autres produits opérationnels	**2**	**11**	**14**
Amortissement des bases abonnés reconnues lors de regroupements d'entreprises (a)	(66)	(66)	(67)
Coûts de restructuration (b)	(93)	(187)	(12)
Autres	(10)	(17)	(6)
Autres charges opérationnelles	**(169)**	**(270)**	**(84)**

(a) L'amortissement des bases abonnés reconnues lors de regroupements d'entreprises représente notamment l'amortissement de la base abonnés reconnue lors de l'acquisition du groupe Neuf Cegetel en 2008 (Cf. Note 9 – Immobilisations incorporelles).

(b) Les coûts de restructuration concernent principalement le plan de départs volontaires lancé par SFR en 2012. Le groupe a continué en 2013 son plan de transformation pour adapter son organisation à l'évolution du marché et préserver sa capacité d'investissement dans le très haut-débit fixe et mobile. Le plan de départs volontaires s'est clôturé en août 2013 portant sur 873 emplois.

4.3. Frais de personnel et effectif moyen

(en millions d'euros, sauf effectif)	2013	2012	2011
Effectif moyen annuel en équivalent temps plein	**13 870**	**14 277**	**14 455**
Dont UES SFR (a)	9 106	9 524	9 529
Dont autres entités combinées	4 764	4 753	4 926
Traitement et salaires (b)	(734)	(652)	(632)
Charges sociales	(301)	(294)	(271)
Frais de personnel capitalisés	88	79	76
Salaires et charges	**(947)**	**(867)**	**(828)**
Rémunérations payées en actions (c)	(27)	(32)	(23)
Régimes d'avantages au personnel (d)	6	(4)	(3)
Autres frais de personnel (e)	(109)	(153)	(170)
Frais de personnel	**(1 077)**	**(1 056)**	**(1 025)**

(a) L'UES signifie l'unité économique et sociale.

(b) La variation 2013 versus 2012 provient essentiellement du plan de départs volontaires.

(c) Refacturé en totalité par Vivendi (Cf. Note 17 – Rémunérations fondées sur des instruments de capitaux propres).

(d) Coût des services rendus liés aux régimes de retraite dont le détail est présenté en Note 19 – Avantages postérieurs à l'emploi.

(e) Les autres frais de personnel comprennent la participation des salariés aux résultats, l'intéressement, les taxes assises sur les salaires et les autres avantages au personnel (œuvres sociales...).

Note 5. Résultat financier

Le coût net du financement étant présenté directement dans le compte de résultat, les autres produits et charges financiers sont détaillés ci-après :

(en millions d'euros)	2013	2012	2011
Autres produits financiers (a)	**2**	**2**	**8**
Variation de valeur des instruments dérivés	-	0	(40)
Effet de désactualisation lié aux dettes (b)	(7)	(10)	(11)
Effet de désactualisation lié aux provisions (c)	(6)	(5)	(5)
Variation des provisions sur actifs financiers	(1)	(9)	(0)
Autres	(10)	(10)	(12)
Autres charges financières	**(24)**	**(34)**	**(70)**

(a) Les autres produits financiers comprennent notamment des intérêts moratoires, des produits divers de gestion bancaire et des intérêts sur avance long terme aux sociétés mises en équivalence et non combinées.

(b) Concerne notamment la dette liée à la licence GSM.

(c) Concerne principalement la provision pour avantages postérieurs à l'emploi et la provision pour remise en état des sites présentées en Note 18 – Provisions.

Note 6. Impôt sur les sociétés

Pour information, certaines sociétés appartiennent à un groupe fiscalement intégré au sens des dispositions des articles 223 A du CGI et suivants:

- SFR S.A., depuis 2011 et, depuis 2012, quelques filiales détenues à plus de 95 % sont filiales du groupe fiscalement intégré dont Vivendi est la société tête du groupe. L'impôt dont est redevable chaque société membre est acquitté auprès de cette dernière, seule redevable vis-à-vis de l'administration fiscale.
- CID S.A. a constitué un groupe d'intégration fiscale depuis le 1^er^ janvier 2010 avec les filiales qu'elle détient à plus de 95 %. CID est également seule redevable de l'impôt sur les sociétés du groupe dont elle est la société mère.

6.1. Composantes de l'impôt sur les sociétés

(en millions d'euros)	2013	2012	2011
Charge d'impôt			
Courante	(282)	(559)	(566)
Différée	(33)	43	31
Impôt sur les sociétés au compte de résultat	**(315)**	**(516)**	**(535)**
Impôt sur les sociétés décaissé	**(299)**	**(537)**	**(643)**

6.2. Preuve d'impôt

(en millions d'euros)	2013	2012	2011
Résultat net	426	752	1 400
Neutralisation :			
Impôt sur les résultats	(315)	(516)	(535)
Résultat net des activités cédées ou en cours de cession	-	-	-
Résultat des activités avant impôt	**742**	**1 267**	**1 935**
Taux d'imposition légal en France	38,0%	36,1%	36,1%
Impôt théorique	**(282)**	**(458)**	**(699)**
Réconciliation entre l'impôt théorique et l'impôt réel :			
Différences permanentes (a)	(22)	(40)	(4)
Crédits d'impôt / Rappels d'impôts	(2)	(1)	4
Appréciation de l'activation d'impôts différés (b)	(5)	(7)	169
Résultat des sociétés mises en équivalence	(5)	(10)	(6)
Impôt sur les sociétés	**(315)**	**(516)**	**(535)**
Taux effectif d'impôt	42,5%	40,7%	27,6%

(a) Comprend notamment l'impact de la réintégration de 15 % des intérêts financiers calculés sur les sommes mises à la disposition du groupe et les déficits fiscaux remontés à Vivendi dans le cadre du régime d'intégration fiscale.

(b) Au 12 décembre 2011, un montant de 452 millions d'euros de déficits fiscaux a été transféré à SFR S.A. dans le cadre de la fusion avec VTI. Ces déficits fiscaux qui n'étaient pas reconnus, ont été consommés en totalité sur l'exercice 2011. L'impact sur le rapprochement entre l'impôt théorique et l'impôt effectif à fin 2011 s'élève à 163 millions d'euros.

6.3. Variation des impôts différés par nature

La variation des impôts différés des exercices 2011 à 2013 est détaillée en fonction des bases d'impôts différés dans les tableaux présentés ci-après.

Exercice 2013

(en millions d'euros)	Ouverture	Compte de résultat	Autres	Clôture
Impôts différés actifs				
Déficits fiscaux	65	8	(0)	73
Provisions pour risques et charges	134	(45)	3	92
Immobilisations incorporelles et corporelles	105	10	(0)	115
Autres	67	(7)	(0)	60
Compensation (a)	(136)	-	12	(124)
Impôts différés actifs bruts	**235**	**(34)**	**15**	**216**
Actifs non reconnus				
Déficits fiscaux	(61)	(9)	0	(69)
Autres	(17)	(3)	(0)	(20)
Impôts différés actifs, nets	**157**	**(45)**	**15**	**127**
Impôts différés passifs				
Immobilisations incorporelles et corporelles	(104)	23	(0)	(82)
Autres	(33)	(10)	0	(44)
Compensation (a)	136	-	(12)	124
Impôts différés passifs	**(1)**	**12**	**(12)**	**(2)**
Impôts différés actifs (passifs), nets	**156**	**(33)**	**2**	**125**

Exercice 2012

(en millions d'euros)	Ouverture	Compte de résultat	Autres	Clôture
Impôts différés actifs				
Déficits fiscaux	61	3	0	65
Provisions pour risques et charges	60	69	5	134
Immobilisations incorporelles et corporelles	127	(21)	0	105
Autres	81	(14)	(0)	67
Compensation (a)	(157)	-	20	(136)
Impôts différés actifs bruts	**173**	**36**	**26**	**235**
Actifs non reconnus				
Déficits fiscaux	(51)	(9)	-	(61)
Autres	(13)	(4)	(0)	(17)
Impôts différés actifs, nets	**109**	**23**	**26**	**157**
Impôts différés passifs				
Immobilisations incorporelles et corporelles	(133)	30	(1)	(104)
Autres	(24)	(10)	0	(33)
Compensation (a)	157	-	(20)	136
Impôts différés passifs	**(0)**	**20**	**(21)**	**(1)**
Impôts différés actifs (passifs), nets	**108**	**43**	**5**	**156**

Exercice 2011

(en millions d'euros)	Ouverture	Compte de résultat	Autres	Clôture
Impôts différés actifs				
Déficits fiscaux	55	(156)	162	61
Provisions pour risques et charges	57	5	(2)	60
Immobilisations incorporelles et corporelles	131	(8)	4	127
Autres	124	(18)	(25)	81
Compensation (a)	(195)	-	38	(157)
Impôts différés actifs bruts	**171**	**(176)**	**178**	**173**
Actifs non reconnus				
Déficits fiscaux	(42)	153	(162)	(51)
Autres	(29)	17	(1)	(13)
Impôts différés actifs, nets	**100**	**(7)**	**15**	**109**
Impôts différés passifs				
Immobilisations incorporelles et corporelles	(151)	17	0	(133)
Autres	(46)	21	2	(24)
Compensation (a)	195	-	(38)	157
Impôts différés passifs	**(2)**	**38**	**(36)**	**(0)**
Impôts différés actifs (passifs), nets	**98**	**31**	**(21)**	**108**

(a) Conformément à la Norme IAS 12, les actifs et passifs d'impôts différés d'une même entité fiscale sont compensés dans la mesure où ils sont liés à des impôts sur le résultat prélevés par la même autorité fiscale ; l'entreprise a un droit juridiquement exécutoire de compenser les actifs et les passifs d'impôt exigible.

Note 7. Résultat par action

Le groupe combiné n'étant pas juridiquement constitué à cette date, le nombre d'actions en circulation n'est pas déterminable. Par voie de conséquence, aucun résultat par action n'est présenté dans les états financiers combinés.

Note 8. Écarts d'acquisition

8.1. Écarts d'acquisition

(en millions d'euros)	2013	2012	2011
Écarts d'acquisition, bruts	5 194	5 194	5 194
Perte de valeur	(6)	(6)	(6)
Écarts d'acquisition	**5 188**	**5 188**	**5 188**

Ce montant comprend notamment le goodwill généré sur l'écart d'acquisition de Neuf Cegetel soit 4 837 millions d'euros.

8.2. Variation des écarts d'acquisition nets

(en millions d'euros)	2013	2012	2011
Valeur brute en début de période	**5 194**	**5 194**	**5 212**
Acquisitions	0	1	-
Cessions	-	-	(18)
Valeur brute en fin de période	**5 194**	**5 194**	**5 194**
Pertes de valeur en début de période	(6)	(6)	(6)
Variation	-	-	-
Pertes de valeur en fin de période	(6)	(6)	(6)
Valeur nette en fin de période	**5 188**	**5 188**	**5 188**

8.3. Tests de dépréciation des écarts d'acquisition

Le retour sur investissement des acquisitions est suivi au niveau du groupe, seul secteur opérationnel sur lequel sont réalisés les tests de dépréciation.

Principales hypothèses retenues pour déterminer les valeurs recouvrables

La valeur recouvrable est déterminée au moyen des méthodes usuelles d'évaluation, en particulier la valeur d'utilité, fondée sur l'approche DCF.

À cet égard, pour l'année 2013, les prévisions de flux de trésorerie et les paramètres financiers utilisés sont les plus récents validés par la direction du groupe et mis à jour afin de tenir compte du fort impact sur le chiffre d'affaires des politiques tarifaires décidées par le groupe dans un contexte concurrentiel exacerbé, partiellement compensé par des économies de coûts conformes aux attentes dans le cadre du plan de transformation de l'entreprise, tout en maintenant un niveau élevé des investissements, notamment du fait de leur accélération dans le très haut débit mobile.

La prévision repose sur le plan d'affaires 2014 - 2019 établi par la direction qui a été extrapolé sur cinq années supplémentaires.

Les hypothèses retenues pour les taux d'actualisation et le taux de croissance à l'infini sont détaillées dans le tableau ci-dessous :

	2013	2012	2011
Base retenue pour la valeur recouvrable	Valeur d'utilité	Valeur d'utilité	Valeur d'utilité
Méthodologie	DCF & comparables	DCF & comparables	DCF
Taux d'actualisation après impôts	7,30%	7,30%	7,00%
Taux de croissance à l'infini	0,5%	0,5%	1,0%

Sur la base de ces hypothèses, la direction du groupe, avec l'aide d'évaluateurs indépendants, a mis en œuvre un test de dépréciation des écarts d'acquisition, et conclu que la valeur recouvrable du groupe excédait sa valeur comptable au 31 décembre 2013. Le groupe n'a donc constaté aucune perte de valeur au 31 décembre 2013 ni au cours des périodes précédentes présentées.

Sensibilité des valeurs recouvrables

Sur les périodes analysées, la valeur recouvrable serait égale à la valeur comptable si les hypothèses principales évoluaient comme suit :

	Taux d'actualisation		Taux de croissance à l'infini		Flux de trésorerie
	Taux retenu (en %)	Augmentation du taux d'actualisation nécessaire afin que la valeur recouvrable soit égale à la valeur comptable (en nombre de points)	Taux retenu (en %)	Diminution du taux de croissance à l'infini nécessaire afin que la valeur recouvrable soit égale à la valeur comptable (en nombre de points)	Diminution des flux de trésorerie nécessaire afin que la valeur recouvrable soit étale à la valeur comptable (en %)
2013	7,30%	0,60 pt	0,50%	- 1,25 pt	-10%
2012	7,30%	3,00 pt	0,50%	- 7,00 pt	-34%
2011	7,00%	5,30 pt	1,00%	- 14,03 pt	-51%

Note 9. Immobilisations incorporelles

9.1. Immobilisations incorporelles par nature

La décomposition des immobilisations incorporelles par nature est la suivante :

	2013			2012			2011		
(en millions d'euros)	Brut	Amts & pertes de valeur	Net	Brut	Amts & pertes de valeur	Net	Brut	Amts & pertes de valeur	Net
Logiciels acquis	2 061	(1 737)	323	1 967	(1 653)	314	1 870	(1 527)	343
Logiciels créés en interne	2 695	(1 854)	841	2 438	(1 629)	810	2 135	(1 417)	719
Licences (a)	2 505	(620)	1 885	2 505	(503)	2 002	1 244	(430)	814
Bases clients (b)	562	(476)	86	562	(410)	152	562	(344)	218
Autres (c)	1 532	(736)	796	1 451	(646)	805	1 541	(516)	1 024
	9 355	**(5 424)**	**3 931**	**8 923**	**(4 841)**	**4 082**	**7 352**	**(4 235)**	**3 117**

(a) Le montant brut comprend notamment :
- la licence UMTS pour 619 millions d'euros (acquise en 2001 pour la fourniture de services de téléphonie mobile de troisième génération en France) et les nouvelles fréquences, acquises en juin 2010 pour 300 millions d'euros, amortissables sur une durée de 20 ans ;

- la licence GSM pour 278 millions d'euros. En mars 2006, l'État a accordé à SFR S.A. le droit de poursuivre pendant 15 ans l'exploitation de cette licence. La licence est comptabilisée pour sa valeur actuarielle (Cf. Note 1.3.7 – Immobilisations incorporelles) ;
- la licence LTE pour 150 millions d'euros acquise en octobre 2011 dans le cadre de l'attribution des fréquences 4G dans la bande 2,6 Ghz et pour 1 065 millions d'euros acquise en janvier 2012 dans le cadre de l'attribution des fréquences 4G dans la bande 800 Mhz.

(b) Comprend :

- la base abonnés Neuf Cegetel telle que valorisée lors de l'acquisition, soit 464 millions d'euros,
- la base abonnés FrNet2 telle que valorisée lors de l'acquisition, soit 98 millions d'euros.

(c) Intègrent principalement les frais de recherche de sites, les contrats de concessions (IFRIC 12), les droits de passage et les frais d'accès aux services.

9.2. Variation des immobilisations incorporelles nettes

L'analyse de la variation des immobilisations incorporelles est la suivante :

(en millions d'euros)	2013	2012	2011
Solde en début de période	**4 082**	**3 117**	**3 077**
Amortissements et pertes de valeur	(729)	(709)	(661)
Acquisitions	586	1 685	718
Cessions / Mises au rebut	(4)	(4)	(6)
Mouvements de périmètre	0	-	(5)
Autres	(4)	(8)	(5)
Solde en fin de période	**3 931**	**4 082**	**3 117**

La licence concernant la bande 800 MHz a été mise en service le 3 juin 2013 et sera amortie sur une durée restante de 18 ans (fin d'octroi : janvier 2032).

9.3. Détail des dotations nettes aux amortissements et aux pertes de valeur

Les variations d'amortissements et de pertes de valeur sont incluses par destination dans les différents éléments du résultat opérationnel.

Elles concernent :

(en millions d'euros)	2013	2012	2011
Logiciels acquis	(144)	(162)	(178)
Logiciels créés en interne	(229)	(215)	(194)
Licences	(117)	(73)	(72)
Bases clients	(66)	(66)	(67)
Autres immobilisations incorporelles	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Les projets des services du Réseau et les projets de développement des systèmes d'information sont éligibles à la capitalisation des coûts pour leurs phases de développement. Le montant capitalisé en immobilisations incorporelles s'élève à 249 millions d'euros en 2013 contre 263 millions d'euros en 2012 et 264 millions d'euros en 2011.

Note 10. Immobilisations corporelles

10.1. Immobilisations corporelles par nature

La décomposition des immobilisations corporelles par nature est la suivante :

	2013			2012			2011		
(en millions d'euros)	Brut	Amts & pertes de valeur	Net	Brut	Amts & pertes de valeur	Net	Brut	Amts & pertes de valeur	Net
Terrains	78	(1)	76	98	(1)	97	84	(1)	83
Constructions	2 900	(1 614)	1 286	2 744	(1 563)	1 182	1 938	(1 083)	855
Installations techniques	5 326	(3 267)	2 058	5 237	(3 207)	2 030	5 532	(3 310)	2 221
Immobilisations en cours	301	-	301	315	-	315	284	-	284
Autres	2 397	(1 587)	810	2 218	(1 374)	844	2 168	(1 367)	801
	11 002	**(6 470)**	**4 532**	**10 613**	**(6 145)**	**4 468**	**10 005**	**(5 762)**	**4 244**

Les constructions sont composées principalement de l'hébergement des sites techniques, de bâtiments et de leurs agencements respectifs. Les installations techniques comprennent essentiellement les équipements de réseau (radio, commutation, administration réseau, cœur de réseau) et les transmissions.

Les immobilisations corporelles en cours comprennent notamment des équipements et des infrastructures réseau.

10.2. Variation des immobilisations corporelles nettes

L'analyse de la variation des immobilisations corporelles est la suivante :

(en millions d'euros)	2013	2012	2011
Solde en début de période	**4 468**	**4 244**	**4 041**
Amortissements et pertes de valeur	(932)	(868)	(914)
Acquisitions / Augmentation	1 079	1 080	1 127
Cessions	(21)	(17)	(15)
Mouvements de périmètre	(61)	12	(1)
Autres	(2)	17	6
Solde en fin de période	**4 532**	**4 468**	**4 244**

10.3. Détail des dotations nettes aux amortissements et aux pertes de valeur

Les variations d'amortissements et de pertes de valeur sont incluses par destination dans les différents éléments du résultat opérationnel.

Elles concernent :

(en millions d'euros)	2013	2012	2011
Constructions	(118)	(115)	(124)
Installations techniques	(395)	(393)	(420)
Autres immobilisations corporelles	(419)	(361)	(369)
	(932)	(868)	(914)

10.4. Immobilisations corporelles financées par des contrats de location-financement

Le détail des immobilisations financées par des contrats de location financement, inclus dans le poste « Immobilisations corporelles », est le suivant :

(en millions d'euros)	2013	2012	2011
Terrains	5	5	5
Constructions	90	90	90
Installations techniques, matériel et outillage	176	176	176
Immobilisations corporelles financées par des contrats de location financement	**270**	**270**	**270**

Le montant des loyers minimum restant à payer au titre des immobilisations corporelles financées par des contrats de location financement est détaillé ci-après :

(en millions d'euros)	2013	2012	2011
A moins d'un an	3	4	9
De deux à cinq ans	7	8	12
Au-delà de cinq ans	1	3	4
Loyers minimum à payer non actualisés	**11**	**15**	**25**

Note 11. Titres mis en équivalence

11.1. Principaux titres mis en équivalence

En millions d'euros	2013	2012	2011
Numergy (a)	95	103	-
La Poste Telecom (b)	-	-	17
Autres entreprises associées	23	19	24
Entreprises associées	**119**	**123**	**41**
Synerail (c)	-	-	-
Foncière Rimbaud (d)	33	15	7
Coentreprises	**33**	**15**	**7**
	152	**138**	**49**

(a) SFR, Bull et la Caisse des Dépôts ont créé la société Numergy, qui proposera des infrastructures informatiques capables d'héberger des données et des applications, accessibles à distance et sécurisées soit des services de « *cloud computing* » (Cf. Note 2 – Mouvements de périmètre).
La quote-part du groupe d'un montant de 105 millions d'euros n'est libérée qu'à hauteur de 25 %. La dette pour la part non libérée figure au passif pour un montant de 79 millions d'euros (Cf. Note 22 – Autres passifs courants et non courants).

(b) SFR et La Poste ont créé La Poste Telecom, détenue respectivement à 49 % et 51 %. Cette filiale est un opérateur mobile virtuel sur le marché de détail de la téléphonie mobile sous la marque La Poste Mobile (Cf. Note 2 – Mouvements de périmètre).
La valeur négative des titres mis en équivalence de la Poste Telecom a été ramenée à zéro par contrepartie des provisions pour risques et charges pour un montant de 14 millions d'euros à fin 2013.

(c) Le 18 février 2010, un groupement constitué avec SFR, Vinci et AXA (à hauteur de 30 % chacune) et TDF (10 %) a signé avec Réseau Ferré de France le contrat de partenariat public-privé GSM-R. Ce contrat, d'une durée de 15 ans et d'un montant global d'un milliard d'euros, consiste à assurer le financement, la construction, l'exploitation et la maintenance d'un réseau de télécommunication numérique qui permettra d'assurer les communications (voix et données) entre les trains et les équipes de régulation au sol en mode conférence. Il sera déployé progressivement sur 14 000 km de lignes ferroviaires traditionnelles et à grande vitesse en France. La valeur négative des titres mis en équivalence de Synerail a été ramenée à zéro par contrepartie des provisions pour risques et charges pour un montant de 5 millions d'euros à fin 2013.

(d) SFR et Vinci Immobilier, filiale du Groupe Vinci ont quatre filiales communes à parité égale, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 et Foncière Rimbaud 4 dans le cadre de la construction du siège social de SFR, à Saint-Denis. Ce projet, qui pourra évoluer dans le temps, sera réalisé en deux tranches dont les travaux s'échelonneront jusqu'à fin 2015. La première tranche de bâtiments (d'une surface de 74 000 m²) portée par Foncière Rimbaud 1 et Foncière Rimbaud 2 a été livrée fin 2013. La deuxième tranche portée par Foncière Rimbaud 3 et Foncière Rimbaud 4 est en cours de construction.
Les Foncière Rimbaud 3 et 4 intégrées globalement ont été mises en équivalence à compter d'avril 2013.

Les pourcentages de détention de ces principales sociétés mises en équivalences sont indiqués en Note 27 – Liste des entités combinées.

11.2. Informations financières condensées

Les informations financières condensées relatives aux sociétés mises en équivalence significatives sont présentées dans les tableaux suivants.

	Numergy		La Poste Telecom		
(en millions d'euros)	2013	2012	2013	2012	2011
Chiffre d'affaires	1	-	147	141	76
Résultat Net (a)	(18)	(3)	(19)	(19)	(62)
Capitaux propres	204	222	(62)	(43)	(24)
Trésorerie (-)/Dette nette (+)	(20)	(56)	48	34	27
Total Bilan	208	228	36	42	58

(a) Dont dépréciation du fonds de commerce de La Poste Telecom comptabilisée en 2011 mais remontée post consolidation (27 millions d'euros).

(en millions d'euros)	Synerail 2013	2012
Chiffre d'affaires	153	119
Résultat Net	2	1
Capitaux propres	(16)	(26)
Trésorerie (-)/Dette nette (+)	288	148
Total Bilan	344	221

Note 12. Autres actifs courants et non courants

(en millions d'euros)	2013	2012	2011
Actifs opérationels non courants	**79**	**78**	**1**
Avances aux sociétés mises en équivalence et non combinées	65	38	34
Titres de participation non combinés	12	13	20
Autres (a)	29	32	94
Actifs financiers non courants	**106**	**83**	**148**
Total autres actifs non courants	**185**	**161**	**149**
Autres actifs courants	**2**	**2**	**2**

(a) En 2011, comprend 53 millions d'euros de QTE correspondant aux dépôts assurant le préfinancement des commissions d'arrangement des contrats de location / sous location mis en place en 2001 par Neuf Cegetel. Le dernier contrat QTE a fait l'objet d'un remboursement anticipé en décembre 2012.

Note 13. Stocks

(en millions d'euros)	2013	2012	2011
Stocks de terminaux et équipements	259	256	364
Autres	2	7	13
Stocks - valeur brute	**262**	**263**	**377**
Total dépréciations	**(22)**	**(18)**	**(21)**
Stocks - valeur nette	**240**	**245**	**356**

Les stocks de terminaux comprennent des stocks en consignation auprès des distributeurs pour un montant de 122 millions d'euros en 2013 (132 millions d'euros en 2012 et 151 millions d'euros en 2011).

Note 14. Créances clients et autres créances

(en millions d'euros)	2013	2012	2011
Créances clients	2 147	2 225	2 349
Dépréciation des créances douteuses (a)	(465)	(477)	(398)
Créances clients nettes	**1 681**	**1 748**	**1 951**
Fournisseurs débiteurs	228	276	283
Créances sociales et fiscales (b)	529	407	681
Charges constatées d'avance	103	105	88
État impôts sur les sociétés	3	6	7
Autres créances	14	0	4
Créances clients et autres créances	**2 558**	**2 544**	**3 015**

(a) Le groupe estime qu'il n'y a pas de risque significatif de recouvrement des créances échues non provisionnées (Cf. Note 23.6 – Risques de crédit et de contrepartie - paragraphe Créances clients et autres créances).

(b) À fin 2013, les créances sociales et fiscales se composent notamment des éléments suivants :
- Taxe sur la valeur ajoutée : 355 millions d'euros
- Contribution économique territoriale (CET) : 71 millions d'euros
- Taxe sur les communications électroniques (TCE – Copé) : 61 millions d'euros
- Taxe sur les services de télévision (TST – COSIP) : 26 millions d'euros

Note 15. Trésorerie et équivalents de trésorerie

(en millions d'euros)	2013	2012	2011
Disponibilités	297	187	165
Équivalents de trésorerie	98	79	63
Trésorerie et équivalents de trésorerie	**394**	**267**	**228**

Note 16. Informations relatives aux capitaux propres

Dividendes versés aux actionnaires au cours des exercices 2011, 2012 et 2013 :

Les dividendes versés au titre de l'exercice 2010 se sont élevés à 1 000 millions d'euros. Ces dividendes ont été versés sous forme d'acompte en janvier 2011.

Les dividendes versés au titre de l'exercice 2011 se sont élevés à 1 423 millions d'euros. Ces dividendes ont été versés sous forme d'acompte, en juin 2011, pour un montant de 454 millions d'euros et pour le solde, en avril 2012, pour un montant de 968 millions d'euros.

Les dividendes versés au titre de l'exercice 2012 se sont élevés à 982 millions d'euros. Ces dividendes ont été versés en mars 2013.

Le groupe ne prévoit pas de distribuer de dividendes au titre de l'exercice 2013.

Gestion du risque en matière de capital :

La structure financière du groupe se compose des emprunts et dettes financières, de la trésorerie et équivalents de trésorerie et des fonds propres du groupe, qui incluent les réserves ainsi que les capitaux propres attribuables aux intérêts ne donnant pas le contrôle tels que détaillés dans le tableau de variations des capitaux propres.

Note 17. Rémunérations fondées sur des instruments de capitaux propres

17.1. Plans attribués par Vivendi aux salariés de SFR

17.1.1. Caractéristiques des différents plans attribués par Vivendi

Vivendi a mis en place des plans de rémunération fondés sur l'action Vivendi destinés aux salariés de SFR.

Au cours des exercices 2012 et 2011, Vivendi avait attribué des plans d'options de souscription d'actions et d'actions de performance, quel que soit le lieu de résidence fiscal des bénéficiaires, et un plan d'attribution gratuite d'actions réservé aux salariés de l'ensemble des filiales françaises du groupe.

En 2013, le Conseil de surveillance, sur proposition du Directoire et de la direction générale et après avis du Comité des ressources humaines, a décidé que l'intégralité des attributions serait effectuée sous forme exclusive d'actions de performance, quel que soit le lieu de résidence fiscal des bénéficiaires.

Par ailleurs, en 2013, 2012 et 2011, Vivendi a attribué des plans de souscription d'actions réservés à ses salariés et retraités (plans d'épargne groupe et à effet de levier).

Les principes retenus pour l'estimation et la comptabilisation de la valeur des instruments attribués sont décrits dans la Note 1.3.18 – Rémunérations payées en actions. En particulier, le taux d'intérêt sans risque appliqué est le rendement des Obligations Assimilables du Trésor (OAT) français dont l'échéance correspond à la durée de vie résiduelle estimée de l'instrument à la date d'évaluation et le taux de dividendes estimé à la date d'attribution est fondé sur la politique de distribution de dividende de Vivendi.

Pour mémoire, la volatilité retenue pour valoriser les plans d'options de souscription d'actions attribués par Vivendi en 2012 et 2011 était calculée comme la moyenne pondérée de (a) 75 % de la volatilité historique du titre Vivendi calculée sur une période de 6,5 ans et (b) 25 % de la volatilité implicite déterminée à partir des dérivés cotés (options de vente et d'achat) dans un marché liquide et ayant une maturité supérieure ou égale à six mois.

Instruments dénoués par émission d'actions

L'attribution définitive des instruments dénoués par émission d'actions, à l'exception du plan d'attribution gratuite d'actions de 2012, est soumise à la réalisation de critères de performance incluant un indicateur extérieur à la société, suivant en cela les recommandations de l'AFEP et du MEDEF. La réalisation des objectifs qui sous-tendent les conditions de performance est arrêtée par le Conseil de surveillance, sur proposition du Comité des ressources humaines.

La valeur des instruments dénoués par émission d'actions est estimée et figée à la date d'attribution. Pour les principaux plans d'actions de performance, d'options de souscription d'actions et d'attribution gratuite d'actions de 2013, 2012 et 2011, les hypothèses de valorisation retenues sont les suivantes :

	2013	2012		2011
Date d'attribution	22 février	16 juillet (a)	17 avril	13 avril
Données à la date d'attribution :				
Prix d'exercice de l'option (en euros) (b)	na	na	13,63	19,93
Cours de l'action (en euros)	14,91	15,75	12,53	20,56
Volatilité retenue	na	na	27%	25%
Taux de dividendes estimé	6,71%	6,35%	7,98%	7,30%
Coefficient de réalisation des objectifs (c)	100%	na	100%	100%

na : non applicable.

(a) Vivendi a procédé à une attribution gratuite de 50 actions à chaque salarié de l'ensemble des filiales françaises du groupe, y compris SFR (cf. *infra*).

(b) Conformément aux dispositions légales, le nombre et le prix d'exercice des options de souscription d'actions ainsi que le nombre de droits à actions de performance au titre des plans en cours, ont été ajustés afin de tenir compte de l'incidence, pour les bénéficiaires, des distributions par prélèvements sur les réserves suivantes :

- attribution le 9 mai 2012 d'une action gratuite pour 30 actions détenues à chaque actionnaire ;
- distribution le 17 mai 2013 du dividende au titre de l'exercice 2012.

Ces ajustements n'ont pas d'incidence sur le calcul de la charge comptable relative aux plans d'options de souscription d'actions et d'actions de performance concernés.

(c) À compter de 2012, la réalisation des objectifs qui sous-tendent les conditions de performance est appréciée sur deux ans (chaque année sur deux ans pour les plans attribués en 2011). L'attribution définitive est effective en fonction de la réalisation des critères de performance suivants :

- indicateur interne (70 %) : marge d'EBITA en fonction des résultats des deux derniers exercices cumulés pour les plans attribués en 2013 et 2012 (comparé au résultat net ajusté (45 %) et cash-flow des opérations (25 %) pour les plans attribués en 2011) ;
- indicateurs externes (30 %) : évolution du cours de l'action Vivendi appréciée sur deux ans par rapport à l'indice Dow Jones Stoxx Telecom (21 % pour les plans attribués en 2013 et 2012, comparé à 18 % pour les plans attribués en 2011) et par rapport à l'indice Media constitué d'un panel préétabli (9 % pour les plans attribués en 2013 et 2012, comparé à 12 % pour les plans attribués en 2011).

L'attribution définitive des options de souscription d'actions et des actions de performance du 17 avril 2012 est devenue effective au 31 décembre 2013. Leur acquisition reste soumise à une condition de présence à la date d'acquisition.

Concernant les options de souscription d'actions et actions de performance du 13 avril 2011, l'attribution définitive est devenue effective au 31 décembre 2012.

Plans d'attribution d'actions de performance fondés sur la valeur de Vivendi

Les droits des plans d'attribution d'actions de performance attribués en 2013, 2012 et 2011 seront acquis à l'issue d'une période de deux ans. La comptabilisation de la charge est par conséquent étalée linéairement sur cette période. Les actions de performance attribuées restent indisponibles pendant une période de quatre ans suivant la date d'attribution. Toutefois, les actions attribuées étant des actions ordinaires, de même catégorie que les actions ordinaires composant le capital social de Vivendi S.A., le salarié actionnaire bénéficie par conséquent, au terme de la période d'acquisition des droits de deux ans, des dividendes et droits de vote attachés à l'ensemble de ses actions. La charge de personnel comptabilisée correspond à la valeur des instruments perçus par le bénéficiaire, qui est égale à la valeur des actions à recevoir diminuée de la valeur actualisée des dividendes non perçus sur la période d'acquisition des droits.

Le 22 février 2013, 717 milliers d'actions de performance ont été attribuées, comparé à 552 milliers d'actions le 17 avril 2012 et 492 milliers d'actions le 13 avril 2011. Après prise en compte du coût de l'incessibilité, soit 8,3 % du cours de l'action au 22 février 2013 (7,1 % au 17 avril 2012 et 4,5 % au 13 avril 2011), la juste valeur de l'instrument attribué était de 11,79 euros, comparé à 9,80 euros par action au 17 avril 2012 et 16,84 euros au 13 avril 2011, soit une juste valeur globale de 8 millions d'euros (5 millions d'euros en 2012 et 8 millions d'euros en 2011).

Plans d'options de souscription d'actions fondés sur la valeur de Vivendi

Les droits des plans d'options de souscription d'actions attribués en 2012 et 2011 seront acquis à l'issue d'une période de trois ans et expirent à l'issue d'une période de dix ans (durée de vie estimée de 6,5 années). La comptabilisation de la charge déterminée à la date d'attribution est étalée linéairement sur la durée d'acquisition des droits. En 2013, Vivendi n'a pas attribué d'options de souscription d'actions. Le 17 avril 2012, 495 milliers d'options de souscription d'actions ont été attribuées, comparé à 610 milliers d'options le 13 avril 2011. Avec un taux d'intérêt sans risque de 2,35 % (3,21 % en 2011), la juste valeur de l'instrument attribué était de 0,96 euro, comparé à 2,16 euros par option au 13 avril 2011, soit une juste valeur globale de 0,5 million d'euros (1,3 million d'euros en 2011).

Plan d'attribution gratuite de 50 actions

Le 16 juillet 2012, Vivendi a mis en œuvre un plan d'attribution gratuite de 50 actions par salarié de l'ensemble des filiales françaises du groupe, y compris SFR. Ces actions seront créées à l'issue d'une période de deux ans, soit le 17 juillet 2014, sous condition de présence à cette date et sans conditions de performance. Ainsi, la comptabilisation de la charge est étalée linéairement sur cette période. Les actions resteront indisponibles pendant une nouvelle période de deux ans. Toutefois, les actions attribuées étant des actions ordinaires, de même catégorie que les actions ordinaires composant le capital social de Vivendi S.A., le salarié actionnaire bénéficie par conséquent, au terme de la période d'acquisition des droits de deux ans, des dividendes et droits de vote attachés à l'ensemble de ses actions.

Le 16 juillet 2012, 500 milliers d'actions ont été attribuées gratuitement. Après prise en compte du coût de l'incessibilité, soit 9,3 % du cours de l'action au 16 juillet 2012, la juste valeur de l'instrument attribué était de 12,40 euros, soit 6 millions d'euros au global.

Plans d'épargne groupe et plans à effet de levier souscrits par les salariés de SFR

Vivendi propose aussi des plans d'achat d'actions (plan d'épargne groupe et plan à effet de levier) qui permettent à la quasi-totalité des salariés de SFR, ainsi qu'aux retraités, d'acquérir des actions Vivendi dans le cadre d'augmentations de capital réservées. Ces actions, soumises à certaines restrictions concernant leur cession ou leur transfert, sont acquises par les salariés avec une décote d'un montant maximal de 20 % par rapport à la moyenne des cours d'ouverture de l'action lors des 20 jours de bourse précédant la date du Directoire de Vivendi qui a décidé de l'augmentation de capital (date d'attribution). La différence entre le prix de souscription des actions et le cours de l'action à la date d'octroi (qui correspond à la date de fin de la période de souscription) constitue l'avantage accordé aux bénéficiaires. En outre, Vivendi tient compte d'une décote d'incessibilité, au titre des restrictions concernant la cession ou le transfert des actions durant une période de cinq années, qui vient en réduction de la valeur de l'avantage accordé aux salariés. La valeur des plans d'achat d'actions est estimée et figée à la date d'octroi.

Pour les plans d'épargne groupe et plans à effet de levier souscrits en 2013,2012 et 2011, les hypothèses de valorisation retenues sont les suivantes :

	2013	2012	2011
Date d'octroi des droits	28 juin	25 juin	23 juin
Prix de souscription (en euros)	12,10	10,31	15,27
Données à la date d'octroi :			
Cours de l'action (en euros)	14,55	13,57	18,39
Décote faciale	16,82%	24,02%	16,97%
Taux de dividendes estimé	6,87%	7,37%	8,16%
Taux d'intérêt sans risque	1,19%	1,37%	2,44%
Taux d'emprunt 5 ans in fine	6,08%	6,51%	6,15%
Taux de frais de courtage (repo)	0,36%	0,36%	0,36%

Pour le plan d'épargne groupe, 1 505 milliers d'actions ont été souscrites en 2013 (comparé à 1 541 milliers d'actions souscrites en 2012 et 1 381 milliers d'actions souscrites en 2011). Après prise en compte du coût d'incessibilité de 15,2 % du cours de l'action à la date d'octroi (15,3 % en 2012 et 10,0 % en 2011), la juste valeur de l'avantage par action souscrite le 28 juin 2013 s'est élevée à 0,24 euro, comparé à 1,18 euro par action souscrite le 25 juin 2012 et 1,28 euro par action souscrite le 23 juin 2011.

Le plan à effet de levier permet à la quasi-totalité des salariés et retraités de SFR de souscrire des actions Vivendi *via* une augmentation de capital réservée en bénéficiant d'une décote à la souscription et de recevoir *in fine* de la plus-value (déterminée selon les modalités prévues au règlement des plans) attachée à 10 actions pour une action souscrite. Un établissement financier mandaté par Vivendi assure la couverture de cette opération.

En 2013, 6 225 milliers d'actions ont été souscrites pour le plan à effet de levier (comparé à 6 591 milliers d'actions souscrites en 2012 et 4 537 milliers d'actions souscrites en 2011). Après prise en compte du coût d'incessibilité après effet de levier de 1,5 % (inchangé par rapport à 2012 et 1,0 % en 2011), la juste valeur de l'avantage par action souscrite le 28 juin 2013 s'est élevée à 2,23 euros, comparé à 3,05 euros par action souscrite le 25 juin 2012 et 2,94 euros par action souscrite le 23 juin 2011.

En 2013, la charge constatée au titre du plan d'épargne groupe et du plan à effet de levier s'élève à 14 millions d'euros (contre 22 millions d'euros en 2012 et 15 millions d'euros en 2011).

17.1.2. Opérations sur les plans SFR en cours fondés sur la valeur de Vivendi intervenues depuis le 1er janvier 2011

Instruments dénoués par émission d'actions

	Options de souscription d'actions			Actions de performance	
	Nombre d'options en cours		Prix d'exercice moyen pondéré des options en cours	Nombre d'actions en cours	
	(en milliers)		(en euros)	(en milliers)	
Solde au 31 décembre 2010	**12 688**		**21,6**	**538**	
Attribuées	645		19,9	502	
Exercées	(25)		13,9	(152)	
Annulées	(377)		20,3	(42)	
Solde au 31 décembre 2011	**12 931**		**21,5**	**846**	
Attribuées	495		13,6	552	
Exercées	(94)		13,0	(344)	
Annulées	(82)		18,3	(32)	
Ajustées	460		20,6	36	
Solde au 31 décembre 2012	**13 710**		**20,6**	**1 058**	
Attribuées	-		na	817	
Exercées	(734)	(a)	14,2	(496)	
Echues	(85)		12,2	-	
Annulées	(16)		18,2	(6)	
Ajustées	1 390		19,4	114	
Solde au 31 décembre 2013	**14 265**	(b)	**19,7**	**1 487**	(c)
Exerçables au 31 décembre 2013	***12 913***		***20,2***	-	
Acquises au 31 décembre 2013	***12 913***		***20,2***	-	

na : non applicable

(a) Le cours moyen de l'action Vivendi aux dates d'exercices des options de souscription s'établissait à 16,71 euros (comparé à 16,50 euros pour les options exercées en 2012 et 20,85 euros pour les options exercées en 2011).

(b) La valeur intrinsèque totale des options de souscription d'actions en cours est de 17 millions d'euros.

(c) La durée résiduelle moyenne avant émission des actions de performance est de 0,8 année.

Au titre du plan d'attribution gratuite de 50 actions de 2012, le solde des actions s'élève à 455 milliers au 31 décembre 2013 (474 milliers au 31 décembre 2012). Au cours de l'exercice 2013, 19 milliers d'actions ont été annulées (26 milliers en 2012).

Informations relatives aux options de souscription d'actions en cours au 31 décembre 2013 :

	Options en cours			Options acquises	
Fourchette de prix d'exercice	Nombre	Prix d'exercice moyen pondéré	Durée de vie contractuelle résiduelle moyenne pondérée	Nombre	Prix d'exercice moyen pondéré
	(en milliers)	(en euros)	(en années)	(en milliers)	(en euros)
Inférieur à €15	624	13,6	8,6	-	-
€15-€17	3 613	16,8	5,7	3 613	16,8
€17-€19	3 107	17,6	2,2	2 379	17,5
€19-€21	1 944	20,0	1,3	1 944	20,0
€21-€23	1 613	21,3	4,3	1 613	21,3
€23-€25	1 771	24,1	2,3	1 771	24,1
€25-€27	1 593	26,1	3,3	1 593	26,1
Supérieur à €27	-	-	-	-	-
	14 265	**19,7**	**3,6**	**12 913**	**20,2**

17.2. Incidence sur le compte de résultat

(en millions d'euros)	2013	2012	2011
Options de souscription d'actions, actions de performance et actions gratuites	*12,3*	*9,7*	*7,8*
Plans d'épargne groupe	*14,2*	*21,9*	*15,1*
Charges/(produits) relatifs aux rémunérations fondées sur des instruments de capitaux propres	**26,5**	**31,6**	**22,9**

Note 18. Provisions

	2013					
(en millions d'euros)	Ouverture	Dotations	Utilisations	Reprises et changements d'estimation	Autres variations	Clôture
Régimes d'avantages au personnel (a)	72	7	(10)	-	8	76
Restructuration (b)	170	67	(152)	(1)	-	85
Frais de remise en état des sites (c)	65	4	(4)	-	(4)	61
Litiges et autres (d)	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	**10**	**491**
Provisions courantes	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Provisions non courantes	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Régimes d'avantages au personnel : Cf. Note 19 – Avantages postérieurs à l'emploi.

(b) Restructuration : Cf. Note 4.2 – Autres charges et produits opérationnels.

(c) Frais de remise en état des sites : le groupe a l'obligation de remettre en état les sites techniques de son réseau à l'échéance du bail en cas de non renouvellement de celui-ci ou en cas de rupture anticipée.

(d) Litiges et autres : sont incluses notamment des provisions dont le montant et la nature ne sont pas détaillés car leur divulgation pourrait être de nature à porter préjudice au groupe. Les provisions pour litiges couvrent les risques afférents aux procédures contentieuses engagées à l'encontre du groupe. Tous les contentieux provisionnés sont actuellement en attente d'audience ou de plaidoirie devant un tribunal. La part non utilisée des provisions comptabilisées à l'ouverture correspond à des contentieux qui se sont soldés par des sommes, versées par le groupe, moins importantes que celles provisionnées.

Les tableaux des exercices antérieurs sont présentés ci-dessous :

	2012					
(en millions d'euros)	Ouverture	Dotations	Utilisations	Reprises et changements d'estimation	Autres variations	Clôture
Régimes d'avantages au personnel	50	7	(0)	(1)	15	72
Restructuration	9	170	(0)	-	(8)	170
Frais de remise en état des sites	55	3	(3)	-	10	65
Litiges et autres	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Provisions courantes	*236*	*256*	*(30)*	*(54)*	-	*408*
Provisions non courantes	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
(en millions d'euros)	Ouverture	Dotations	Utilisations	Reprises et changements d'estimation	Autres variations	Clôture
Régimes d'avantages au personnel	45	6	(0)	(1)	0	50
Restructuration	1	-	(1)	(6)	14	9
Frais de remise en état des sites	49	3	(2)	-	4	55
Litiges et autres	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Provisions courantes	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Provisions non courantes	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Avantages postérieurs à l'emploi

Tous les salariés du groupe bénéficient d'indemnités de fin de carrière en fonction de la convention collective de la société à laquelle ils sont rattachés.

19.1. Hypothèses utilisées pour l'évaluation

La dette actuarielle est évaluée selon les hypothèses suivantes :

	2013	2012	2011
Taux d'actualisation	3,00%	3,25%	4,50%
Taux d'augmentation des salaires	2,75%	2,75%	2,75%

Les hypothèses démographiques sont spécifiques à chaque société. Le taux d'actualisation est basé sur les taux « iBoxx € Corporates AA ».

Le produit d'intérêts des actifs de couverture est déterminé sur la base du taux d'actualisation.

Ces actifs de couverture sont investis dans le fonds général Cardif composé principalement d'obligations.

19.2. Analyse des engagements nets au titre des retraites et de prestations complémentaires

L'analyse de la variation des engagements nets est présentée dans les tableaux ci-dessous :

Évolution de la valeur des engagements

(en millions d'euros)	2013	2012	2011
Valeur des engagements en début d'exercice	73	52	48
Coût des services rendus	7	5	5
Coût de l'actualisation	2	2	2
Prestations de la période	(0)	(0)	(1)
Réduction de régime (a)	(12)	(1)	-
Liquidation de régime	-	-	(0)
Modification du régime	-	-	(1)
Écarts actuariels (gains)/pertes	7	15	(0)
Valeur des engagements en fin d'exercice	**77**	**73**	**52**
Dont engagements non financés	*76*	*71*	*50*
Dont engagements financés totalement ou partiellement	*0*	*2*	*2*

La réduction de régime de 12 millions d'euros en 2013 correspond à l'impact du plan de départs volontaires lancé par SFR en 2012 (Cf. Note 4.2 – Autres charges et produits opérationnels).

Évolution des actifs de couverture

(en millions d'euros)	2013	2012	2011
Juste valeur des actifs de couverture en début d'exercice	3	3	3
Prestations versées par le fonds	-	-	(1)
Écarts actuariels (gains)/pertes sur rendement	-	0	-
Rendement attendu des fonds de couverture	0	0	0
Juste valeur des actifs de couverture en fin d'exercice	**3**	**3**	**3**

Passif net comptabilisé

(en millions d'euros)	2013	2012	2011
Passif net comptabilisé en début d'exercice	(70)	(49)	(45)
Charge de la période	(9)	(7)	(5)
Prestations en diminution de l'engagement	0	0	0
Réduction de régime	12	1	-
Liquidation de régime	-	-	0
Écarts actuariels gains/(pertes) en résultat global	(7)	(15)	0
Passif net comptabilisé en fin d'exercice	(74)	(70)	(49)

Valeur des engagements, juste valeur des actifs et sous-couverture financière sur 3 exercices

(en millions d'euros)	2013	2012	2011
Valeur des engagements	77	73	52
Juste valeur des actifs de couverture	3	3	3
Sous-couverture financière	74	70	49

Sensibilités au taux d'actualisation

Une hausse de 50 points de base du taux d'actualisation attendu en 2013 (respectivement une baisse de 50 points de base) se serait traduite par une diminution de 7 millions d'euros de l'engagement (respectivement une augmentation de 7 millions d'euros).

19.3. Analyse de la charge comptabilisée au compte de résultat

La charge comptabilisée au titre des régimes à prestations définies se décompose de la manière suivante :

(en millions d'euros)	2013	2012	2011
Coût des services rendus	7	5	5
Coût de l'actualisation	2	2	2
Rendement attendu des fonds de couverture	(0)	(0)	(0)
Coût des services passés	-	-	(1)
Charge de l'exercice	9	7	**5**
Réduction de régime	(12)	(1)	-
Liquidation de régime	-	-	(0)
Charge totale	(3)	6	**5**

19.4. Écarts actuariels comptabilisés en résultat global

(en millions d'euros)	2013	2012	2011
Écarts actuariels d'expérience	1	-	2
Écarts actuariels d'hypothèses	6	14	(2)
Écarts actuariels comptabilisés en résultat global	7	**15**	-
Écarts actuariels cumulés en capitaux propres	**21**	**14**	-

Le montant des écarts actuariels 2013 relatifs à l'actif de couverture est non significatif. Le montant relatif aux engagements est détaillé comme suit :

(en millions d'euros)	Total	Engagement	
Écarts actuariels d'expérience	1	1	1,0%
Écarts actuariels d'hypothèses	6	6	7,7%
Total	7	7	

19.5. Allocation des actifs en couverture des engagements

L'allocation des actifs de couverture est présentée dans le tableau ci-après :

	2013	2012	2011
Actions	12,6%	11,4%	11,8%
Obligations	80,7%	78,2%	81,5%
Immobilier	6,7%	6,5%	6,1%
Autres	0,0%	3,9%	0,6%
Total	**100,0%**	**100,0%**	**100,0%**

Hormis les placements dans l'immobilier, tous ces actifs sont cotés.

19.6. Échéancier des avantages postérieurs à l'emploi

Le montant estimé (en valeur nominale) des prestations à verser dans les dix prochaines années est le suivant :

en millions d'euros	A moins d'un an	De deux à cinq ans	De six à dix ans	Total
Prestations estimées à verser	0	2	12	**14**

Note 20. Emprunts et dettes financières

20.1. Analyse de la charge comptabilisée au compte de résultat

(en millions d'euros)	2013	2012	2011
Dette actionnaire (a)	1 200	1 200	3 700
Emprunt obligataire (b)	-	300	300
Titrisation de créances (c)	-	-	422
Dette relative aux locations-financement	8	11	15
Autres dettes financières	40	50	53
Emprunts et dettes financières non courants	**1 248**	**1 561**	**4 490**
Dette actionnaire (a)	7 472	6 409	1 761
Emprunt obligataire (b)	300	-	996
Concours bancaires	50	66	48
Dette relative aux locations-financement	3	4	9
Autres dettes financières (d)	20	27	83
Emprunts et dettes financières courants	**7 846**	**6 506**	**2 896**
Emprunts et dettes financières	**9 094**	**8 067**	**7 385**

(a) Dette actionnaire : cette catégorie correspond aux dettes financières contractées auprès de Vivendi sous la forme de :

- compte-courant de trésorerie : Il s'agit d'une avance en compte courant consentie au groupe par Vivendi en juin 2011. Cette ligne est tirée respectivement à hauteur de 7,5 milliards d'euros, 4,9 milliards d'euros et 1,8 milliards d'euros aux 31 décembre 2013, 2012 et 2011. Cette avance est libellée pour la quasi-totalité en euros. Le taux d'intérêt, qui était fixé selon les conditions de marché, est fixe depuis le 1er janvier 2013 (2,79%) ;
- prêt d'actionnaire : Il s'agit de prêts ou facilités de crédit conclus entre le groupe et Vivendi ;
    - o La facilité de Crédit Revolver conclue en janvier 2011 pour 1 milliard d'euros, portant intérêt au taux Euribor+2,5% est arrivée à échéance en 2012,
    - o La facilité de Crédit Revolver d'un montant de 1,5 milliard d'euros, conclue en juin 2009, au taux d'intérêt Euribor+2,5% est arrivée à maturité en juin 2013,
    - o Le prêt conclu en décembre 2011 pour 1,2 milliard d'euros, portant intérêt au taux Euribor+0,825% dont l'échéance est juin 2015 est toujours en vigueur au 31 décembre 2013 ;

(b) Emprunt obligataire (net du coût amorti) : le groupe a émis un emprunt obligataire de 300 millions d'euros en juillet 2009, dont l'échéance est le 9 juillet 2014, et qui porte intérêt au taux de 5%. Un autre emprunt, issu de plusieurs émissions obligataires de 2005 à 2009 pour un total de 1 milliard d'euros, a été intégralement remboursé à l'échéance en juillet 2012.

(c) Un programme de titrisation de créances a été mis en place en 2011. Ce programme a été soldé par anticipation en juin 2012.

(d) Les billets de trésorerie ont été intégralement remboursés en 2012.

20.2. Ventilation par nature de taux d'intérêt de la valeur de remboursement des emprunts et dettes financières

(en millions d'euros)	2013		2012		2011	
Ventilation par nature de taux d'intérêt :						
Taux d'intérêt fixe (après couverture)	7 769	85%	300	4%	1 296	18%
Taux d'intérêt variable	1 324	15%	7 767	96%	6 090	82%
Total	**9 094**		**8 067**		**7 385**	

20.3. Ventilation par maturité des flux de trésorerie futurs liés aux emprunts et aux dettes financières

Le tableau ci-dessous représente un échéancier des flux de trésorerie contractuels des emprunts et dettes financières, y compris les coupons d'intérêt, sur une base non actualisée. Les intérêts à payer sont calculés sur la base de la dette au 31 décembre 2013. Les taux d'intérêt variables sont les taux applicables au 31 décembre 2013.

Le taux d'intérêt effectif moyen sur l'exercice 2013 est de 2,80 %

		2013		
		Echéancier des décaissements		
(en millions d'euros)	**Valeur comptable**	A moins d'un an	De deux à cinq ans	Au-delà de cinq ans
Dette actionnaire	8 672	7 472	1 200	-
Emprunt obligataire	300	300	-	-
Emprunts relatifs aux location financement	11	3	6	2
Autres dettes financières	110	70	33	7
Emprunts et dettes financières	**9 094**	**7 846**	**1 239**	**9**

Note 21. Dettes fournisseurs et autres dettes

(en millions d'euros)	2013	2012	2011
Dettes fournisseurs	2 878	2 943	3 114
Clients créditeurs	622	512	478
Dettes fiscales et sociales (a)	846	1 028	1 100
Produits constatés d'avance	524	630	710
État impôt sur les sociétés	3	9	6
Autres	1	13	4
Dettes fournisseurs et autres dettes	**4 874**	**5 136**	**5 412**

(a) À fin 2013, les dettes fiscales et sociales se composent notamment des éléments suivants :

- Taxe sur la valeur ajoutée à payer : 331 millions d'euros
- Dettes sociales : 338 millions d'euros
- Contribution économique territoriale (CET) : 77 millions d'euros
- Taxe sur les communications électroniques (TCE – Copé) : 54 millions d'euros
- Taxe sur les services de télévision (TST – COSIP) : 24 millions d'euros

Note 22. Autres passifs courants et non courants

(en millions d'euros)	2013	2012	2011
Produits différés	309	339	346
Licence GSM	136	154	172
Capital non libéré Numergy	63	63	-
Autres (a)	33	41	114
Autres passifs non courants	**540**	**597**	**633**
Capital non libéré Numergy	16	16	-
Autres passifs courants	1	1	3
Autres passifs financiers courants	**17**	**17**	**3**

(a) En 2011, comprend 53 millions d'euros de QTE soldé par anticipation en décembre 2012 (Cf. Note 12 – Autres actifs courants et non courants).

Note 23. Instruments financiers

23.1. Juste valeur des instruments financiers inscrits au bilan et catégories comptables

Le tableau ci-dessous présente la valeur nette comptable par catégorie et la juste valeur des instruments financiers du groupe au 31 décembre de chaque année.

		2013						
(en millions d'euros)	Note	Actifs/ passifs évalués à la juste valeur par résultat	Actifs disponibles à la vente	Prêts et créances	Actifs/ passifs au coût amorti	Dérivés qualifiés de couverture	**Total valeur nette comptable**	**Juste valeur**
Actifs								
Autres actifs financiers non courants	12	8	12	86			106	106
Instruments dérivés	12					2	2	2
Autres actifs financiers courants	12	0					0	0
Autres actifs opérationnels non courants	12				79		79	79
Créances clients et autres créances	14				2 558		2 558	2 558
Trésorerie et équivalents de trésorerie	15	394					394	394
Passifs								
Emprunts et dettes financières non courants	20				1 248		1 248	1 248
Emprunts et dettes financières courants	20				7 844		7 844	7 851
Instruments dérivés	20					2	2	2
Dettes fournisseurs et autres dettes	21				4 874		4 874	4 874
Autres passifs non courants	22				540		540	540
Autres passifs financiers courants	22				17		17	17

Pour mémoire, au 31 décembre 2012

(en millions d'euros)	Note	Actifs/ passifs évalués à la juste valeur par résultat	Actifs disponibles à la vente	Prêts et créances	Actifs/ passifs au coût amorti	Dérivés qualifiés de couverture	**Total valeur nette comptable**	**Juste valeur**
Actifs								
Autres actifs financiers non courants	12	8	13	63			83	83
Instruments dérivés	12					2	2	2
Autres actif financiers courants	12	1					1	1
Autres actifs opérationnels non courants	12				78		78	78
Créances clients et autres créances	14				2 544		2 544	2 544
Trésorerie et équivalents de trésorerie	15	267					267	267
Passifs								
Emprunts et dettes financières non courants	20				1 561		1 561	1 578
Emprunts et dettes financières courants	20				6 505		6 505	6 505
Instruments dérivés	20					2	2	2
Dettes fournisseurs et autres dettes	21				5 136		5 136	5 136
Autres passifs non courants	22				597		597	597
Autres passifs financiers courants	22				17		17	17

Pour mémoire, au 31 décembre 2011

(en millions d'euros)	Note	Actifs/ passifs évalués à la juste valeur par résultat	Actifs disponibles à la vente	Prêts et créances	Actifs/ passifs au coût amorti	Dérivés qualifiés de couverture	**Total valeur nette comptable**	**Juste valeur**
Actifs								
Autres actifs financiers non courants	12	8	20	120			148	148
Instruments dérivés	12					0	0	0
Autres actif financiers courants	12	2					2	2
Autres actifs opérationnels non courants	12				1		1	1
Créances clients et autres créances	14				3 015		3 015	3 015
Trésorerie et équivalents de trésorerie	15	228					228	228
Passifs								
Emprunts et dettes financières non courants	20				4 490		4 490	4 504
Emprunts et dettes financières courants	20				2 895		2 895	2 907
Instruments dérivés	20							
Engagement d'achat des interêts minoritaires	12	1					1	1
Dettes fournisseurs et autres dettes	21				5 412		5 412	5 412
Autres passifs non courants	22				633		633	633
Autres passifs financiers courants	22				3		3	3

La valeur comptable des créances d'exploitation et autres créances, de la trésorerie et équivalents de trésorerie et des dettes fournisseurs et autres dettes est quasiment égale à leur juste valeur compte tenu de la courte échéance de ces instruments.

La juste valeur des emprunts et dettes financières est calculée soit à partir du prix de marché pour l'emprunt obligataire, soit, pour le reste de la dette, par actualisation des flux futurs contractuels compte tenu des conditions de marché au 31 décembre de chaque année.

Méthode de valorisation des instruments financiers à la juste valeur au bilan

Conformément à la norme IFRS 7, les actifs et passifs financiers évalués à la juste valeur sont classés par hiérarchie d'évaluations à la juste valeur des instruments financiers (niveau 1 à 3), comme suit :

- la juste valeur des instruments financiers échangés sur des marchés actifs (par exemple, les OPCVM monétaires) est basée sur le prix de marché coté à la date de clôture. Cette méthode d'évaluation est qualifiée de niveau 1 dans la hiérarchie définie par la norme IFRS 7 ;

- la juste valeur des instruments financiers qui ne sont pas négociés sur des marchés actifs (par exemple les swaps de taux) est déterminée grâce à des techniques d'évaluation. Les hypothèses utilisées sont observables soit directement (c'est-à-dire telles que des prix) ou indirectement (c'est-à-dire déterminées à partir de prix). Cette méthode d'évaluation est qualifiée de niveau 2 dans la hiérarchie définie par la norme IFRS 7 ;

- la juste valeur des instruments classés en niveau 3 (par exemple, les actifs disponibles à la vente) est déterminée selon une technique de valorisation non fondée sur des données de marché observable.

Les tableaux ci-dessous présentent la méthode de valorisation retenue pour les actifs et passifs financiers évalués à la juste valeur au 31 décembre de chaque année.

	2013			
(en millions d'euros)	Juste valeur	Niveau 1	Niveau 2	Niveau 3
Actifs financiers évalués à la juste valeur				
Autres actifs financiers non courants	20	8		12
Dont actifs de gestion de trésorerie	*8*	*8*		
Dont actifs disponibles à la vente	*12*			*12*
Instruments dérivés	2		2	
Autres actifs financiers courants	0	0		
Trésorerie et équivalents de trésorerie	394	394		
Passifs financiers évalués à la juste valeur				
Instruments dérivés	2		2	

Pour mémoire, au 31 décembre 2012

(en millions d'euros)	Juste valeur	Niveau 1	Niveau 2	Niveau 3
Actifs financiers évalués à la juste valeur				
Autres actifs financiers non courants	21	8		13
Dont actifs de gestion de trésorerie	8	8		
Dont actifs disponibles à la vente	13			13
Instruments dérivés	2		2	
Autres actifs financiers courants	1	1		
Trésorerie et équivalents de trésorerie	267	267		
Passifs financiers évalués à la juste valeur				
Instruments dérivés	2		2	

Pour mémoire, au 31 décembre 2011

(en millions d'euros)	Juste valeur	Niveau 1	Niveau 2	Niveau 3
Actifs financiers évalués à la juste valeur				
Autres actifs financiers non courants	28	8		20
Dont actifs de gestion de trésorerie	8	8		
Dont actifs disponibles à la vente	20			20
Instruments dérivés	0		0	
Autres actifs financiers courants	2	2		
Trésorerie et équivalents de trésorerie	228	228		
Passifs financiers évalués à la juste valeur				
Instruments dérivés				
Engagement d'achat des interêts minoritaires	1			1

23.2. Gestion des risques financiers et instruments financiers dérivés

Dans le cadre de ses activités, le groupe est exposé à plusieurs types de risques financiers : de marché, de crédit (ou de contrepartie), ainsi que de liquidité. Les risques de marché sont définis comme les risques de fluctuation des flux de trésorerie futurs d'instruments financiers en fonction de l'évolution des marchés financiers. Pour le groupe, les risques de marché peuvent ainsi affecter essentiellement les taux d'intérêt et les positions de change, en l'absence de placements significatifs sur les marchés d'actions.

Dans le cadre de son appartenance au Groupe Vivendi au 31 décembre 2013, le groupe suit la politique groupe en matière de gestion des risques financiers et instruments financiers dérivés, qui est gérée de façon centralisée par la direction des financements et de la trésorerie de Vivendi.

Le groupe est amené à utiliser des instruments dérivés pour gérer son exposition aux risques de marché, la valorisation de ces instruments est non significative sur les périodes présentées.

La valorisation liée au risque de crédit des instruments dérivés est calculée à partir des probabilités de défaut historiques issues des calculs d'une agence de notation de premier plan, auxquelles est appliqué un taux de recouvrement. Au 31 décembre 2013, l'impact lié à l'ajustement préconisé par IFRS 13 n'est pas significatif.

23.3. Risque de taux d'intérêt

L'exposition du groupe au risque de taux d'intérêt est liée à son endettement financier net à taux variable.

Au 31 décembre 2013 et au 31 décembre 2012, cette exposition n'était pas couverte par des instruments dérivés de taux.

Analyse de sensibilité au risque de taux

L'analyse de sensibilité sur les flux d'intérêts pour les instruments à taux variable a été déterminée en tenant compte de l'ensemble des flux variables des instruments financiers. L'analyse est réalisée en supposant que les montants de dettes et d'instruments financiers au bilan au 31 décembre 2013 restent constants sur une année. Pour les besoins de cette analyse, toutes les autres variables, en particulier les cours de change, sont supposées rester constantes.

Une variation de 50 points de base des taux d'intérêt à la date de clôture aurait eu pour conséquence une augmentation (diminution) du coût d'endettement à hauteur de 7 millions d'euros.

23.4. Risque de change

Pour couvrir ses achats en devise liés notamment à l'acquisition d'équipement télécoms, le groupe utilise des contrats d'achats à terme qu'il achète auprès de la direction des financements et de la trésorerie du groupe Vivendi.

Au 31 décembre 2013, le groupe détenait des instruments de couverture de change pour un montant notionnel de 115 millions de dollars américains (USD). La totalité des contrats sont des achats à terme de dollars américains (USD) avec une maturité comprise entre 1 et 7 mois.

Les contrats à terme sont qualifiés en couverture de flux de trésorerie. L'inefficacité sur la période est non significative.

L'exposition résiduelle du groupe après couverture aux fluctuations de l'USD est peu significative sur l'exercice. Au 31 décembre 2013, l'exposition au risque de change du bilan du groupe sur l'USD s'élève à 2 millions d'euros et est totalement couverte.

Analyse de sensibilité au risque de change

Au 31 décembre 2013, une variation instantanée de 10 % de l'euro par rapport au dollar, aurait, à raison des actifs et passifs inscrits au bilan, un impact non significatif sur le résultat de change du groupe. Pour les besoins de cette analyse, toutes les autres variables et en particulier les taux d'intérêt, sont supposées rester constantes

23.5. Risque de liquidité

Le groupe gère le risque de liquidité en surveillant continuellement les prévisions de flux de trésorerie et les flux de trésorerie réels. Au 31 décembre 2013, la flexibilité financière du groupe est assurée par le compte-courant mis à disposition par Vivendi.

Un échéancier de liquidité est détaillé en Note 20.3 – Ventilation par maturité des flux de trésorerie futurs liés aux emprunts et aux dettes financières

23.6. Risque de crédit et de contrepartie

Les actifs financiers qui génèrent potentiellement pour le groupe un risque de crédit sont essentiellement :

- les placements de trésorerie,
- les créances clients et autres créances.

L'exposition maximale des actifs financiers au risque de crédit correspond à leur valeur nette comptable.

Placements de trésorerie et instruments dérivés

Le groupe réalise ses placements de trésorerie (les OPCVM monétaires qui satisfont aux spécifications de la position AMF n° 2011-13, et les autres placements à court terme très liquides, d'une échéance à l'origine inférieure ou égale à trois mois) auprès de contreparties bancaires de premier rang.

Au 31 décembre 2013 :

- les placements de trésorerie sont réalisés avec des contreparties qui bénéficient de notes de crédits élevées,
- les instruments dérivés, achats à terme de dollars sont achetés auprès de la trésorerie de Vivendi et non pas directement auprès de partenaires bancaires.

Créances clients et autres créances

La concentration du risque de contrepartie lié aux créances clients est limité car le portefeuille clients du groupe est très diversifié et peu concentré compte tenu du nombre élevé de clients, notamment sur l'activité Grand Public, avec plusieurs millions de clients particuliers.

Sur l'activité Entreprise, les 20 principaux clients représentent moins de 3 % du chiffre d'affaires du groupe.

Sur l'activité Opérateurs, le chiffre d'affaires est plus concentré, les clients les plus importants étant les opérateurs de télécommunication (tels que Orange, Bouygues Telecom, Free Mobile,...) pour lesquels le risque est modéré compte tenu de l'équilibre des flux d'interconnexions. Orange, le premier client opérateur est également le premier fournisseur du groupe.

Note 24. Opérations avec les parties liées

Les parties liées du groupe comprennent :

- L'ensemble des entreprises incluses dans le périmètre de combinaison, qu'elles soient intégrées globalement ou mises en équivalence,
- La société Vivendi S.A. et les entités qu'elle consolide (le « groupe Vivendi »),
- Le groupe Vodafone jusqu'au 16 juin 2011, date à laquelle Vodafone a cédé sa participation de 44 % dans SFR S.A. à Vivendi S.A.,
- L'ensemble des membres du comité exécutif de SFR S.A.,
- L'ensemble des entreprises dans lesquelles un membre du comité exécutif a le contrôle, participe au contrôle conjoint, exerce une influence notable ou est l'un des principaux dirigeants.

Les transactions entre les entreprises intégrées globalement dans le périmètre de combinaison ont été éliminées lors de la préparation des comptes combinés. Les détails des opérations entre le groupe et les autres parties liées sont présentés ci-dessous.

24.1. Rémunérations des dirigeants

Les dirigeants du groupe combiné incluent les membres du comité exécutif de sa principale entité SFR S.A.

Le tableau ci-dessous présente la rémunération allouée aux personnes qui sont à la clôture, ou qui ont été au cours des exercices présentés, membres du comité exécutif.

(en millions d' euros)	2013	2012	2011
Avantages à court terme (a)	5	6	6
Avantages posterieurs à l'emploi (b)	1	1	2
Rémunération en actions (c)	3	4	3
Rémunération des dirigeants	**8**	**10**	**11**

(a) Inclut les salaires bruts, part fixe et part variable, la participation ainsi que les avantages en nature comptabilisés au cours de l'exercice. La part variable inclut les bonus, provisionnés à la clôture de l'exercice. Le bonus 2013 des mandataires sociaux sera arrêté ultérieurement de manière définitive par le Conseil de Surveillance de Vivendi S.A. sur proposition du Comité des Ressources Humaines de Vivendi S.A.

(b) Correspond au coût des services rendus.

(c) Charge enregistrée au compte de résultat au titre des plans d'options sur titres et des offres réservées aux salariés.

24.2. Les entreprises associées et les coentreprises

Les entreprises associées et les coentreprises, mises en équivalence, sont présentées en Note 11 – Titres mis en équivalence.

Les transactions avec les parties liées résumées ci-dessous concernent les principales opérations courantes réalisées avec les entreprises associées et les coentreprises.

(en millions d'euros)	**Entreprises associées**			**Coentreprises**		
	2013	2012	2011	2013	2012	2011
Actif	**66**	**54**	**52**	**53**	**24**	**22**
Actif non courant	-	-	-	43	18	17
Actif courant	66	54	52	10	6	5
Passif	**80**	**79**	**15**	**5**	-	-
Passif courant	18	16	15	5	-	-
Passif non courant	63	63	-	-	-	-
Résultat net	**67**	**76**	**77**	**21**	**20**	**17**
Produits d'exploitation	67	76	77	25	20	17
Charges exploitation	-	-	-	(4)	-	-
Engagements hors bilan	**56**	**79**	**70**	**569**	**319**	**303**
Opérationnels	-	-	-	413	228	228
Financiers	56	79	70	86	58	50
Nantissements	-	-	-	70	34	25

Les principales transactions avec les sociétés mises en équivalence concernent :

- La Poste Telecom dans le cadre des activités de téléphonie,
- Numergy dans le cadre des prestations relatives au *« cloud computing »,*
- Synerail dans le cadre du Partenariat Public-Privé GSM-R,
- Foncière Rimbaud (1 à 4) avec le groupe Vinci dans le cadre de la construction du siège social de SFR S.A.

(Cf. Note 11 – Titres mis en équivalence)

24.3. Les actionnaires historiques

De 2011 à 2013, les principales opérations avec le groupe Vivendi et le groupe Vodafone sont les suivantes :

Financement par Vivendi S.A.

(en millions d' euros)	2013	2012	2011
Au passif du bilan			
Dette actionnaire (a)	8 673	7 609	5 461
Au compte de résultat			
Intérêts liés à la dette actionnaire	(212)	(170)	(87)

(a) Le détail de la dette actionnaire est présenté en Note 20 – Emprunts et dettes financières.

Prestations facturées par Vivendi S.A.

(en millions d' euros)	2013	2012	2011
Frais de siège	(15)	(28)	(26)
Avantages au personnel	(26)	(32)	(23)
Mise a disposition du personnel	(7)	(6)	(6)
Prestations facturées par Vivendi	**(48)**	**(66)**	**(55)**

Opérations réalisées avec le groupe Vodafone du 1er janvier au 16 juin 2011

Coopération avec Vodafone : Vodafone et SFR S.A. ont conclu en 2003 un accord qui leur a permis d'intensifier leur coopération et d'amplifier leurs économies d'échelle dans plusieurs domaines : le développement et le lancement de nouveaux produits et services, le renforcement des synergies opérationnelles, notamment en matière d'achats (notamment informatiques et technologiques) et le partage d'expertise.
SFR S.A. a comptabilisé une charge d'un montant de 21 millions d'euros au titre de cet accord au 30 juin 2011.
Le contrat de coopération avec Vodafone a été maintenu suite à la sortie de Vodafone du capital de SFR S.A. mais n'entre plus dans le cadre des opérations liées.

Flux d'interconnexion avec les filiales du groupe Vodafone : Dans le cadre de la refacturation des flux (« roaming in » et « roaming out »), le groupe a enregistré au 30 juin 2011 un produit de 23 millions d'euros et une charge de 13 millions d'euros vis-à-vis du groupe Vodafone.

Autres opérations réalisées avec les filiales du groupe Vivendi

(en millions d' euros)	2013	2012	2011
Total produits	25	24	13
Total charges	(49)	(61)	(57)

Les groupes Canal +, UMG et Maroc Telecom sont consolidés dans le groupe Vivendi. Ces opérations entrent dans le cadre de l'activité courante du groupe.

Note 25. Engagements contractuels

Les engagements contractuels significatifs pris et ou reçus par le groupe sont détaillés ci-après :

25.1. Engagements liés aux immobilisations

Le montant des engagements contractuels pour l'acquisition d'immobilisations corporelles et incorporelles s'élèvent à 889 millions d'euros au 31 décembre 2013. Ce montant inclut des engagements liés au déploiement de réseaux de télécommunications.

L'échéancier de ces engagements est le suivant :

(en millions d'euros)	Paiements futurs minimaux	Échéancier A moins d'un an	De deux à cinq ans	Au-delà de cinq ans	2012	2011
Engagements liés aux DSP	72	27	22	23	262	336
Engagements liés aux ZMD (a)	216	19	99	99	8	-
Autres investissements (b)	600	582	19	-	702	1 776
Engagements d'investissements	**888**	**628**	**139**	**122**	**972**	**2 112**

(a) Engagements liés au déploiement du FTTH (Fiber To The Home) au sein des Zones Moyennement Denses (ZMD).

(b) En 2011, le montant inclut l'engagement d'acquisition de la licence LTE pour un montant de 1 065 millions d'euros.

25.2. Engagements liés aux licences de télécommunications

	Engagements donnés	Montant	Échéance
(a)	Licence UMTS sur le territoire français	1 % du chiffre d'affaires réalisé	2021-2030
(a)	Licence GSM sur le territoire français	1 % du chiffre d'affaires réalisé	2021
(a)	Licence LTE sur le territoire français	1 % du chiffre d'affaires réalisé	2031-2032
(b)	Couverture réseau 3G	Non chiffré	2013
(c)	Couverture réseau 4G	Non chiffré	2023-2027

	Engagements reçus	Montant	Échéance
(a)	Autorisations d'exploitation de réseaux et de fournitures de services de télécommunications sur le territoire français	Non chiffré	2021/2032

(a) Le groupe est titulaire d'autorisations d'exploitation de ses réseaux et de fourniture de services de télécommunications sur le territoire français aux conditions financières suivantes :

- paiement d'une part fixe soit enregistrée en dette (GSM), soit réglée au moment de l'attribution (UMTS et LTE),
- paiement d'une part variable correspondant à 1 % du chiffre d'affaires généré par ces licences.

(Cf. Note 1.3.7 – Immobilisations incorporelles et Note 9 – Immobilisations incorporelles).

(b) En date du 30 novembre 2009, l'ARCEP a appelé le groupe à respecter, au plus tard le 31 décembre 2013, ses obligations de déploiement de réseaux UMTS, à savoir un taux de couverture de 99,3 % de la population métropolitaine.
Au 31 décembre 2013, avec 99,3 % de la population couverte, le groupe a rempli ses obligations de couverture.

(c) Dans le cadre de l'attribution du premier bloc de fréquences LTE d'octobre 2011, le groupe s'est engagé à respecter les obligations de déploiement en très haut débit mobile suivant le calendrier de couverture ci-dessous :

- 25 % de la population métropolitaine au 11 octobre 2015,
- 60 % de la population métropolitaine au 11 octobre 2019,
- 75 % de la population métropolitaine au 11 octobre 2023.

Ces obligations de couverture peuvent être satisfaites par l'utilisation des fréquences à 2,6 GHz ou par l'utilisation d'autres fréquences dont le groupe est titulaire.

Par la décision n°2012-0039 de l'ARCEP en date du 17 janvier 2012, le groupe s'est vu attribuer 2*10 MHz dans la bande 800 MHz pour un montant de 1 065 millions d'euros. Les engagements liés à cette attribution sont les suivants :

- Le groupe s'est engagé à respecter les obligations de déploiement en très haut débit mobile suivantes :
    - couverture de 98 % de la population métropolitaine au 17 janvier 2024 et 99,6 % de la population métropolitaine au 17 janvier 2027 ;
    - couverture dans la zone de déploiement prioritaire (environ 18 % de la population métropolitaine et 63 % du territoire) : le groupe doit couvrir 40 % de la population de cette zone de déploiement prioritaire au 17 janvier 2017 et 90 % de la population de cette même zone au 17 janvier 2022 ;
    - couverture au niveau départemental : le groupe doit couvrir 90 % de la population de chaque département au 17 janvier 2024 et 95 % de la population de chaque département au 17 janvier 2027.

- SFR et Bouygues Telecom ont une obligation mutuelle de partage de réseau ou de partage de fréquences dans la zone de déploiement prioritaire.

- Le groupe a une obligation d'accueil en itinérance de Free Mobile dans la zone de déploiement prioritaire lorsque celui-ci aura couvert 25 % de la population française avec son propre réseau à 2,6 GHz et s'il n'a pas signé d'accord d'itinérance nationale avec un autre opérateur.

- Le groupe doit couvrir conjointement avec les autres titulaires de la bande 800 MHz les centres bourgs identifiés par les pouvoirs publics dans le cadre du programme « zones blanches » (au-delà de 98 % de la population) dans un délai maximal de 15 ans.

25.3. Engagements liés aux contrats de location simple

Le montant des loyers futurs minimaux pour les contrats de location simple est détaillé dans le tableau ci-après :

		Échéancier				
(en millions d'euros)	Loyers futurs minimaux	A moins d'un an	De deux à cinq ans	Au-delà de cinq ans	2012	2011
Terrains	5	0	2	3	4	5
Constructions	1 842	287	899	656	1 701	1 560
Dont locaux administratifs	*566*	*61*	*206*	*299*	*521*	*585*
Dont loyers techniques	*1 273*	*226*	*692*	*356*	*1 181*	*952*
Autres	159	44	67	48	146	168
Locations	**2 006**	**331**	**968**	**707**	**1 851**	**1 732**
Constructions	(216)	(40)	(101)	(75)	(109)	(41)
Dont loyers techniques	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sous-locations	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Total Net	**1 790**	**291**	**867**	**632**	**1 742**	**1 691**

Le montant total des loyers futurs techniques comprend des droits de passage et des loyers liés au droit d'utilisation des fibres optiques. Le montant des loyers nets comptabilisés au titre des exercices 2013, 2012 et 2011 s'élèvent respectivement à 284 millions d'euros, 276 millions et 277 millions d'euros.

Les loyers futurs de location-financement sont présentés dans la Note 10.3 – Immobilisations corporelles

25.4. Engagements liés à des contrats long-terme

Les engagements liés aux contrats long-terme concement principalement des contrats de maintenance du réseau de télécommunication.

(en millions d'euros)	Paiements futurs minimaux 2013	Échéancier A moins d'un an	 De deux à cinq ans	 Au-delà de cinq ans	2012	2011
Engagements donnés	178	62	79	37	172	63
Engagements reçus	(127)	(14)	(50)	(63)	-	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

25.5. Autres engagements

	(en millions d'euros)	2013	Échéance	2012	2011
(a)	Caution solidaire et garanties bancaires GSM-R	105	Suivant construction	92	66
	Autres cautions et garanties bancaires	65	2026	64	90
(b)	Engagements d'achats de titres	16	2026	16	18
	Nantissements	84	2017	51	46
	Engagements donnés	**269**		**223**	**219**
	Autres garanties et cautions bancaires	(1)		(1)	(1)
	Engagements reçus	**(1)**		**(1)**	**(1)**

(a) Il s'agit du Partenariat Public-Privé (PPP) entre les groupes SFR, Vinci, AXA et TDF avec Réseau Ferré de France (R.F.F.). (Cf. Note 11 – Titres mis en équivalence).

(b) Le groupe s'est engagé dans des promesses unilatérales de rachat des intérêts d'un partenaire financier minoritaire au sein de certaines entités. Ces promesses peuvent uniquement être exercées dans le cas où les entités du groupe ne respecteraient pas les engagements contractuels pris lors de la conclusion des pactes associés.

25.6. Droits individuels à la formation des salariés

La loi n° 2004-391 du 4 mai 2004, relative à la formation professionnelle et au dialogue social, a ouvert, pour les salariés en CDI, un droit individuel à formation d'une durée de 20 heures minimum par an, cumulable sur un période de six ans, mais plafonné à 120 heures. Le volume cumulé d'heures de formation correspondant aux droits acquis au titre du DIF à fin 2013, 2012 et 2011 est estimé respectivement à 1 184 635 heures, 1 194 180 heures et 1 117 215 heures.

25.7. Actifs et passifs éventuels

Suite au succès de l'Offre Publique d'Achat Simplifiée (OPAS) de juin 2008 qui a permis au groupe de détenir 96,41 % de Neuf Cegetel, le groupe a procédé au Retrait Obligatoire des titres Neuf Cegetel encore en circulation sur le marché. Les fonds correspondant à l'indemnisation des actions Neuf Cegetel qui n'auront pas été réclamés par les établissements dépositaires pour le compte des ayants droit, seront conservés chez CACEIS Corporate Trust pendant dix ans à compter de la date de mise en œuvre du retrait obligatoire (24 juin 2008) et versés à la Caisse des Dépôts et Consignations à l'expiration de ce délai. Ces fonds pourront être réclamés à tout moment par les ayants droit sous réserve de la prescription trentenaire au profit de l'État.

Note 26. Litiges

Dans le cours normal de ses activités, SFR est mis en cause dans un certain nombre de procédures judiciaires, gouvernementales, arbitrales et administratives.

Les charges qui peuvent résulter de ces procédures ne sont provisionnées que lorsqu'elles sont probables et que leur montant peut être, soit quantifié, soit estimé dans une fourchette raisonnable. Dans ce dernier cas, le montant provisionné correspond à notre meilleure estimation du risque. Le montant des provisions retenu est fondé sur l'appréciation du niveau de risque au cas par cas, étant précisé que la survenance d'événements en cours de procédure peut entraîner à tout moment une réappréciation de ce risque.
À la connaissance de la société, il n'existe pas d'autre litige, arbitrage, procédure gouvernementale ou judiciaire ou fait exceptionnel (y compris toute procédure, dont l'émetteur a connaissance, qui est en suspens ou dont il est menacé) susceptible d'avoir ou ayant eu au cours des douze derniers mois une incidence significative sur la situation financière, le résultat, l'activité et le patrimoine de la société et du groupe, autres que ceux décrits ci-dessous.

Sont mentionnés dans la présente note tous les litiges SFR significatifs en demande et en défense.

Plainte de Bouygues Telecom contre SFR et Orange concernant le marché des terminaisons d'appel et de téléphonie mobile

Le Conseil de la concurrence a été saisi d'une plainte de Bouygues Telecom contre SFR et Orange pour de prétendues pratiques anticoncurrentielles sur les marchés des terminaisons d'appel et de téléphonie mobile (« ciseaux tarifaires »). Le 15 mai 2009, l'Autorité de la concurrence a décidé de surseoir à statuer et a renvoyé le dossier pour complément d'instruction. SFR a été auditionnée par le rapporteur le 13 décembre 2010. Le 18 août 2011, SFR a reçu une notification de griefs faisant état de pratiques de différentiation tarifaire abusive. Le 13 décembre 2012, l'Autorité de la concurrence a condamné SFR à une amende de 66 millions d'euros. SFR a fait appel de cette décision. L'affaire a été plaidée devant la Cour d'appel de Paris le 20 février 2014.
A la suite de la décision de l'Autorité de la concurrence du 13 décembre 2012, les sociétés Bouygues Telecom, OMEA et El Telecom (NRJ Mobile) ont assigné SFR devant le Tribunal de commerce en réparation du préjudice subi. Elles demandent respectivement des dommages et intérêts de 623,6 millions d'euros, 67,9 millions d'euros et 28,6 millions d'euros, demandes dont SFR conteste vivement le bien-fondé et le montant qui, de l'avis de Vivendi, ne saurait, en tout état de cause, excéder 250 millions d'euros au total. En attente de la décision de la Cour d'appel de Paris, la procédure de conciliation en cours entre Bouygues Telecom et SFR devant le Tribunal de commerce est suspendue.

Plainte contre Orange devant l'Autorité de la Concurrence (NRA ZO)

Le 9 décembre 2009, SFR et SFR Collectivités ont déposé une plainte auprès de l'Autorité de la Concurrence contre Orange pour des pratiques abusives.
À la suite de cette plainte, SFR a assigné Orange devant le tribunal de commerce de Paris (NRA ZO) en réparation du préjudice subi.

Assignation de SFR contre Orange devant le tribunal de commerce de Paris (terminaison d'appel - départ d'appel)
Le 22 février 2010, SFR a assigné Orange et a demandé l'annulation du prix de la prestation de départ d'appel d'Orange pour la période 2006-2007 et a demandé d'y substituer un tarif inférieur de 2 % pour 2006 et 15 % pour 2007.

Plainte d'Orange Réunion, Orange Mayotte et Outre-mer Telecom contre SRR
Les sociétés Orange Réunion, Orange Mayotte et Outremer Télécom ont saisi l'Autorité de la concurrence le 6 juin 2009 concemant des pratiques de différenciation tarifaire on-net/off-net mises en œuvre par SRR sur le marché de téléphonie mobile à Mayotte et à La Réunion.
À la suite de cette décision, Outremer Telecom a assigné SFR et SRR devant le tribunal de commerce de Paris le 17 juin 2013 sur le marché Grand Public et le marché Entreprises en réparation du préjudice qu'elle prétend avoir subi du fait des pratiques dénoncées dans sa saisine de l'ADLC. Le sursis à statuer a été accordé. SRR a reçu la notification de griefs le 12 juillet 2013 concemant les pratiques sur le marché Grand Public et l'a acceptée. Le montant de l'amende est en-cours de détermination par l'ADLC.

Plainte contre Orange devant l'Autorité de la Concurrence.
Le 9 août 2010, SFR a déposé une plainte auprès de l'Autorité de la Concurrence contre Orange pour des pratiques anticoncurrentielles mises en œuvre sur le marché des services de téléphonie mobile à destination des professionnels.

Assignation d'Orange contre SFR devant le tribunal de commerce de Paris (dossier débordements)
Par assignation du 10 août 2011, Orange a demandé au tribunal de commerce de Paris de faire injonction à SFR de cesser immédiatement ses pratiques de « débordements » abusifs et condamner SFR à payer la somme de 309,5 millions d'euros au titre des pénalités fixées conventionnellement. Il est reproché à SFR d'avoir intentionnellement organisé le débordement sur le réseau d'Orange aux fins d'optimisation économique de son propre réseau (sous-dimensionnement des commandes de « BPN »). Par jugement du 10 décembre 2013, le tribunal a condamné SFR à verser à Orange la somme de 22,1 millions d'euros. SFR et Orange ont fait appel de la décision.

SFR contre Orange : abus de position dominante sur le marché des résidences secondaires
Le 24 avril 2012, SFR a assigné Orange devant le tribunal de commerce de Paris pour des pratiques constitutives d'un abus de position dominante sur le marché de détail des services de téléphonie mobile à destination de la clientèle non-résidentielle et lui demande une somme comprise entre 122 millions d'euros et 129 millions d'euros en réparation de son préjudice.
Le 12 février 2014, le tribunal de commerce de Paris a condamné Orange à verser à SFR la somme de 51,4 millions d'euros pour abus de position dominante sur le marché des résidences secondaires.

Free contre SFR : concurrence déloyale pour non-respect des dispositions inhérentes au crédit à la consommation au titre d'une offre avec subvention
Le 21 mai 2012, Free a assigné SFR devant le tribunal de commerce de Paris. Free conteste le modèle de subventionnement des offres SFR « Carrées » vendues par Intemet de juin 2011 à décembre 2012 en prétendant qu'il s'agirait d'un mécanisme de crédit à la consommation et, qu'à ce titre, SFR se serait rendue coupable de pratiques déloyales en ne respectant pas les dispositions inhérentes au crédit à la consommation et notamment l'information préalable des clients. Free sollicitait notamment du tribunal de commerce de Paris la condamnation de SFR à procéder à l'information de ses clients et l'allocation de dommages et intérêts à hauteur de 29 millions d'euros. Le 15 janvier 2013, le tribunal de commerce déboutait Free de l'ensemble de ses demandes et allouait à SFR la somme de 0,3 million d'euros de dommages et intérêts. Le 31 janvier 2013, Free a fait appel de cette décision.

UFC contre SFR : clauses abusives
Le 7 juin 2012, l'UFC a assigné SFR devant le tribunal de grande instance de Paris au motif que les conditions générales d'utilisation de SFR La Carte contiendraient des clauses abusives. L'UFC a demandé la suppression de ces clauses et des dommages et intérêts.

SFR contre Orange (dossier ZND)
Le 26 novembre 2012, SFR a saisi l'Autorité de la Concurrence concernant des pratiques d'abus de position dominante sur le marché de détail de l'accès à l'internet haut débit dans les zones non-dégroupées.

Assignation CLCV contre SFR
Le 7 janvier 2013, l'association de consommateur CLCV a assigné SFR devant le tribunal de commerce de Paris.
CLCV considère comme abusives un certain nombre de clauses contenues dans les conditions générales d'abonnement de SFR, ainsi que des autres opérateurs de téléphonie. Elle sollicite également l'allocation d'une indemnité réparatrice du préjudice collectif.

Contentieux transfert des centres relation clientèle de Toulouse, Lyon et Poitiers
À la suite des transferts des centres de relation clientèle de Toulouse et Lyon à la société Infomobile et celui de Poitiers à une société filiale du groupe Bertelsmann, des anciens salariés de ces sites ont intenté des actions auprès des Conseils de Prud'hommes de chaque ville afin de voir sanctionner une prétendue exécution déloyale du contrat de travail, pour fraude aux dispositions de l'article L. 1224-1 du Code du travail ainsi qu'aux dispositions légales inhérentes au licenciement pour motif économique. Les décisions intervenues en 2013 demeurent hétérogènes puisque la Cour d'Appel de Toulouse a sanctionné les groupes SFR et Téléperformance dans la moitié des dossiers alors que les juridictions de Lyon et Poitiers rendent des décisions favorables à SFR. Les dossiers sont à des stades différents de la procédure : Conseil des Prud'hommes, Cour d'Appel et Cour de Cassation.

Litiges distribution dans le réseau des indépendants (Grand Public et SFR Business Team)
SFR, à l'instar des entreprises recourant à un modèle de distribution indirect, fait face à des recours émanant de ses distributeurs et de façon quasi systématique de la part de ses anciens distributeurs. Ces contentieux récurrents s'articulent autour des notions de rupture brutale de la relation contractuelle, abus de dépendance économique et/ou demande de requalification en agent commercial ; Mais également et, plus récemment, autours de demandes de requalification du statut du gérant en contrat de gérant succursaliste et de requalification en contrat SFR des salariés des points de ventes. SFR, après avoir subi trois arrêts défavorables de la Cour de Cassation quant au statut de gérant succursaliste, bénéficie de récents succès devant les différentes Cours d'Appel. Sur les volets requalifications des contrats de travail et commerciaux de ces litiges, hormis quelques rares exceptions, SFR, bénéficie d'une jurisprudence favorable.

Note 27. Liste des entités combinées

Société	Pays Siège Social	Intérêts groupe			Méthode (1)		
		2013	2012	2011	2013	2012	2011
SFR SA	France	100,0%	100,0%	100,0%	IG	IG	IG
SIG 50 SA	France	100,0%	100,0%	100,0%	IG	IG	IG
LD Communications BV	Pays Bas	100,0%	100,0%	100,0%	IG	IG	IG
LD Communications Italie Srl	Italie	100,0%	100,0%	100,0%	IG	IG	IG
LD Communications Suisse SA	Suisse	100,0%	100,0%	100,0%	IG	IG	IG
2SID SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
2SIP SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Cinq sur Cinq SA	France	100,0%	100,0%	100,0%	IG	IG	IG
Ariège Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Buzz SA	France	100,0%	100,0%	100,0%	IG	IG	IG
Cap Connexion SAS	France	100,0%	100,0%	100,0%	IG	IG	IG

CID SA	France	100,0%	100,0%	100,0%	IG	IG	IG
Debitex Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Efixo SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Eur@seine SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
FOD SNC	France	100,0%	100,0%	100,0%	IG	IG	IG
Futur Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Gravelines Network SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Haut-Rhin Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Loiret THD SAS	France	100,0%	-	-	IG	-	-
MACS THD SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Opalys Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Rennes Métropole Telecom SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Rimbaud Gestion B SCI	France	100,0%	-	-	IG	-	-
Foncière Velizy SCI	France	100,0%	100,0%	-	IG	IG	-
SFCM SA	France	100,0%	100,0%	100,0%	IG	IG	IG
SFD SA	France	100,0%	100,0%	100,0%	IG	IG	IG
SFR Collectivités SA	France	100,0%	100,0%	100,0%	IG	IG	IG
SFR Développement SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
SID SCS	France	100,0%	100,0%	-	IG	IG	-
SNBL SA	France	100,0%	100,0%	-	IG	IG	-
SRR SCS	France	100,0%	100,0%	100,0%	IG	IG	IG
SHD SA	France	100,0%	100,0%	100,0%	IG	IG	IG
LTBR SA	France	100,0%	100,0%	100,0%	IG	IG	IG
Pays Voironnais Network SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
Pays Voironnais Network Part. SAS	France	100,0%	100,0%	100,0%	IG	IG	IG
SFR Service Client SA	France	100,0%	100,0%	100,0%	IG	IG	IG
Iris 64 SAS	France	70,0%	70,0%	70,0%	IG	IG	IG
Manche Telecom SAS	France	70,0%	70,0%	70,0%	IG	IG	IG
Medi@lys SAS	France	70,0%	70,0%	70,0%	IG	IG	IG
Teloise SAS	France	70,0%	70,0%	70,0%	IG	IG	IG
Alsace Connexia Part. SAS	France	61,9%	61,9%	61,9%	IG	IG	IG
Synerail Exploitation SAS	France	60,0%	60,0%	60,0%	IG	IG	IG
Inolia SA	France	60,0%	60,0%	60,0%	IG	IG	IG
Moselle Telecom Part. SAS	France	56,0%	56,0%	56,0%	IG	IG	IG
Comstell SAS	France	50,0%	50,0%	50,0%	IG	IG	IG
Alsace Connexia SAS	France	43,3%	43,3%	43,3%	IG	IG	IG
Moselle Telecom SAS	France	39,2%	39,2%	39,2%	IG	IG	IG
Irisé SAS	France	25,0%	25,0%	25,0%	IG	IG	IG
Foncière Rimbaud 3 SAS	France	50,0%	100,0%	100,0%	ME	IG	IG
Foncière Rimbaud 4 SAS	France	50,0%	100,0%	100,0%	ME	IG	IG
Foncière Rimbaud 1 SAS	France	50,0%	50,0%	50,0%	ME	ME	ME
Foncière Rimbaud 2 SAS	France	50,0%	50,0%	50,0%	ME	ME	ME
Dokeo TV SAS	France	50,0%	-	-	ME	-	-
La Poste Telecom SAS	France	49,0%	49,0%	49,0%	ME	ME	ME
Nomotech Finances SAS	France	48,5%	48,5%	48,5%	ME	ME	ME
Numergy SAS	France	46,7%	46,7%	-	ME	ME	-
Synerail Construction SAS	France	40,0%	40,0%	40,0%	ME	ME	ME
VOD Factory SAS	France	40,0%	-	-	ME	-	-
Fischer Telecom SAS	France	34,0%	34,0%	34,0%	ME	ME	ME
Synerail SAS	France	30,0%	30,0%	30,0%	ME	ME	ME
Webwag SAS	France	27,0%	27,0%	27,0%	ME	ME	ME
Buyster SA	France	25,3%	25,6%	26,0%	ME	ME	ME
Ocealis SAS	France	25,0%	25,0%	25,0%	ME	ME	ME
AF 83 SAS	France	24,6%	24,6%	24,6%	ME	ME	ME
Sud Partner SARL	France	24,0%	24,0%	24,0%	ME	ME	ME
Sofialys SAS	France	23,8%	26,0%	24,5%	ME	ME	ME
Idenum SAS	France	21,0%	-	-	ME	-	-
Velizy Invest Eurl	France	nc	100,0%	-	nc	IG	-
Supertec SAS	France	nc	26,2%	26,2%	nc	ME	ME
M2M Solution SAS	France	nc	23,4%	23,4%	nc	ME	ME
FCT TEMA	France	nc	nc	100,0%	nc	nc	IG

Neuf Assistance SAS	France	nc	nc	100,0%	nc	nc	IG
Neuf Center SAS	France	nc	nc	100,0%	nc	nc	IG
Digitick SA	France	nc	nc	27,5%	nc	nc	ME

(1) IG = Intégration Globale ; ME = Mise en Équivalence ; nc = non combinée

Au 31 décembre 2011, il subsistait une société de droit hollandais (SPADIX BV) spécifiquement créée dans le cadre des opérations de location / sous-location réalisées en 2001 et dans laquelle le groupe combiné ne détenait aucune participation. Cette société est sortie du périmètre en 2012.

Note 28. Événements post-clôture

SFR et Bouygues ont signé le 31 janvier 2014 un accord stratégique de mutualisation. Les deux opérateurs vont déployer sur une zone correspondant à 57 % de la population un nouveau réseau d'accès mobile partagé. Cet accord va permettre aux deux opérateurs d'améliorer leur couverture mobile et de réaliser des économies significatives dans le temps. L'accord de mutualisation entre en vigueur dès sa signature avec la création d'une société commune et devrait aboutir à la finalisation du réseau cible fin 2017. Cet accord n'a aucun impact sur les comptes arrêtés au 31 décembre 2013. Dans l'attente de sa mise en œuvre, cet accord représente pour SFR un engagement net reçu de l'ordre de 460 millions d'euros, qui porte sur l'ensemble de la durée à long terme de l'accord.

Le 13 février 2014, Vivendi a annoncé l'entrée en négociations exclusives avec le groupe Belgacom en vue de l'acquisition de 100 % des titres du Groupe Telindus France. Le Groupe Telindus est l'un des principaux acteurs du marché français de l'intégration télécom et de l'ICT (Information and Communication Technology) et est le premier distributeur Cisco en France. Telindus France a vocation à venir renforcer le pôle télécom français de Vivendi au côté de SFR qui renforcera ainsi considérablement sa présence sur le marché connexe de l'intégration télécom et permettra d'offrir de nouveaux services à ses clients entreprises en complément des offres de SFR Business Team.

Dans le cadre de son activité de délégation de service public (DSP) depuis 2004 sur le département de l'Oise, le groupe s'est engagé à lancer un nouveau projet « Oise THD » pour l'exploitation et la commercialisation de 280 000 prises FTTH. La signature du contrat devrait intervenir courant mars 2014. Le total de cet engagement devrait s'élever à 125 millions d'euros sur 15 ans.

ABCD

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

EY

1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
France

Vivendi S.A.

Statutory auditors' report on the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries for the years ended 31 December 2013, 2012 and 2011

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English- speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional standards applicable in France.

Vivendi S.A.
42, avenue de Friedland - 75008 Paris

ABCD

KPMG Audit
1, cours Valmy
92923 Paris La Défense Cedex
France

EY

1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
France

Vivendi S.A.
Registered office: 42, avenue de Friedland - 75008 Paris

Statutory auditors' report on the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries for the years ended 31 December 2013, 2012 and 2011

To the Chairman of the Management Board,

In our capacity as Statutory Auditors of Vivendi S.A. and in response to your request, in the framework of the implementation, if applicable, the unbundling project of Media and Telecoms activities of Vivendi Group, we have audited the Combined Financial Statements of the companies SFR, SIG 50 and subsidiaries (hereinafter 'the Group') for the years ended December 31, 2013, 2012 and 2011 (hereinafter 'the Combined Financial Statements') as attached to this report.

These Combined Financial Statements have been approved by your Management Board. Our role is to express an opinion on these 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 of 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 significant accounting estimates made, as well as the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the Combined Financial Statements present fairly in all material respects the financial position of the Group as at 31 December 2013, 2012, 2011 and of its financial performance for each of the years then ended, in all material aspects and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Without qualifying our opinion above, we draw your attention to note "Basis of preparation" which describes the particular context, the scope of combination and accounting policies used in the preparation of the Combined Financial Statements.

Paris La Defense, April 11, 2014

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*	ERNST & YOUNG et Autres
Frédéric Quélin	Jean-Yves Jégourel

COMBINED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES OF SFR, SIG 50 AND THEIR SUBSIDIARIES
AS OF 31 DECEMBER 2013, 2012, AND 2011

These Combined Financial Statements and accompanying notes are an English translation of the French version of the "Comptes combinés et notes annexes de SFR et SIG 50 et de leurs filiales" and are provided for informational purposes only. This translation is qualified in its entirety by the French version, which is available on Vivendi's website (www.vivendi.com). In the event of any inconsistencies between the French version of these Combined Financial Statements and accompanying notes and the English translation, the French version will prevail.

Combined Income Statement

(in millions of euros)	Note	2013	2012	2011
Revenues	4.1	**10,199**	**11,288**	**12,183**
Cost of sales		(6,129)	(6,299)	(6,857)
Commercial and distribution costs		(2,199)	(2,222)	(1,932)
Selling, general and administrative expense		(699)	(978)	(1,102)
Other operating income	4.2	2	11	14
Other operating expense	4.2	(169)	(270)	(84)
Operating result		**1,005**	**1,530**	**2,222**
Interest income		3	3	1
Interest expense		(232)	(220)	(209)
Net financing cost		*(229)*	*(217)*	*(208)*
Other financial income	5	2	2	8
Other financial expense	5	(24)	(34)	(70)
Financial income		**(251)**	**(249)**	**(270)**
Income from equity affiliates		(12)	(13)	(17)
Pretax income from continuing operations		**742**	**1,267**	**1,935**
Income tax	6.1	(315)	(516)	(535)
Net earnings		**426**	**752**	**1,400**
of which				
Attributable to shareholders		**420**	**746**	**1,399**
Net earnings from continuing operations		420	746	1,399
Attributable to non-controlling interests		**6**	**6**	**1**
Net earnings from continuing operations		6	6	1

For the earnings per share, refer to the Basis of Preparation.

The Accompanying Notes are an integral part of the Combined Financial Statements.

Combined Statement of Comprehensive Income

(in millions of euros)	Note	2013	2012	2011
Net earnings		**426**	**752**	**1,400**
Foreign currency translation adjustments		0	-	(1)
Financial instruments / currency hedges		-	-	(2)
Financial instruments / interest rate hedges		-	-	67
Other		-	-	2
Deferred tax		-	-	(23)
Other items related to equity-affiliates		2	(2)	(3)
Items to be subsequently reclassified to earnings		**2**	**(2)**	**40**
Actuarial differences on post-employment benefits	19.2	(7)	(15)	0
Linked taxes		3	5	(0)
Items not to be subsequently reclassified to earnings		**(4)**	**(10)**	**0**
Combined comprehensive income		**424**	**740**	**1,440**
Of which				
Comprehensive income attributable to the shareholders of the Group		418	734	1,439
Comprehensive income attributable to non-controlling interests		6	6	1

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Balance Sheet

(in millions of euros)	Note	2013	2012	2011
ASSETS				
Goodwill	8	5,188	5,188	5,188
Intangible assets	9	3,931	4,082	3,117
Tangible assets	10	4,532	4,468	4,244
Investments in equity affiliates	11	152	138	49
Deferred tax assets	6	127	157	109
Other non-current assets	12	185	161	149
Non-current assets		**14,115**	**14,194**	**12,855**
Inventories	13	240	245	356
Trade accounts receivable and other receivables	14	2,558	2,544	3,015
Other current financial assets	12	2	2	2
Cash and cash equivalents	15	394	267	228
Current assets		**3,194**	**3,057**	**3,601**
TOTAL ASSETS		**17,309**	**17,252**	**16,456**
EQUITY AND LIABILITIES				
Combined reserves		1,860	2,098	1,248
Earnings		420	746	1,399
Shareholders' equity		**2,281**	**2,844**	**2,647**
Non-controlling interests		11	8	4
Combined equity	16	**2,291**	**2,852**	**2,651**
Non-current provisions	18	156	173	137
Long term borrowings and other financial liabilities	20	1,248	1,561	4,490
Deferred tax liabilities	6	2	1	0
Other non-current liabilities	22	540	597	633
Non-current liabilities		**1,947**	**2,333**	**5,259**
Current provisions	18	335	408	236
Short term borrowings and financial liabilities	20	7,846	6,506	2,896
Trade accounts payable and other payables	21	4,874	5,136	5,412
Other current financial liabilities	22	17	17	3
Current liabilities		**13,071**	**12,067**	**8,546**
TOTAL EQUITY AND LIABILITIES		**17,309**	**17,252**	**16,456**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Cash Flow Statement

(in millions of euros)	Note	2013	2012	2011
Net earnings attributable to the Group		420	746	1,399
Adjustments				
Non-controlling interests		6	6	1
Income tax (current / deferred)	6.1	315	516	535
Other expenses (including capital gain or loss on financial assets divestitures)		2	5	(11)
Net financial expense	5	251	249	270
Earnings from equity-affiliates		12	13	17
Amortization, depreciation and operating provisions		1,549	1,745	1,569
Gains or losses on tangible or intangible assets		8	7	7
Tax paid	6.1	(299)	(537)	(643)
Change in working capital		(305)	143	54
Inventories	13	6	111	(41)
Trade accounts receivable	14	69	203	126
Other receivables	14	(84)	198	(48)
Trade accounts payable	21	(84)	(191)	(80)
Other payables	21	(212)	(178)	97
Net cash flow from (used in) operating activities		1,960	**2,892**	**3,197**
Purchase of tangible and intangible assets	9, 10	(1,665)	(2,765)	(1,845)
Purchases of combined companies, after acquired cash		(3)	(30)	(48)
Increase in financial assets		(37)	(15)	(68)
Investments		***(1,705)***	***(2,809)***	***(1,962)***
Proceeds from sales of property, plant, equipment and intangible assets	9, 10	17	13	13
Proceeds from sales of combined companies, after divested cash		10	13	20
Decrease in financial assets		3	3	2
Divestitures		***29***	***30***	***35***
Change in working capital related to PPE and intangible assets		38	15	23
Cash flow from investing activities		*38*	*15*	*23*
Net cash flow from (used in)investing activities		(1,638)	(2,765)	**(1,903)**
Interest paid	5	(232)	(219)	(209)
Interest received	5	3	3	1
Dividends paid	16	(985)	(538)	(1,458)
Repayments of borrowings (incl. Bonds)	20	(15)	(1,019)	(447)
Change in shareholder advances	20	1,066	2,144	2,142
Change in other financial liabilities	20	(25)	(455)	(1,144)
Other cash flow related to financing activities		(7)	(5)	(40)
Net cash flow from (used in)financing activities		(195)	**(89)**	(1,155)
Change in cash and cash equivalents		**128**	**38**	**139**
Cash and cash equivalents				
Opening balance	15	267	228	89
Closing balance	15	394	267	228
Change in cash and cash equivalents		128	**38**	**139**

The Accompanying Notes are an integral part of the Combined Financial Statements

Combined Statement of Changes in Equity

(in millions of euros)	Combined reserves including earnings	Items of comprehensive income (a)	**Equity (Group share)**	Non-controlling interests	**Combined equity**
BALANCE AT DECEMBER 31, 2010	**2,583**	**(48)**	**2,535**	**10**	**2,545**
Dividends paid	*(454)*	-	*(454)*	*(4)*	*(458)*
Other transactions	*(874)*	-	*(874)*	*(3)*	*(877)*
Dividends and other transactions	**(1,328)**	-	**(1,328)**	**(7)**	**(1,335)**
Net income	*1,399*	-	*1,399*	*1*	*1,400*
Income and expenses recognized directly in shareholder's equity(a)	-	*40*	*40*	-	*40*
Combined statement of other comprehensive income	**1,399**	**40**	**1,439**	**1**	**1,440**
Total changes over the period	**71**	**40**	**111**	**(6)**	**105**
BALANCE AT DECEMBER 31, 2011	**2,654**	**(8)**	**2,647**	**4**	**2,651**
Dividends paid	*(536)*	-	*(536)*	*(2)*	*(538)*
Dividends and other transactions	**(536)**	-	**(536)**	**(2)**	**(538)**
Net income	*746*	-	*746*	*6*	*752*
Income and expenses recognized directly in shareholder's equity(a)	-	*(12)*	*(12)*	-	*(12)*
Combined statement of other comprehensive income	**746**	**(12)**	**734**	**6**	**740**
Total changes over the period	**209**	**(12)**	**197**	**4**	**201**
BALANCE AT DECEMBER 31, 2012	**2,864**	**(20)**	**2,844**	**8**	**2,852**
Dividends paid	*(982)*	-	*(982)*	*(3)*	*(985)*
Dividends and other transactions	**(982)**	-	**(982)**	**(3)**	**(985)**
Net income	*420*	-	*420*	*6*	*426*
Income and expenses recognized directly in shareholder's equity(a)	-	*(2)*	*(2)*	-	*(2)*
Combined statement of other comprehensive income	**420**	**(2)**	**418**	**6**	**424**
Total changes over the period	**(562)**	**(2)**	**(564)**	**3**	**(561)**
BALANCE AT DECEMBER 31, 2013	**2,302**	**(21)**	**2,281**	**11**	**2,291**

(a) Details in the statement of comprehensive income

The Accompanying Notes are an integral part of the Combined Financial Statements

Notes to the Combined Financial Statements

Basis of Preparation

These combined financial statements have been prepared by Vivendi, in its capacity of controlling shareholder of the companies SFR and SIG 50, in the context of potential implementation of the plan to separate the Media and Telecoms businesses of the Vivendi Group.

They have been drawn up on the basis of the accounting data of the companies SFR and SIG 50 and their subsidiaries, as approved for their financial years ending on December 31, 2011, 2012 and 2013, and prepared for the purpose of preparing the consolidated accounts of the Vivendi Group.

These combined financial statements of SFR and SIG 50 and their subsidiaries were approved by the Management board of Vivendi at its meeting on April 8th 2014.

Context

As they informed the shareholders regularly in 2012 and 2013, Vivendi's Management Board and Supervisory Board have instigated a review of the Group's strategic orientations. In 2013, Vivendi sold the majority of its interest in Activision Blizzard and finalized an agreement with Etisalat for the sale of its shares in Maroc Telecom. The Group decided to concentrate on its media and content businesses, which are in leader positions and are benefiting from a strongly growing digital market. It has strengthened its interest in Canal+ France, in which it now holds 100% of the share capital. Vivendi is also working on the reconfiguration of SFR. The operator is experiencing the first positive effects of its transformation plan, reflecting its benefits at a commercial level while reducing its costs. A network sharing agreement has been concluded with Bouygues Telecom, on part of the mobile network, which will enable it to offer its customers better coverage and improved quality of service. On these bases the Group intends to position the future Vivendi as a dynamic player in media and content. With SFR, it wishes to participate in the reshaping of the telecommunications sector in France by actively exploring all opportunities.

On November 26, 2013, the Supervisory Board approved the appropriateness of the plan to separate the Group into two separate companies: firstly, a new international media group based in France, with very strong positions in music (where it is the worldwide leader), in movies in Europe, in pay-TV in France, Africa, Vietnam and Poland, and in Internet and associated services in Brazil; and secondly the **Telecoms business France**. The decision to implement this plan could be made shortly and, if applicable, submitted to the General Shareholders' Meeting of June 24, 2014.

Presentation of Telecoms business in France

Telephony business in France comprises mainly:

- the telephony business of SFR SA in France, which is developing mobile, fixed-line, internet and television services with consumers and with business, corporate, community and operator clients. SFR SA operates in mainland France, as well as in La Réunion and Mayotte,
- the business of distributing telecommunications services and products in France.

In order to present the historic financial information of the Group for financial years 2013, 2012 and 2011, combined accounts have been drawn up.

Combination scope

The arrangement that constitute the new autonomous group (hereinafter referred to as the "Group") has no independent legal existence prior to the separation, and is made up of entities under the common control of Vivendi.

As of January 1, 2011, the Group principally comprised the following companies:

- the entities held directly and indirectly by SFR SA and its subsidiaries,
- the interest of Vivendi, through SIG 50, in the businesses of distribution of telecommunications products and services, owing to their operational attachment to the business of the Group.

The scope of combination thus excludes the company SPT, held by SFR SA and holder of Maroc Telecom.

The combination scope is presented in Note 27 – List of Entities Combined.

Accounting for related to the holding company SPT owning the interest in Maroc Telecom:

- the shares of SPT were cancelled in return for a reduction in equity,
- the dividends received from SPT, net of withholding tax were presented in the Changes in Equity and in the Cash Flow statements, reducing the dividends paid by SFR SA to Vivendi SA.

Conventions used when preparing the combined accounts

The combination of entities under common control as envisaged were recorded in the combined financial statements of the Group at historic book values. These historic combined financial statements of the Group were drawn up on the basis of the values presented in Vivendi's Consolidated Financial Statements, restated for consolidation adjustments and the accounting impact of operations to acquire stakes in the France telephony business by Vivendi.

In the absence of a specific IFRS text dealing with combined financial statements, the Group defined the principles and conventions for combination presented hereunder.

The net debt level accepted in these combined financial statements reflects the debt level and its historic compensation levels with regard to the Vivendi Group or third parties of the entities included in the combined accounts.

Intercompany transactions between the Group and the other entities of the Vivendi Group

All balances relative to current operations between the entities of the Group and the other entities of the Vivendi Group have been presented on the balance sheet as third party asset or liability accounts in the combined accounts.

All loans and borrowing between the entities of the Group and the other entities of the Vivendi Group have been presented as financial assets or liabilities in the combined accounts.

The operations with the other entities of the Vivendi Group are presented in Note 24 – Transactions with Related Parties.

Earnings per share

As the combined group is not legally constituted on this date, the number of shares in circulation cannot be established. Consequently, no earnings per share are presented in the Combined Financial Statements.

Income tax

The deferred taxes recorded as tax loss carry-forwards were determined by taking into account the effect of the tax consolidation implemented within Vivendi.

The tax results of the companies included in the tax consolidation perimeter have been taken into account as part of the tax consolidation arrangements implemented by Vivendi, pursuant to the provisions of Article 223-A of the General Tax Code. Pursuant to the tax consolidation convention, carry-forward losses recorded during the period of tax consolidation, and up to December 31, 2013, will remain the property of Vivendi. Consequently, no deferred tax asset has been recognized in respect of these carry-forwards in the combined financial statements presented.

Note 1. Accounting Principles

1.1. General framework

Pursuant to European Regulation 1606/2002 of July 19, 2002, the basis for preparation set out above describes how the International Financial Reporting Standards (IFRS) as adopted by the European Union were applied to prepare the historic combined financial statements as of December 31, 2011, December 31, 2012 and December 31, 2013.

The new Group has never prepared IFRS financial statements, nor has it published financial statements for previous financial years.

Consequently, as a first-time adopter, the Group has prepared its combined financial statements for the financial year ended December 31, 2013 in accordance with IFRS 1 – *First-Time Adoption of International Financial Reporting Standards.*

Under IFRS 1, if a subsidiary adopts IFRS after its parent company, the assets and liabilities in the subsidiary's opening balance sheet may be measured:

- either at the carrying amounts based on the subsidiary's contribution to the parent company's historic consolidated financial statements, after restating adjustments relating to the consolidation and to the impacts of accounting for the business combination as a result of which the parent acquired the subsidiary; or
- at the carrying amounts as determined in accordance with IFRS 1, applied at the date of the subsidiary's transition to IFRS. In this case, the IFRS 1 options applied by the subsidiary may differ from those applied by the parent.

In compliance with the option available under IFRS 1, the Group has chosen to draw up its first IFRS combined financial statements on the basis of the carrying amounts of its assets and liabilities as per its contribution to Vivendi's historic financial statements, taking account of the date of Vivendi's transition to IFRS, after eliminating adjustments relating to the Vivendi group consolidation and to the impacts of accounting for the business combinations as a result of which Vivendi acquired interests in SFR and in distribution activities in France.

The transitional provisions for first-time adoption used by the Group are therefore identical to those applied by the Vivendi group upon its transition to IFRS, i.e.:

- Business combinations: business combinations carried out by Group entities prior to January 1, 2004 (the date of Vivendi's transition to IFRS) are not restated.
- Employee benefits: any unrecognized actuarial gains and losses existing at January 1, 2004 are recognized within consolidated equity.
- Share-based payment: IFRS 2 was retrospectively applied as from the opening balance sheet at January 1, 2004. Accordingly, all share-based payment plans for which the rights had not yet vested at January 1, 2004 are recognized in accordance with IFRS 2.

- Cumulative translation differences: gains and losses resulting from the translation into euros of the financial statements of subsidiaries with a functional currency other than the euro were transferred to consolidated reserves as of January 1, 2004.

Vivendi chose not to adopt the exemption available under IFRS 1 allowing certain intangible assets and property, plant and equipment to be remeasured at fair value on its transition to IFRS.

Standards, amendments and interpretations in force

The combined financial statements of the Group as of December 31, 2013 were drawn up in compliance with IFRS as adopted in the European Union (EU) and in compliance with IFRS as published by the International Accounting Standards Board (IASB), effective as of December 31, 2013.

In its 2013 combined financial statements, the Group applied the following new standards and amendments adopted by the European Union with a mandatory effective date of January 1, 2013:

- Amendments to IAS 1 – *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. These amendments deal with the presentation of other comprehensive income ("income and expenses recognized in other comprehensive income" in the combined statement of comprehensive income), which are now shown according to whether or not they are to be subsequently reclassified to the income statement.
- Amendments to IAS 19 – *Employee Benefits*, published by the IASB on June 16, 2011, adopted by the EU on June 5, 2012, and published in the EU Official Journal on June 6, 2012. The accounting principles and basis of measurement for employee benefits are presented in Note 1.3.15 – Employee benefits.
- IFRS 13 – *Fair Value Measurement*, providing a definition of fair value in terms of measurement and prescribing required fair value disclosures, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. Its application has no material impact on the bases of measurement used by the Group or on the information disclosed in the notes to its financial statements.
- Amendments to various IFRS standards contained in the Annual Improvements to IFRS 2009-2011, published by the IASB in May 2012, adopted by the EU on March 27, 2013, and published in the EU Official Journal on March 28, 2013.

In its combined financial statements as of December 31, 2013, the Group decided to early adopt the new standards on consolidation: IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities*, and IAS 28 – *Investments in Associates and Joint Ventures*, published by the IASB on May 12, 2011, adopted by the EU on December 11, 2012, and published in the EU Official Journal on December 29, 2012. These standards are effective as of January 1, 2014 in the European Union.

The principles relative to methods of combination introduced by these new standards are presented below in Note 1.3.2 – Basis of combination.

New IFRS standards and IFRIC interpretations published but not yet in force

The other main IFRS standards and IFRIC interpretations issued by the IASB/IFRS IC but not yet in force, which the Group has not early adopted and which are likely to affect the Group, include IFRIC 21 – *Levies*, published by the IFRS IC on May 20, 2013. The effective date of IFRIC 21 is not yet known since it has not yet been adopted by the EU. The application of this interpretation could lead to changes in the timing of recognition of liabilities for taxes.

The Group is in the process of analyzing the potential impacts of IFRIC 21 on its combined financial statements and on the contents of the notes to the combined financial statements.

Furthermore, the Group is monitoring changes to IFRS 9 – *Financial Instruments*, which is intended to replace IAS 39. The IASB has provisionally decided to defer the mandatory effective date of the standard (initially planned for 2015), without deciding on another date.

1.2. Presentation of the combined financial statements

1.2.1. Combined income statement

The principal captions presented in the combined income statement are revenues, operating profit, financial income (expenses), share of profit of associates (companies accounted for under the equity method), income tax and profit.

Operating profit is the result of operations after taking account of net depreciation and amortization expense, additions to provisions, and non-recurring items, classified under other operating income and expenses.

Other operating income and expenses mainly cover restructuring costs, amortization charged against intangible assets acquired in a business combination, gains and losses on the sale of intangible assets and property, plant and equipment, and other non-financial non-recurring income and expenses.

Financial income (expenses) comprises interest expense on loans, interest income generated by cash and cash equivalents, and other financial income and expenses (in particular, the effect of unwinding the discount on assets and liabilities).

1.2.2. Combined other comprehensive income

Other comprehensive income consists principally of translation adjustments, changes in the fair value of cash flow hedging instruments (foreign exchange and interest rate hedges), actuarial gains and losses on post-employment benefits, and the effects of related taxes.

These items are classified according to their nature and shown separately according to whether or not they will be subsequently reclassified to income.

1.2.3. Combined balance sheet

Assets and liabilities with a maturity shorter than the operating cycle, i.e., generally 12 months, are classified under current assets and liabilities. Assets and liabilities maturing after 12 months are generally classified within non-current items, except for deferred taxes which are always classified within non-current items.

1.2.4. Combined statement of cash flows

Net cash flow from (used in) operating activities

To determine the net cash flow from (used in) operating activities, profit is restated for items with no cash impact and for the net change in working capital. Profit is also restated for current and deferred taxes, and for all components of financial income and expenses. Net cash flow from (used in) operating activities also excludes the net change in working capital linked to intangible assets and property, plant and equipment.

Net cash flow from (used in) investing activities

Net cash flow from (used in) investing activities includes acquisitions and sales of intangible assets, property, plant and equipment and financial fixed assets; the net change in working capital linked to intangible assets and property, plant and equipment; and cash flow derived from the gain or loss of control of a subsidiary.

Net cash flow from (used in) financing activities

Net cash flow from (used in) financing activities includes increases and decreases in loans, changes in amounts owed to Vivendi SA, dividends paid, capital increases and borrowing costs, as well as all cash flow impacts of other financing activities.

1.2.5. Group operational performance

The Group considers EBITDA and cash flow from operations (CFFO) to be relevant indicators of the Group's operational performance.

EBITDA

The Group considers EBITDA, a non-accounting indicator, to be a measure of performance. EBITDA shows the profit generated by the Group's activities independently of financing conditions, taxes (corporate income tax) and the obsolescence of plant and equipment (net depreciation/amortization expense and provisions). EBITDA as defined by the Group corresponds to operating profit restated for other operating income and expenses and for net depreciation and amortization expense and provisions for impairment of intangible assets and property, plant and equipment.

CFFO

The Group considers CFFO, a non-accounting measurement, to be a relevant indicator of the Group's operating performance. CFFO chiefly relates to the net cash flow derived from operating activities in the statement of cash flows (SCF), after deducting investments net of disposals and changes in the related working capital, and before deducting corporate income tax payments.

1.2.6. Segment information

In light of prevailing trends in the Group's business resulting in the increased convergence of mobile telephony and high-speed telephony and fixed internet services, Group management monitors operations in a comprehensive, unified manner. The chief operating decision-maker verifies results and operating plans and decides on the allocation of resources at Group level. The Group has identified a single operating segment meeting the criteria of IFRS 8.

Similarly, since virtually all of the Group's business is carried out on French territory, a single geographic segment has been identified.

This presentation could be modified in the future to reflect developments in the Group's businesses and operating criteria.

1.3. Basis of preparation of the combined financial statements

1.3.1. Use of estimates

Preparation of the combined financial statements in compliance with IFRS requires the Group to make certain estimates and assumptions that it deems reasonable and realistic. Even though these estimates and assumptions are regularly reviewed, particularly on the basis of past experience and forecasts, certain facts and circumstances may lead to changes in these estimates and assumptions, which could affect the carrying amount of the Group's assets, liabilities, equity and profit.

The main estimates and assumptions used relate to the measurement of:

- Provisions: risks are estimated on a case-by-case basis, on the understanding that developments in current events may require the risks to be reassessed at any time (see Notes 1.3.14 and 18).
- Employee benefits: assumptions are updated annually, such as the probability that employees will remain employed by the Group up to their retirement, expected changes in future compensation, discount rate and inflation rate, and life expectancy (see Notes 1.3.15 and 19).
- Goodwill: intangible assets with indefinite useful lives and fixed assets under construction: assumptions are updated annually within the framework of impairment tests and relate to cash-generating units (CGUs), future cash flows and discount rates (see Notes 1.3.6 and 8).
- Deferred taxes: estimates concerning the recognition of deferred tax assets are updated annually on the basis of the Group's expected future taxable income or probable changes in temporary differences for assets and liabilities (see Notes 1.3.16 and 6).
- Revenues: the separable elements of a bundled offer must be identified and allocated according to the fair values of each component; the period over which revenues linked to costs of accessing services should be recognized is to be determined based on the type of product and duration of the contract; and revenues are to be presented either on a net or gross basis according to whether the Group acts as agent or principal (see Notes 1.3.4 and 4.1).

- Intangible assets and property, plant and equipment: estimates of useful lives are based in particular on the effective obsolescence of fixed assets and the use made of those assets (see Notes 1.3.7 and 9, and Notes 1.3.8 and 10).

1.3.2. Basis of combination

The list of combined entities is presented in Note 27 – List of combined companies.

Controlled entities

The new model of control introduced by IFRS 10 to replace the revised IAS 27 – *Consolidated and Separate Financial Statements* and interpretation SIC 12 – *Consolidation – Special Purpose Entities*, is based on the following three criteria, which must be met simultaneously to conclude that control is exercised by the parent company:

- The parent company holds power over the investee when it has effective rights giving it the current ability to direct the relevant activities of the investee, namely activities which have a significant impact on the investee's profitability. Power may result from existing and/or potential voting rights and/or contractual agreements. Voting rights must be substantial, i.e., they must be able to be exercised at any time without limitation, and particularly in connection with decisions relating to key activities. The assessment of whether or not an entity exercises control depends on the nature of the investee's relevant activities, the investee's decision-making process, and the distribution of rights of other shareholders of the investee.
- The parent company is exposed to, or has rights, to variable returns from its involvement with the investee, which may vary according to the investee's performance. The concept of returns is defined broadly, and includes dividends and other types of economic benefit distributed, changes in the value of the investment, cost savings, synergies, etc.
- The parent company has the capacity to exercise its power in order to influence the returns. Power which does not lead to such influence over these returns cannot be defined as control.

Controlled entities are combined in accordance with the full consolidation method.

Full consolidation method

This consists of including in the combined financial statements the asset, liability, income, expense and cash flow items of the companies controlled within the meaning of IFRS 10; making the necessary restatements; and eliminating intragroup transactions and accounts along with intragroup gains and losses. Equity and profit are allocated between the portion attributable to owners of the parent company and the portion attributable to non-controlling interests.

The combined income statement includes the results of subsidiaries acquired during the financial year as from the date of their acquisition. The results of subsidiaries sold during the same period are taken into account up to the date of their sale.

Non-controlling interests in the net assets of the subsidiaries are presented on a separate line of equity under "Non-controlling interests". They include the amount of non-controlling interests at the date control was acquired and the share of non-controlling interests in changes in equity as from this date. Except in the case of a contractual agreement specifying otherwise, losses of subsidiaries are systematically divided between equity attributable to owners of the parent company and non-controlling interests, on the basis of their respective percentages of interest, even if these are negative.

Joint Arrangements

IFRS 11 – *Joint Arrangements,* which replaces IAS 31 – *Interests in Joint Ventures* and interpretation SIC 13 – *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, aims to establish the principles for financial reporting by entities with interests in jointly controlled companies (joint arrangements).

In a joint arrangement, the parties are bound by a contractual agreement that gives them joint control of the arrangement. An entity that is party to an arrangement must therefore determine whether the contractual agreement gives all or certain parties joint control of the arrangement. The existence of joint control is then determined if decisions concerning the relevant activities require the unanimous consent of the parties jointly controlling the arrangement.

Joint arrangements are classified into two categories:

- Joint operations: these are joint arrangements whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangements. Those parties are called joint operators. The joint operator recognizes the full amount of its assets, liabilities, income and expenses, including the share of any such elements held jointly. These arrangements concern joint investment contracts signed by the Group.
- Joint ventures: these are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the arrangement. Those parties are called joint venturers. Each venturer accounts for its interest in the net assets of the venture in accordance with the equity accounting method (see the section dealing specifically with the equity accounting method).

Associates

Associates over which the Group exercises significant influence are accounted for by the Group under the equity method (see the section dealing specifically with the equity accounting method).

Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of an entity, except where it is clearly demonstrated that this is not the case. Significant influence can also be indicated by representation on the board of directors or on the management board of the entity held, by participation in its policy-making process, by material transactions with the entity, or by interchange of managerial personnel between the Group and the entity.

Equity accounting method

According to the equity accounting method, interests in associates and joint ventures are recorded on the balance sheet at their cost of acquisition, including goodwill and transaction costs. Earn-outs initially measured at fair value and subsequent adjustments are recorded as part of the cost of the investment, when their payment can be measured with sufficient reliability.

The Group's share in the profit or loss of associates and joint ventures is recognized in the income statement, and its share in movements of reserves after the acquisition is recognized in reserves. Movements after the acquisition are recorded as an adjustment to the value of the investment. The Group's share in the losses recorded by an associate and joint venture is recorded to the extent of its investment, except where the Group has a legal or implicit obligation to support the company.

Goodwill is recognized if the acquisition cost exceeds the Group's share in the net fair value of the associate's identifiable assets, liabilities, and contingent liabilities at the date of acquisition. Goodwill is included in the carrying amount of the investment and is taken into consideration in the impairment test relative to this asset.

1.3.3. Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currency are initially recorded in the functional currency of the entity at the exchange rate in force on the transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the closing exchange rate. All resulting translation differences are taken to profit or loss for the period.

Translation of financial statements of foreign companies

The financial statements of foreign companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate;
- income statement and cash flow items are translated at the average exchange rate for the financial year.

The resulting translation adjustments are recorded directly in "Cumulative translation adjustments" under equity. When the net investments in foreign operations are subsequently sold, the related cumulative translation differences carried in equity are taken to profit or loss.

1.3.4. Revenues

Group revenues are recognized as soon as future economic benefits are likely to flow to the Group and the revenues can be measured reliably.
Group revenues principally comprise sales of equipment, provision of services and rental of telecommunications equipment.

Sales of equipment
Proceeds from the sale of handsets are recognized in revenues when the risks and rewards inherent to ownership are transferred to the buyer.

Separable elements of a bundled offer
Revenues from telephone packages are recorded as a sale with multiple components. Revenues from sales of handsets (mobile phones and other) are recorded upon activation of the line, net of discounts granted to the customer via the points of sale and the costs of activation.
Other acquisition and retention costs, consisting in particular of premiums not associated with sales of handsets as part of telephone packages and commissions paid to distributors, are recorded in administrative and commercial expenses.
When elements of these transactions cannot be identified or analyzed separately from the main offer, they are considered as related elements and the associated revenues are recognized in full over the duration of the contract or the expected duration of the customer relationship.

Provision of services
Revenues from internet access subscriptions or telephone call plans (fixed or mobile) are recorded on a straight-line basis over the duration of the corresponding service.
The Group sells certain telephone subscriptions based on plans under which the call minutes for a given month can be carried over to the next month if they are not used. The minutes carried over are recorded based on the proportion of total telephone subscription revenues they represent, when the minutes are used or when they expire.
Revenues relative to incoming and outgoing calls and off-plan calls are recorded when the service is provided.
Revenues generated by vouchers sold to distributors and by prepaid mobile cards are recorded each time use is made by the end customer, as from when the vouchers and cards are activated. Any unused portion is recorded in deferred revenues at the end of the reporting period. Revenues are in any case recognized upon the expiry date of the cards, or when the use of the vouchers is statistically unlikely.
Sales of services to subscribers managed by the Group on behalf of content providers (principally special numbers and SMS+) are recorded on a gross basis, or net of repayments to the content providers in accordance with IAS 18, and in particular when the content providers are responsible for the content and determine the pricing applied to the subscriber.
The costs of access to the service or installation costs principally billed to operator and corporate clients in relation to ADSL connection services, bandwidth services, and IP connectivity services, are recognized over the expected duration of the contractual relationship and the provision of the principal service.
Revenues linked to switched services are recognized each time traffic is routed.
Revenues from bandwidth, IP connectivity, high-speed local access and telecommunications services are recorded as and when the services are delivered to the customers.

Access to telecommunications infrastructures
The Group provides its operator clients with access to its telecommunications infrastructures by means of different types of contracts: rental, hosting contracts or concessions of Indefeasible Rights of Use ("IRU"). The IRU contracts grant the use of an asset (ducting, fiber optic or bandwidth) for a specified – generally long – period. The Group remains the owner of the asset.

Proceeds generated by rental contracts, hosting contracts in Netcenters, and infrastructure IRUs are recognized over the duration of the corresponding contracts, except where these are defined as a finance lease, in which case the equipment is considered as having been sold on credit.
In the case of IRUs, and sometimes rentals or service agreements, the service is paid in advance in the first year. These prepayments, which are non-refundable, are recorded in prepaid income and amortized over the expected term of the related agreements. Amortization is provided over a period of between 10 years and 25 years for IRUs and between 1 year and 25 years for rentals and service agreements.

Sales of infrastructure
The Group builds infrastructure on behalf of certain clients. Since the average duration of the construction work is less than one year, the revenues are taken into account when ownership is transferred. Revenues relative to sales of infrastructures are taken into account when ownership is transferred. A provision is recognized when any contracts are expected to prove onerous.

Loyalty programs
Pursuant to interpretation IFRIC 13, the Group measures the fair value of the incremental benefit granted under loyalty programs. Since this fair value was not material for the periods presented, no revenues have been deferred in this respect.

1.3.5. Cost of sales, and commercial and distribution costs

Cost of sales comprises the purchase cost of goods acquired (including handsets), interconnection costs, network costs and the share of personnel costs and related taxes and duties.
Commercial and distribution costs represent advertising and marketing costs, commercial costs, and customer loyalty and management costs, and are recorded in expenses as incurred.

1.3.6. Goodwill and business combinations

Business combinations after January 1, 2009
Business combinations are recorded under the acquisition method.
The acquisition price (also called “consideration transferred”) of a subsidiary is the sum of the fair values of the assets transferred and the liabilities assumed by the purchaser on the date of acquisition and the equity instruments issued by the purchaser. The acquisition price includes any earn-outs recognized and measured at acquisition-date fair value.

Earn-outs are recorded initially at fair value, with subsequent changes in fair value taken to profit or loss.
Any costs directly attributable to the acquisition are recorded in expenses in the period in which they are incurred.

At the date of acquisition, goodwill is determined as the difference between:
- the fair value of the consideration transferred, plus any non-controlling interest in the company acquired; and
- the net balance of identifiable assets acquired and liabilities assumed at their acquisition-date fair value.

The initial valuation of the acquisition price and the fair values of the assets acquired and liabilities assumed must be finalized within 12 months of the date of acquisition (measurement period), and any adjustment is recorded as a retroactive adjustment to goodwill. Beyond the measurement period, adjustments are recorded directly in profit or loss. For each business combination, the Group can decide whether to recognize the share of non-controlling interests:
- at fair value on the date of acquisition, whereby goodwill is recognized on these non-controlling interests (full goodwill method); or

- on the basis of its share in the net identifiable assets of the acquired company measured at fair value, whereby only goodwill attributable to owners of the parent company is recognized (partial goodwill method).

Negative goodwill is recorded directly in profit or loss on the income statement.

Goodwill is not amortized but is tested for impairment whenever there is an indication that it may be impaired, and at least once a year at the reporting date. Subsequently, goodwill is measured at its original amount, less any cumulative impairment losses recorded (see Note 8.3 – Goodwill impairment tests).

The following principles apply to business combinations:

- In the event of a business combination carried out in stages (step acquisition), the purchaser must remeasure any previously-held equity interest at its fair value on the date of acquisition, and record the resulting gain or loss in the income statement.
- In the event of the acquisition of an additional interest in a subsidiary, the Group records the difference between the acquisition price and the carrying amount of the non-controlling interests within changes in equity attributable to owners of the parent.

Business combinations prior to January 1, 2009

In compliance with IFRS 1, the Group has chosen not to restate business combinations that took place prior to January 1, 2004. The acquisition method of accounting for business combinations was already accepted by IFRS 3 as published by the IASB in March 2004. However, there are several key differences with the revised standard:

- Minority (non-controlling) interests are measured on the basis of their share in the net identifiable assets of the entity acquired and no fair value option exists.
- Any adjustments to the acquisition price are recorded in the cost of the acquisition only if they are likely to occur and the amounts can be measured reliably.
- Costs directly attributable to the acquisition are recorded as part of the cost of the combination.
- In the event of the acquisition of an additional interest in a combined subsidiary, the difference between the cost of the acquisition and the carrying amount of the minority (non-controlling) interests acquired is recorded in goodwill.

1.3.7. Intangible assets

Intangible assets acquired

Intangible assets acquired separately are recorded at their historical cost less accumulated amortization and impairment losses.

Intangible assets acquired as part of a business combination are recorded at their fair value on the date of acquisition. After initial recognition, intangible assets are recorded at historical cost.

Operating licenses

Operating licenses for telephony services on French territory are recorded based on the fixed amount paid upon acquisition of the license. The variable portion of the license fees, amounting to 1% of the revenues generated by these activities, cannot be reliably measured and is therefore recorded in expenses for the period in which it is incurred.

- The UMTS license is recorded at its historical cost and is amortized on a straight-line basis as from June 2004 (when the service starts) until the end of the licensing period (August 2021), which is its expected useful life.
- The GSM license, renewed in March 2006, is recorded at present value based on 4% of the annual fixed fee of €25 million and is amortized on a straight-line basis from this date until the end of the licensing period (March 2021), which is its expected useful life.
- The LTE license is recorded at its historical cost and is amortized on a straight-line basis as from the date the service starts until the end of the licensing period. The license concerning the 2.6 GHz band, acquired in October 2011, has been amortized since the end of November 2012 (end of licensing period: October 2031). The license concerning the 800 MHz band,

acquired in January 2012, was activated on June 3, 2013 and will be amortized over a residual period of 18 years (end of licensing period: January 2032).

Other intangible assets acquired

The costs of identifying sites for relay antennas are capitalized and amortized over their useful life, which is generally ten years and corresponds to the estimated average duration of a lease.
Investments made in the context of concessions or public service contracts, and linked to the rollout of the telecommunications network, are recorded in intangible assets in accordance with interpretation IFRIC 12. The "intangible asset" model stipulated by this interpretation applies when the concession holder receives a right to bill users of the public service and the concession holder is essentially paid by the user. These intangible assets are amortized over the shorter of the estimated useful life of the categories of assets in question and the duration of the concession.
Intangible assets also comprise rights of way or access rights obtained. Amortization is generally calculated on a straight-line basis over the shorter of the contractual term and 30 years.
DSL connection costs (service access costs or SAC) billed by the local network operator on setting up unbundling for a customer are capitalized and amortized over the estimated period in which the economic benefits are expected to be consumed, i.e., between two and four years.

Intangible assets generated internally

Intangible assets generated internally are recorded at their historical cost less accumulated amortization and impairment losses.

Research costs are expensed as incurred. Development expenses are capitalized when the Group can demonstrate all of the following:

- the technical feasibility of completing the asset;
- its intention to complete the asset and use or sell it;
- the availability of adequate technical and financial resources to complete the asset;
- its ability to use or sell the asset;
- how the intangible asset will generate probable future economic benefits;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Trademarks and market shares generated internally are not recognized as intangible assets.
Capitalized development costs relating to computer software represent the costs incurred in developing products in-house. Development costs relating to computer software are capitalized when the technical feasibility can be demonstrated and the costs are considered to be recoverable.
Internal and external direct costs incurred to develop software for internal use are capitalized during the software's development phase. The costs resulting from the software's development phase generally include configuration of the software, coding, installation and testing. The costs of major upgrades and improvements that result in additional functionalities are also capitalized. These capitalized costs are amortized over four to eight years.

Subsequent expenses relative to intangible assets are capitalized only if they increase the future economic benefits associated with the corresponding specific asset. Other costs are expensed as incurred.

Borrowing costs

Since the method of rolling out intangible assets in stages does not generally involve a long period of preparation, the Group does not generally capitalize the borrowing costs incurred during the acquisition or production of intangible assets.

1.3.8. Property, plant and equipment

Property, plant and equipment are recorded at their historical cost less accumulated depreciation and impairment losses. Historical cost includes acquisition or production cost, any costs directly attributable to bringing the asset to the necessary location and condition, and the estimated costs of dismantling and removing the item and restoring the site on which it is located, to the extent of the obligations incurred. Borrowing costs that are directly attributable to assets requiring over one year to be ready for their intended use are capitalized as part of the cost of property, plant and equipment.

However, subsequent upkeep costs (repairs and maintenance) relating to property, plant and equipment are recorded in profit or loss. Other subsequent expenditure that helps to increase the productivity or useful life of the asset are recorded as part of the cost of that asset.

When an item of property, plant and equipment consists of significant components with different useful lives, the components are recorded and depreciated separately. Depreciation is calculated on a straight-line basis over the useful life of the asset.

In the specific case of Netcenter buildings, the depreciable amount takes account of a residual value at the end of the useful life.

Property, plant and equipment principally comprise network equipment.

Useful lives are as follows:

Buildings, incl. technical buildings	15 to 25 years
Fixtures, fittings and furniture	5 to 10 years
Equipment and industrial tools	5 years
Set-top boxes and access costs	4 years
Network equipment:	
- Fiber optic/FTTH	50 years
- Pylons	20 years
- Other network equipment	4 to 8 years
Miscellaneous equipment	3 to 5 years

The estimated useful lives are regularly reviewed and any changes to estimates are recorded on a prospective basis.

Depreciation expense is recorded in either cost of sales, commercial and distribution costs, or general expenses according to the function of the asset to which it relates.

Telecommunications equipment and hardware are investments which are largely affected by technological developments: retirements or accelerated depreciation may be recorded if the Group has to retire certain technical models earlier than expected or if it has to review the estimated useful life of certain categories of equipment.

The costs of links and connections are classified as property, plant and equipment. These costs are depreciated over their useful life, i.e., eight years.

Commercial contracts under which the Group supplies telecommunications capacity are analyzed in light of interpretation IFRIC 4 – *Determining Whether an Agreement Contains a Lease*:

- Indefeasible Rights of Use ("IRU") contracts grant the use of an asset over a specified term. IRU contracts that grant a specific right of use over a determined part of the underlying asset in the form of fibers or dedicated wavelengths are treated as leases. IRU contract costs are capitalized if the duration of the right granted is for the majority of the useful life of the underlying asset, and are depreciated over the term of the contract.
- Some commercial contracts to provide capacity are defined as service agreements since in general no specific asset is made available in such contacts. Contractual fees are recorded in expenses over the period.

FTTH rollout

Decision No. 2009-1106 of the *Autorité de Régulation des Communications Electroniques et des Postes* (ARCEP) [French Post and Electronic Communications Regulation Authority] dated

December 22, 2009 governs the rollout of fiber optic in very densely populated areas by creating joint investment rules for telephone operators. The reference offers published by the operators in compliance with the provisions of this decision are covered by IFRS, specifically IFRS 11 – *Joint Arrangements*. Thus, when the Group is joint investor from the outset, only its share of the assets is kept in property, plant and equipment, and when it is an investor *a posteriori*, the IRU or right of use is recorded in property, plant and equipment. The same treatment is applied to joint investments in less dense populated areas as defined by the ARCEP.

Finance lease agreements

Lease agreements for property, plant and equipment for which substantially all risks and rewards inherent to ownership are transferred to the Group are considered as finance lease agreements.

Property, plant and equipment acquired under finance leases are recorded in property, plant and equipment with a matching entry to a liability account. Assets acquired under finance leases are capitalized based on the lower of the present value of future lease payments and market value, and the corresponding liability is recorded in "Borrowing and other financial liabilities". These assets are generally depreciated on a straight-line basis over their estimated useful life, corresponding to the useful life applied to assets of the same type owned outright, or, if the duration of the lease is shorter than the useful life of the asset leased and if it is not reasonably certain that ownership of the asset will be transferred to the lessee at the end of the lease term, over the duration of the lease.

Site dismantling and restoration

The Group has a contractual obligation to dismantle and restore the sites of its mobile and fixed network upon expiry of a lease, if the lease is not renewed. In light of this obligation, site restoration costs are capitalized on the basis of:

- an average unit cost of restoring sites;
- assumptions concerning the lifespan of the dismantling asset; and
- a discount rate.

Investment subsidies

Investment subsidies received are recorded on the balance sheet as a deduction from the property, plant and equipment to which they relate. Investment subsidies are taken to profit or loss in line with the depreciation charged against the assets financed.

1.3.9. Impairment of goodwill, property, plant and equipment and intangible assets

The Group reviews the carrying amount of goodwill, other intangible assets, property, plant and equipment and assets under construction each time events or changes in the market environment indicate that they may be impaired. Goodwill, intangible assets with indefinite useful lives and intangible assets under development are tested for impairment in the fourth quarter of each financial year.

The impairment test consists of comparing the recoverable amount of a fixed asset or cash-generating unit (CGU) with its carrying amount. If the recoverable amount of an asset or CGU is less than its carrying amount, the carrying amount is written down to the recoverable amount and the impairment loss is immediately recorded in the income statement under other operating expenses. In testing goodwill allocated to a CGU or group of CGUs for impairment, the impairment loss is charged first to the carrying amount of goodwill and then to the other assets pro rata to their carrying amount.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. If an asset does not generate cash inflows that are largely independent of cash inflows generated by other assets or groups of assets, recoverable amount is determined by reference to cash-generating units.

Group management monitors the return on investment relating to its acquisitions on an aggregate basis at Group level. This operating entity is the only CGU at the level of which the impairment tests are carried out.

Recoverable amount is determined as the higher of value in use and fair value less costs to sell.
The value in use of each asset or group of assets is determined using the discounted cash flows method (DCF), based on cash flow projections consistent with the most recent budget and business plan approved by management over periods spanning one to six years. The growth rates used to value the CGU are those used when preparing the CGU's budget and the business plan. For subsequent periods, the growth rates are estimated by the Group by extrapolating the rates used in the budgets and business plans. These rates do not exceed the medium- to long-term growth rates for the markets in which the Group operates. The discount rates used reflect current assessments by market participants of the time value of money and the risks specific to each asset or group of assets.
Fair value less costs to sell corresponds to the amount that could be obtained from the sale of an asset or group of assets between knowledgeable, willing parties in an arm's length transaction, less the costs of the sale. These amounts are determined by reference to market data (comparison with similar listed companies, with the value attributed to similar assets or companies during recent transactions, or stock market prices) or otherwise using the discounted cash flow method.
Impairment losses recorded against property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later date if the recoverable amount becomes once again higher than the carrying amount. However, the increased carrying amount attributable to the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. Impairment losses recorded against goodwill are irreversible.

1.3.10. Non-derivative financial assets

In accordance with IAS 39, financial assets are classified in one of the following four categories:

- assets at fair value through profit or loss;
- held-to-maturity assets;
- loans and receivables;
- financial assets available for sale.

In accordance with IFRS 7, the information provided in the notes to the financial statements concerning financial instruments enables:

- the items to be reconciled with those presented in the balance sheet;
- the importance of financial instruments to be assessed in light of the Group's situation and financial performance;
- the nature and extent of the Group's exposure to risks arising on financial instruments to be assessed at the end of the reporting period.

Purchases and sales of financial assets are recorded at the transaction date, which is the date on which the Group has committed to the purchase or sale of assets. A financial asset is derecognized if the contractual rights to the related cash flows expire or if the asset is transferred.
At the time of initial recognition, financial assets are recorded on the balance sheet at their fair value, plus any transaction costs directly attributable to the acquisition or issuance of the asset (except for financial assets at fair value through profit or loss, for which transaction costs are recorded in profit or loss).
The fair value of the principal financial assets and liabilities on the Group's balance sheet was calculated as detailed in Note 23 – Financial instruments.
A financial asset is defined as current when the maturity of the cash flows expected to derive from the instrument is less than one year.

Financial assets at fair value through profit or loss

These are financial assets held for trading purposes and intended to be resold in the near term.
Gains and losses resulting from changes in the fair value of financial assets in this category are recorded in profit or loss in the period in which they occur.
The main financial assets at fair value through profit or loss include UCITS.
The large majority of these assets are classified on the balance sheet under cash and cash equivalents.

Held-to-maturity financial assets

Financial assets held until maturity are non-derivative financial assets other than loans and receivables that have fixed or determinable payments and fixed maturity and which the Group has the intention and ability to hold to maturity. After their initial recognition, they are carried at amortized cost using the effective interest rate method.

The main held-to-maturity financial assets include financial assets linked to the Qualified Technology Equipment (QTE) operations settled in 2012. These assets are classified on the balance sheet as non-current financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. These assets are recognized at amortized cost using the effective interest rate method.

This category principally includes trade accounts receivable and other receivables detailed in Note 14 – Trade accounts receivable and other receivables, along with the other assets such as guarantee deposits and advances to associates mentioned in Note 12 – Other current and non-current assets.

Trade accounts receivable and other receivables are initially recorded on the balance sheet at their fair value. Due to their fairly short maturities, the fair value of these items generally corresponds to their nominal value, except when the impact of discounting is material.

Trade accounts receivable resulting from the Group's commercial offers include certain past-due receivables that have been impaired according to the rules defined by the Recovery and Litigation department. The impairment rates used differ according to the category of clients and/or offers, and are regularly updated to reflect the latest trends and in particular, recovery history. Where applicable, impairment may be recognized against other receivables based on the estimated risk of non-recovery.

Financial assets available for sale

Financial assets available for sale include non-derivative financial assets which are designated as available for sale or are not allocated to other categories of financial assets.

Financial assets available for sale are recorded at their fair value. Gains and losses on financial assets available for sale are recorded in other comprehensive income until the investment is derecognized or until it is demonstrated that it has suffered a material and other-than-temporary loss in value, on which date the cumulative gains and losses carried in other comprehensive income are reclassified to the income statement.

This category includes non-combined equity securities. These assets are classified on the balance sheet under non-current financial assets.

Impairment of non-derivative financial assets

An impairment loss is recorded on an asset or a group of financial assets if there is an objective indication of impairment resulting from one or more events occurring after the initial recognition of the asset, and these events have a negative impact on the future cash flows expected to derive from the financial asset or group of financial assets.

Impairment recognized against a financial asset at amortized cost corresponds to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the effective original interest rate.

Impairment recognized against a financial asset available for sale is calculated by reference to its fair value.

An impairment test is carried out on each material financial asset. Other assets with similar risk characteristics are grouped together for impairment testing purposes.

Impairment losses are recognized in profit or loss. Where impairment is charged against assets available for sale, the cumulative negative changes in fair value previously recognized in equity are transferred to profit or loss.

Impairment is reversed if the reversal can be objectively linked to an event occurring after it was recognized. Reversals of impairment charged against financial assets carried at amortized cost and financial assets available for sale representing interest rate instruments are recognized in profit or loss. Reversals of impairment charged against financial assets available for sale representing equity instruments are recorded directly in equity.

Impairment relative to assets recognized at cost may not be reversed.

1.3.11. Inventories

Inventories principally comprise packs (mobiles associated with a right to access SFR services), individual mobile phones, ADSL boxes and accessories.

Inventories are carried at the lower of cost and net realizable value. Cost principally comprises purchase costs and other supply costs, and is calculated in accordance with the weighted average cost method. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs necessary to complete the sale.

1.3.12. Cash and cash equivalents

The "Cash and cash equivalents" caption includes bank balances, monetary UCITS which meet the specifications of AMF position No. 2011-13 and highly liquid short-term investments with an initial maturity of three months or less, readily convertible into a known amount of cash and subject to an insignificant risk of changes in value.

Marketable securities are carried at fair value through profit or loss.

1.3.13. Non-derivative financial liabilities

Financial liabilities include bond debt, amounts payable to Vivendi SA, commitments to purchase non-controlling interests, and other borrowings such as commercial paper, syndicated loans and finance lease liabilities. Financial liabilities also include other non-derivative financial liabilities.

Borrowings

The loans taken out by the Group are initially recorded at their fair value less any directly attributable costs. Subsequent to initial recognition, they are carried at amortized cost using the effective interest rate method. Issue premiums and issue costs are presented under liabilities on the balance sheet as a deduction of the nominal amount of the liability. Under this method, interest expense is recognized on an actuarial basis over the duration of the loan.

Other non-derivative financial liabilities

Other non-derivative financial liabilities comprise trade accounts payable and other payables, which are carried at their fair value on initial recognition. In light of their fairly short maturities, the fair value of other non-derivative financial liabilities mostly corresponds to their nominal value. These items are subsequently carried at amortized cost.

Derivative financial instruments

The Group uses various derivative financial instruments to hedge its exposure to the risk of changes in foreign exchange rates. These instruments include foreign exchange futures. All derivative financial instruments are recorded on the balance sheet at their fair value at the transaction date and are remeasured to fair value at the end of each reporting period.

The principal hedging instruments and the calculation of the fair value of derivative instruments are detailed in Note 23 – Financial instruments.

1.3.14. Provisions

Provisions are recorded when, at the end of the period, the Group has a legal, regulatory, contractual or implicit obligation resulting from past events; it is probable that an outflow of resources representing economic benefits will be required to settle the obligation; and the amount of the obligation can be measured reliably.

If the effect of the discounting is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate which reflects current market assessments of the time value of money. If no reliable estimate of the amount of the obligation can be made, no provision is recorded and information is provided in the notes.

Provisions mainly include:

- provisions intended to cover disputes and litigation arising in the ordinary course of the Group's operations. The estimated amount of these provisions is based on assessment of the level of risk on a case-by-case basis. The occurrence of events during proceedings may require these provisions to be re-estimated at any time;
- provisions for restructuring, which are booked when the restructuring has been announced and a detailed plan has been drawn up or its implementation begun. These provisions are not generally discounted owing to their short-term nature;
- provisions for site dismantling and restoration, which are assessed on the basis of the number of sites in question, an average unit cost of restoring sites and assumptions regarding the useful life of the dismantling asset and discount rate. When a site is dismantled, the corresponding provision is written back;
- provisions for employee benefits, which are detailed in the section below.

1.3.15. Employee benefit schemes

Pursuant to obligations resulting from French legislation and company agreements, the Group offers its employees retirement benefits that can take the form of an indemnity payment upon retirement, or pensions.

For defined benefit schemes, a net liability is recorded on the balance sheet. This liability is determined by independent actuaries using the projected unit credit method. This method is based on assumptions which are updated annually, such as the probability that beneficiaries will continue to be employed by the Group on retirement, expected changes in future compensation and associated contributions, and an appropriate discount rate.

In terms of funding for these schemes, the Group has taken out insurance contracts aimed at outsourcing some or all of its obligations.

If these plan assets exceed the obligations recorded, a financial asset is recognized within the limit of the present value of future repayments and expected reductions in future contributions to the plan.

The Group records de facto employee benefit assets and liabilities together with the corresponding net expense over the entire estimated service lives of employees. Actuarial gains and losses relative to post-employment benefits are recognized in full in "Other comprehensive income" when they arise.

The cost of the schemes is recorded in operating profit, with the exception of the cost of unwinding the discount and the theoretical return on plan assets, which are recorded in other financial income and expenses.

All past service costs relating to plan changes and curtailments are immediately recorded on the income statement.

1.3.16. IncomeTax

The Group calculates its income taxes in compliance with the tax legislation in force in the countries where earnings are taxable.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable profit. Management periodically evaluates the tax positions taken with regard to applicable tax legislation when this is subject to interpretation, and where appropriate, determines the amounts it expects to pay to the tax authorities.

Differences at the end of the reporting period between the carrying amount of assets and liabilities in the balance sheet and their tax base represent temporary differences. In accordance with the balance sheet liability method, these temporary differences give rise to the recognition of:

- deferred tax assets, when the value of an asset for tax purposes is higher than its carrying amount and when the value of a liability for tax purposes is lower than its carrying amount (expected future tax benefit); or
- deferred tax liabilities, when the value of an asset for tax purposes is less than its carrying amount or when the value of a liability for tax purposes is higher than its carrying amount (expected future tax expense).

Deferred tax assets and liabilities are determined on the basis of the tax rates and tax laws expected to apply in the financial year in which the asset will be realized or the liability settled. These estimates are reviewed at the end of each reporting period in order to reflect any changes to the applicable tax rates.

Deferred tax assets are recorded for all deductible temporary differences, tax loss carryforwards and unused tax credits; to the extent that it is likely taxable profit will be available. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, where applicable, adjusted to take account of the probability that taxable profit will be available against which they can be utilized. To assess the probability that taxable profit will be available, elements taken into account include the Group's earnings in previous years, future profit forecasts, and non-recurring items that are not likely to recur in the future. Accordingly, any assessment of the Group's ability to utilize its deferred tax assets is largely based on judgment. If the Group's future taxable earnings prove significantly different to those anticipated, the Group would be obliged to adjust the carrying amount of the deferred tax assets and this could have a significant impact on its balance sheet and profit.
The accounting for deferred taxes arising on the taxable earnings of companies included in the scope of Vivendi's tax consolidation is detailed in the "Corporate income tax" paragraph within the section describing the basis for preparing the combined financial statements.

Deferred tax assets and liabilities are offset when the following two conditions are met:
- the Group has a legal right to set off current tax assets and liabilities; and
- the deferred tax assets and liabilities relate to taxes levied by the same tax entity.

Taxes relative to items recognized directly in other comprehensive income are recorded in other comprehensive income and not in the income statement.

1.3.17. Share-based payment

In order to align the interests of directors and employees with those of shareholders by giving them an additional incentive to improve the company's performance and increase the share price over the long term, Vivendi has set up payment plans for Group directors and employees based on the Vivendi share (share purchase plans, performance share plans, free share plans) or other equity-settled equity instruments based on the Vivendi share price (share subscription options). Vivendi's Management Board and Supervisory Board have approved these awards. They have also set performance criteria for the share subscription options and performance shares that determine whether or not these instruments vest. All plans are awarded on condition that the beneficiary continues to be employed by the Group on the vesting date.
The share of plans relative to Group employees is rebilled by Vivendi SA to SFR SA.

Recognition

Equity-settled share-based payment plans are recognized as personnel costs at the fair value of the instruments awarded, with a matching entry to a payables account.
The fair value of the instruments awarded is estimated and fixed at the grant date using a binomial model based on assumptions revised at the measurement date such as the estimated volatility of the shares in question and a discount rate corresponding to the risk-free interest rate and estimated dividend rate. The estimated life of an option is calculated as the average of the vesting period of the rights and the contractual life of the instrument.

1.3.18. Earnings per share

Basic earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period.

Diluted earnings per share is obtained by dividing profit for the period by the weighted average number of shares in circulation during the period, adjusted for the effect of all existing diluting instruments.

1.3.19. Contractual commitments, contingent assets and liabilities

Each year, the Group draws up a detailed list of all contractual obligations, financial and commercial commitments and contingent obligations to which it is party or to which it is exposed. This list is regularly updated by the competent departments and reviewed by Group management.

Note 2. Changes in Combination Scope

Financial Year 2011

La Poste Telecom

In 2011, SFR and La Poste created a joint subsidiary, La Poste Telecom, owning 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) addressing the mass market and providing a wide range of mobile telephone services under the brand La Poste Mobile through the La Poste outlet network. This company is accounted under equity method in the combined financial statements of the Group.

Financial Year 2012

Numergy

On August 31, 2012, SFR together with Bull and the Caisse des Dépôts et Consignations created the company Numergy. SFR holds 46.7% stake. Numergy provides to all economic players IT infrastructures capable of hosting remotely accessed and secure data and applications, i.e."cloud computing" services. This company is accounted under equity method in the combined financial statements of the Group.

Note 3. Segment information

As indicated in the basis of preparation of the combined financial statements presented in the introduction of Note 1 – Accounting Principles, the Group has only identified a single operating segment in compliance with IFRS 8 – *Operating Segments.*

Geographic information

Moreover, as the Group's operations are located in France, a single geographical area is used.

Information on main customers

No customer represents more than 10% of the Group's revenues.

Note 4. Operating Income

The breakdown of the elements included in the operating income is presented in Notes 1.3.4 – Revenues, 1.3.5 – Cost of sales, commercial and distribution costs, and 1.2.1 – Combined income statement.

4.1. Breakdown of Revenues

(in millions of euros)	2013	2012	2011
Sales of goods	540	516	568
Sales of services	9,658	10,772	11,615
Revenues	**10,199**	**11,288**	**12,183**

4.2. Other Operating Income and Expenses

(in millions of euros)	2013	2012	2011
Other operating income	**2**	**11**	**14**
Amortization of customer bases recognized in business combinations (a)	(66)	(66)	(67)
Restructuring costs (b)	(93)	(187)	(12)
Other	(10)	(17)	(6)
Other operating expenses	**(169)**	**(270)**	**(84)**

(a) The amortization of customer bases recognized in business combination represents the amortization of the customer bases recognized at the acquisition of the Neuf Cegetel Group in 2008 (refer to Note 9 – Intangible Assets).

(b) The restructuring costs principally include the voluntary redundancy plan launched by SFR in 2012. In 2013, the Group continued its transformation plan to adapt its business for the changing market environment and maintain its investment in very high-speed fixed and mobile. The voluntary redundancy plan closed in August 2013, and concerned 873 employees.

4.3. Personnel Costs and Average Employee Numbers

(in millions of euros, except number of employees)	2013	2012	2011
Annual average number of full-time equivalents	**13,870**	**14,277**	**14,455**
Of which UES SFR (a)	9,106	9,524	9,529
Of which other combined entities	4,764	4,753	4,926
Salaries and wages (b)	(734)	(652)	(632)
Social security contributions	(301)	(294)	(271)
Capitalized personnel costs	88	79	76
Salaries and related costs	**(947)**	**(867)**	**(828)**

Share-based compensation (c)	(27)	(32)	(23)
Employee benefit (d)	6	(4)	(3)
Other personnel costs (e)	(109)	(153)	(170)
Personnel costs	**(1,077)**	**(1,056)**	**(1,025)**

(a) UES means the social and economic unit.

(b) The 2013 versus 2012 change essentially results from the voluntary redundancy plan.

(c) Re-invoiced in totality by Vivendi (refer to Note 17 – Remunerations based on equity instruments).

(d) Cost of services delivered related to pension schemes, of which the detail is presented in Note 19 – Post-Employment Benefits.

(e) The other personnel costs include profit sharing, performance-based bonuses, social security and related contributions an other employee benefits (such as contributions to employee welfare schemes, etc.).

Note 5. Financial Income

As net financing costs are presented directly in the income statement, other financial income and expenses are detailed hereunder:

(in millions of euros)	2013	2012	2011
Other financial income (a)	**2**	**2**	**8**
Change in value of derivative instruments	-	0	(40)
Effect of undiscounting liabilities (b)	(7)	(10)	(11)
Effect of undiscounting impairment (c)	(6)	(5)	(5)
Change in impairment on financial assets	(1)	(9)	(0)
Other	(10)	(10)	(12)
Other financial expenses	**(24)**	**(34)**	**(70)**

(a) The other financial income mainly includes, default interest, various proceeds of bank management, and interest on long-term advances granted to equity-accounted companies.

(b) Principally concerns the debt related to the license GSM.

(c) Principally concerns the provision for employment benefits plans and the provision for site rehabilitation presented in Note 18 – Provisions.

Note 6. Income Tax

For information, some companies belong to a group integrated under the French Tax Group System for tax purposes as authorized under *Article 223 A du CGI et suivants*:

- SFR S.A., since 2011, and since 2012 a few subsidiaries more than 95% owned, are included in the tax group system, where Vivendi is the head company of the Group. The tax each member company is liable to pay is paid by Vivendi, which is alone liable to the tax authorities.

- CID S.A. formed a tax group system from January 1, 2010 with the subsidiaries more than 95% owned by it. CID is also solely liable for corporate income tax of which it is the parent company.

6.1. Breakdown of income tax

(in millions of euros)	2013	2012	2011
Income tax expense			
Current	(282)	(559)	(566)
Deferred	(33)	43	31
Income tax	**(315)**	**(516)**	**(535)**
Total income tax paid	**(299)**	**(537)**	**(643)**

6.2. Tax proof

(in millions of euros)	2013	2012	2011
Net income	426	752	1,400
Adjustment:			
Income tax	(315)	(516)	(535)
Net income from discontinued operations	-	-	-
Pretax income from continuing operations	**742**	**1,267**	**1,935**
French statutory tax rate	38.0%	36.1%	36.1%
Theoretical income tax	**(282)**	**(458)**	**(699)**
Reconciliation of the theoretical and effective tax rate			
Permanent differences (a)	(22)	(40)	(4)
Tax credits / Additional tax demands	(2)	(1)	4
Assessment of deferred tax assets (b)	(5)	(7)	169
Net income(loss) of equity-accounted affiliates	(5)	(10)	(6)
Income tax	**(315)**	**(516)**	**(535)**
Effective tax rate	42.5%	40.7%	27.6%

(a) Mainly includes, the impact of consolidating 15% of the financial interest calculated on amounts provided to the Group and the tax loss carry-forwards passed on to Vivendi under the Consolidated Global Profit Tax System.

(b) As of December 12, 2011, an amount of €452 million in tax loss carry-forwards was transferred to SFR SA as part of the merger with VTI. These tax loss carry-forwards, which were not recognized, were entirely used up over financial year 2011. The impact on the reconciliation between theoretical income tax and actual income tax at end 2011 amounted to €163 million.

6.3. Changes in Deferred Taxes by Type Changes in deferred tax assets/(liabilities)

The breakdown of deferred tax assets and liabilities by nature for years ended 2011 to 2013 is as follows:

Financial year 2013

(in millions of euros)	Opening Balance	Income statements	Other	Closing Balance
Deferred tax assets				
Tax losses carry forward	65	8	(0)	73
Provisions	134	(45)	3	92
Fixed assets	105	10	(0)	115
Other	67	(7)	(0)	60
Offsetting (a)	(136)	-	12	(124)
Gross deferred tax assets	**235**	**(34)**	**15**	**216**
Unrecognized assets				
Tax losses carry forward	(61)	(9)	0	(69)
Other	(17)	(3)	(0)	(20)
Net deferred tax assets	**157**	**(45)**	**15**	**127**
Deferred tax liabilities				
Fixed assets	(104)	23	(0)	(82)
Other	(33)	(10)	0	(44)
Offsetting (a)	136	-	(12)	124
Deferred tax liabilities	**(1)**	**12**	**(12)**	**(2)**
Net deferred tax assets (liabilities)	**156**	**(33)**	**2**	**125**

Financial Year 2012

(in millions of euros)	Opening Balance	Income statement	Other	Closing Balance
Deferred tax assets				
Tax losses carry forward	61	3	0	65
Provisions	60	69	5	134
Fixed assets	127	(21)	0	105
Other	81	(14)	(0)	67
Offsetting (a)	(157)	-	20	(136)
Gross deferred tax assets	**173**	**36**	**26**	**235**
Unrecognized assets				
Tax losses carry forward	(51)	(9)	-	(61)
Other	(13)	(4)	(0)	(17)
Net deferred tax assets	**109**	**23**	**26**	**157**
Deferred tax liabilities				
Fixed assets	(133)	30	(1)	(104)
Other	(24)	(10)	0	(33)
Offsetting (a)	157	-	(20)	136
Deferred tax liabilities	**(0)**	**20**	**(21)**	**(1)**
Net deferred tax assets (liabilities)	**108**	**43**	**5**	**156**

Financial Year 2011

(in millions of euros)	Opening Balance	Income statement	Other	Closing Balances
Deferred tax assets				
Tax losses carry forward	55	(156)	162	61
Provisions	57	5	(2)	60
Fixed assets	131	(8)	4	127
Other	124	(18)	(25)	81
Offsetting (a)	(195)	-	38	(157)
Gross deferred tax assets	**171**	**(176)**	**178**	**173**
Unrecognized assets				
Tax losses carry forward	(42)	153	(162)	(51)
Other	(29)	17	(1)	(13)
Net deferred tax assets	**100**	**(7)**	**15**	**109**
Deferred tax liabilities				
Fixed assets	(151)	17	0	(133)
Other	(46)	21	2	(24)
Offsetting (a)	195	-	(38)	157
Deferred tax liabilities	**(2)**	**38**	**(36)**	**(0)**
Net deferred tax assets (liabilities)	**98**	**31**	**(21)**	**108**

(a) In accordance with IAS 12, the deferred tax assets and liabilities of the same tax entity are offset insofar as they are related to income taxes levied by the same tax authority. The company has the legal right to offset its tax assets and liabilities.

Note 7. Earnings Per Share

As the combined group was not constituted on this date, the number of shares in circulation is not determinable. Consequently, no earnings per share are presented in the Combined Financial Statements.

Note 8. Goodwill

8.1. Goodwill

(in millions of euros)	2013	2012	2011
Goodwill, Gross	5,194	5,194	5,194
Impairment	(6)	(6)	(6)
Goodwill	**5,188**	**5,188**	**5,188**

This amount includes notably the goodwill generated on the goodwill of Neuf Cegetel, which was €4,837 million.

8.2. Net change in Goodwill

(in millions of euros)	2013	2012	2011
Gross value at opening balance	**5,194**	**5,194**	**5,212**
Acquisitions	0	1	-
Decreases	-	-	(18)
Gross value at closing balance	**5,194**	**5,194**	**5,194**
Impairment losses at opening balance	(6)	(6)	(6)
Change	-	-	-
Impairment losses at closing balance	(6)	(6)	(6)
Net value at end of period	**5,188**	**5,188**	**5,188**

8.3. Goodwill impairment Test

The return on investment of acquisitions is monitored at Group level, the only operating sector on which impairment tests are carried out.

Main assumptions applied to determine the recoverable values

The recoverable value is determined upon the basis of the usual valuation methods, particularly the value in use, based upon the DCF approach.

In this respect, for 2013 the projected cash flow and the financial parameters used are the most recent approved by Management and updated to take account of the strong impact on revenues from the pricing policies decided by the Group in a tougher competitive environment, partially offset by cost savings in line with expectations under the company transformation plan, while maintaining a high level of investments, principally due to the increasing rate of investment in very high-speed mobile.

The projection is based on the 2014-2019 business plan established by Management, which has been projected over five additional years.

The assumptions used for discounting rates and the perpetual growth rate are presented as follows:

	2013	2012	2011
Basis used for recoverable value	Value in use	Value in use	Value in use
Methodology	DCF & comparables model	DCF & comparables model	DCF & comparables model
Discount rate after tax	7.30%	7.30%	7.00%
Perpetual growth rate	0.5%	0.5%	1.0%

On the basis of these assumptions, Management, with the help of independent evaluators, has implemented an impairment test for goodwill, and concluded that the recoverable value of the Group exceeded its book value as of December 31, 2013. The Group therefore did not record any impairment loss as of December 31, 2013 or during the previous periods presented.

Sensitivity of recoverable amounts

Over the periods analyzed, the recoverable amount would be equal to the carrying amount if the main assumptions evolved as follows:

	Discount rate		Perpetual growth rate		Discounted cash flows
	Applied rate (%)	Increase in the discount rate in order for the recoverable amount to be equal the carrying amount (in number of points)	Applied rate (%)	Decrease in the perpetual growth rate in order for the recoverable amount to be equal to the carrying amount (in number of points)	Decrease in the discounted cash flows in order for the recoverable amount to be equal to the carrying amount (%)
2013	7.30%	0.60 pt	0.50%	- 1.25 pt	-10%
2012	7.30%	3.00 pt	0.50%	- 7.00 pt	-34%
2011	7.00%	5.30 pt	1.00%	- 14.03 pt	-51%

Note 9. Intangible Assets

9.1. Intangible Assets by nature

The breakdown of intangible assets by nature is as follows:

	2013		
(in millions of euros)	Gross	Amortization and impairment losses	Net
Acquired software	2,061	(1,737)	323
Software developed internally	2,695	(1,854)	841
Licenses (a)	2,505	(620)	1,885
Customer databases (b)	562	(476)	86
Other (c)	1,532	(736)	796
	9,355	**(5,424)**	**3,931**

(in millions of euros)	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
Acquired software	1,967	(1,653)	314	1,870	(1,527)	343
Software developed internally	2,438	(1,629)	810	2,135	(1,417)	719
Licenses (a)	2,505	(503)	2,002	1,244	(430)	814
Customer databases (b)	562	(410)	152	562	(344)	218
Other (c)	1,451	(646)	805	1,541	(516)	1,024
	8,923	**(4,841)**	**4,082**	**7,352**	**(4,235)**	**3,117**

(a) The gross amount includes notably:
- the UMTS license for €619 million (acquired in 2001 for the provision of third-generation mobile telephone services in France) and the new frequencies, acquired in June 2010 for €300 million, amortizable over 20 years;
- the GSM license for €278 million. In March 2006, the French government granted SFR S.A. the right to continue to operate this license for 15 years. The license is recorded for its present value (refer to Note 1.3.7 – Intangible Assets);
- the LTE license for €150 million acquired in October 2011 under the allocation of 4G frequencies in the 2.6 Ghz band, and for €1,065 million acquired in January 2012 under the allocation of 4G frequencies in the 800 MHz band.

(b) Includes:
- the Neuf Cegetel customer base, valued upon acquisition at €464 million,
- the FrNet2 customer base, valued upon acquisition at €98 million.

(c) Mainly includes site search costs, concession contracts (IFRIC 12), rights of way and service access costs.

9.2. Net Changes in Intangible Assets

The analysis of the change of intangible assets is as follows:

(in millions of euros)	2013	2012	2011
Opening balance	**4,082**	**3,117**	**3,077**
Amortization and impairment losses	(729)	(709)	(661)
Acquisitions	586	1,685	718
Disposals / Write-down	(4)	(4)	(6)
Changes in combination scope	0	-	(5)
Other	(4)	(8)	(5)
Closing balance	**3,931**	**4,082**	**3,117**

The LTE license in the 800 MHz band was activated on June 3, 2013 and will be amortized over a remaining duration of 18 years (end of licensing: January 2032).

9.3. Breakdown of Net Allocations to Amortizations and Impairment Losses

The changes in amortizations and impairment losses are included by destination in the various components of the operating income.

They concern:

(in millions of euros)	2013	2012	2011
Acquired software	(144)	(162)	(178)
Software developed internally	(229)	(215)	(194)
Licenses	(117)	(73)	(72)
Customer bases	(66)	(66)	(67)
Other intangible assets	(172)	(193)	(151)
	(729)	**(709)**	**(661)**

Expenses incurred during the development phases of the Network service projects and the information system development projects are eligible for capitalization. The capitalized amount under intangible assets amounted to €249 million in 2013, as compared with €263 million in 2012 and €264 million in 2011.

Note 10. Tangible Assets

10.1. Property, plant and equipment by nature

The breakdown of Property, plant and equipment is as follows:

	2013		
(in millions of euros)	Gross	Amortization and impairment losses	Net
Land	78	(1)	76
Buildings	2,900	(1,614)	1,286
Equipement and machinery	5,326	(3,267)	2,058
Work in progress	301	-	301
Other	2,397	(1,587)	810
	11,002	**(6,470)**	**4,532**

(in millions of euros)	2012			2011		
	Gross	Amortization and impairment losses	Net	Gross	Amortization and impairment losses	Net
Land	98	(1)	97	84	(1)	83
Buildings	2,744	(1,563)	1,182	1,938	(1,083)	855
Equipement and machinery	5,237	(3,207)	2,030	5,532	(3,310)	2,221
Work in progress	315	-	315	284	-	284
Other	2,218	(1,374)	844	2,168	(1,367)	801
	10,613	**(6,145)**	**4,468**	**10,005**	**(5,762)**	**4,244**

The buildings are principally composed of the hosting of technical sites, buildings and their respective fittings. Technical equipment principally includes network equipment (radio, switching, network administration, network core) and transmissions.

Work in progress, among other things, equipment and network infrastructures.

10.2. Net Changes in Property, plant and equipment

Analysis of the changes in Property, plant and equipment is as follows:

(in millions of euros)	2013	2012	2011
Opening balance	**4,468**	**4,244**	**4,041**
Amortization and write-off	(932)	(868)	(914)
Acquisitions / Increase	1,079	1,080	1,127
Disposal	(21)	(17)	(15)
Changes in combination scope	(61)	12	(1)
Other	(2)	17	6
Closing balance	**4,532**	**4,468**	**4,244**

10.3. Breakdown of Depreciation and Impairment Losses

The changes in depreciation and impairment losses are included by destination in the various components of the operating income.

They concern:

(in millions of euros)	2013	2012	2011
Buildings	(118)	(115)	(124)
Equipment and machinery	(395)	(393)	(420)
Other property, plant and equipment	(419)	(361)	(369)
	(932)	**(868)**	**(914)**

10.4. Property, plant and equipment held under finance leases

The breakdown of property, plant and equipment held under finance leases is as follows:

(in millions of euros)	2013	2012	2011
Lands	5	5	5
Buildings	90	90	90
Technical plant, machinery and equipment	176	176	176
Property, plant and equipment held under finance leases	**270**	**270**	**270**

The minimum future lease payments for Property, plant and equipment held under finance leases is detailed as follows:

(in millions of euros)	2013	2012	2011
Under one year	3	4	9
Two to five years	7	8	12
Over five years	1	3	4
Minimum future lease payments	**11**	**15**	**25**

Note 11. Equity-Accounted Affiliates

11.1. Main Equity-Accounted Affiliates

(in millions of euros)	2013	2012	2011
Numergy (a)	95	103	-
La Poste Telecom (b)	-	-	17
Other associates	23	19	24
Associates	**119**	**123**	**41**
Synerail (c)	-	-	-
Foncière Rimbaud (d)	33	15	7
Joint ventures	**33**	**15**	7
	152	**138**	**49**

(a) SFR, Bull and the Caisse des Dépôts created the company Numergy, which offer secure IT infrastructures capable of hosting remotely accessible and secure data and applications, i.e."cloud computing" services (cf. Note 2 – Changes in consolidation scope). Only 25% of the Group's share (in the total amount of €105 million), has been paid up. The remaining unpaid portion was recognized as Liabilities in the amount of €79 million (cf. Note 22 – Other current and non-current liabilities).

(b) SFR and La Poste created La Poste Telecom, holding 49% and 51% respectively. This subsidiary is a mobile virtual network operator (MVNO) in the retail market under the La Poste Mobile brand name (cf. Note 2 – Changes in Consolidation scope).

The negative value of the equity-accounted associated of La Poste Telecom was recognized at zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €14 million at end 2013.

(c) On February 18, 2010, a consortium formed with SFR, Vinci and AXA (each at 30%) and TDF (10%) signed the GSM-R public/private partnership agreement with Réseau Ferré de France. This agreement, of a duration of 15 years and a total amount of €1 billion, covers the financing, construction, operation and maintenance of a digital telecommunications network that enables to conference mode communications (voice and data) between train drivers and team on the ground. It will be rolled out progressively over 14,000 km of conventional and high-speed railway lines in France. The negative value of the equity-accounted associated of Synerail was recognized at reduced to zero with an offsetting entry in provisions for contingencies and liabilities in the amount of €5 million at end 2013.

(d) SFR and Vinci Immobilier, a subsidiary of Vinci Group, have four equally owned joint subsidiaries, Foncière Rimbaud 1, Foncière Rimbaud 2, Foncière Rimbaud 3 and Foncière Rimbaud 4, within the framework of construction of the registered office of SFR in Saint-Denis. This project, which may change over time, will be undertaken in two stages, and works will be staggered until the end of 2015. The first stage of buildings (surface area of 74,000 m^2) carried by Foncière Rimbaud 1 and Foncière Rimbaud 2 was delivered at end 2013. The second stage carried by Foncière Rimbaud 3 and Foncière Rimbaud 4 is under construction.

Foncière Rimbaud 3 and 4, which used to be fully consolidated, have been equity-accounted since April 2013.

The group % interests of these main equity-accounted affiliates are indicated in Note 27 – List of combined entities.

11.2. Condensed Financial Information

The condensed financial information relative to equity-accounted affiliates is presented in the following tables.

	Numergy		La Poste Telecom		
(in millions of euros)	2013	2012	2013	2012	2011
Revenues	1	-	147	141	76
Net Income (a)	(18)	(3)	(19)	(19)	(62)
Total Equity	204	222	(62)	(43)	(24)
Cash (-) / Net debt (+)	(20)	(56)	48	34	27
Total assets	208	228	36	42	58

(a) Including depreciation of the goodwill of La Poste Telecom recorded in 2011 but communicated to SFR post its consolidation process (€27 million).

	Synerail	
(in millions of euros)	2013	2012
Revenues	153	119
Net Income	2	1
Total Equity	(16)	(26)
Cash (-) / Net debt (+)	288	148
Total assets	344	221

Note 12. Other Current and Non-Current Assets

(in millions of euros)	2013	2012	2011
Non-current operating assets	**79**	**78**	**1**
Advances to equity-accounted and non-combined companies	65	38	34
Non-combined equity securities	12	13	20
Other (a)	29	32	94
Non-current financial assets	**106**	**83**	**148**
Total other non-current assets	**185**	**161**	**149**
Other current assets	**2**	**2**	**2**

(a) In 2011, included €53 million related to deposits as guarantee of pre-financing of the arrangement fees for QTE lease/sub-lease agreements set up in 2001 by Neuf Cegetel. The latest QTE contract was early repaid in December 2012.

Note 13. Inventories

(in millions of euros)	2013	2012	2011
Inventories of handsets and accessories	259	256	364
Other	2	7	13
Inventories – gross value	**262**	**263**	377
Total depreciations	**(22)**	**(18)**	**(21)**
Inventories – net value	**240**	**245**	**356**

The handset inventories include handsets under consignment with distributors in the amount of €122 million in 2013 (€132 million in 2012 and €151 million in 2011).

Note 14. Trade Accounts Receivable and Other Receivables

(in millions of euros)	2013	2012	2011
Accounts receivable	2,147	2,225	2,349
Bad debt allowance (a)	(465)	(477)	(398)
Net accounts receivable	**1,681**	**1,748**	**1,951**
Receivables from suppliers	228	276	283
Employee and tax receivables (b)	529	407	681
Prepaid expenses	103	105	88
Income taxes	3	6	7
Other receivables	14	0	4
Total account receivable and other receivables	**2,558**	**2,544**	**3,015**

(a) The Group considers that there is no significant uncollectibility risk for unprovisioned overdue receivables (refer to Note 23.6 – Credit and counterparty risks – paragraph "Accounts receivable and other receivables").

(b) At end 2013, employee and tax receivables were principally made up of the following elements:
- Value-added tax: €355 million
- Territorial economic tax (CET): €71 million
- Tax on electronic communications (TCE – Copé): €61 million
- Tax on television services (TST – COSIP): €26 million

Note 15. Cash and Cash Equivalents

(in millions of euros)	2013	2012	2011
Cash	297	187	165
Cash equivalents	98	79	63
Cash and cash equivalents	**394**	**267**	**228**

Note 16. Information on Equity

Dividends paid to shareholders during financial years 2011, 2012 and 2013:

The dividends paid for financial year 2010 amounted to €1,000 million. These dividends were paid in the form of an interim dividend in January 2011.

The dividends paid for financial year 2011 amounted to €1,423 million. These dividends were paid in the form of an interim dividend in June 2011 in the amount of €454 million, and the balance in April 2012 in the amount of €968 million.

The dividends paid for financial year 2012 amounted to €982 million. These dividends were paid in March 2013.

The Group does not plan to distribute dividends for financial year 2013.

Management of capital risk:

The financial structure of the Group comprises borrowing and financial debts, cash and cash equivalents and equity, which includes reserves and equity attributable to non-controlling interests as detailed in the statement of change of equity.

Note 17. Remunerations based on Equity Instruments

17.1. Plans allocated by Vivendi to Employees of SFR

17.1.1. Characteristics of the Various Plans Allocated by Vivendi

Vivendi has granted several share-based compensation plans founded on the Vivendi share and intended for employees of SFR.

During 2012 and 2011, Vivendi granted stock option and performance share plans, wherever the fiscal residence of the beneficiaries and bonus share plan for employees of all the group's French subsidiaries.

In 2013, the Supervisory Board decided, upon the recommendation of the Management Board and General Management and the advice of the Human Resources Committee, that all grants would be made in the form of performance shares, wherever the fiscal residence of the beneficiaries.

In addition, in 2013, 2012 and 2011, Vivendi granted stock purchase plans to its employees and retirees (employee stock purchase and leveraged plans).

The accounting methods applied to value and recognize these granted plans are described in Note 1.3.18 – Remunerations paid in shares. More specifically, the risk-free interest rate applied is the rate of French "Obligations Assimilables du Trésor" (OAT) with a maturity corresponding to the expected term of the instrument at the valuation date, and the expected dividend yield at grant date is based on Vivendi's dividend distribution policy.

As a reminder, the volatility applied in valuing the stock option plans granted by Vivendi in 2012 and 2011 was calculated as the weighted average of (a) 75% of the historical volatility of Vivendi shares computed on a 6.5-year period and (b) 25% of the implied volatility based on Vivendi put and call options traded on a liquid market with a maturity of 6 months or more.

Instruments settled by the issuance of shares

The definitive grant of equity-settled instruments, excluding the 2012 bonus share plan, is subject to the satisfaction of performance conditions. Such performance conditions include an external indicator, thus following AFEP and MEDEF recommendations. The objectives underlying the performance conditions are determined by the Supervisory Board upon proposal by the Human Resources Committee.

The value of the equity-settled instruments is estimated and set at grant date. For the main 2013, 2012 and 2011 performance share, stock option and bonus share plans, the applied assumptions were as follows:

	2013	2012		2011
Date of grant	February 22	July 16 (a)	April 17	April 13
Data at grant date:				
Option strike price (in euros) (b)	N/A	N/A	13.63	19.93
Share price (in euros)	14.91	15.75	12.53	20.56
Expected volatility	N/A	N/A	27%	25%
Expected dividend yield	6.71%	6.35%	7.98%	7.30%
Performance conditions achievement rate (c)	100%	N/A	100%	100%

N/A: not applicable.

(a) Vivendi granted 50 bonus shares to the employees of all the group's French subsidiaries, including SFR (refer to *infra*).

(b) In accordance with legal requirements, the number and strike price of stock options, as well as the number of performance shares in connection with outstanding plans, were adjusted to take into account the impact, for the beneficiaries of the following distributions by a withdrawal from reserves:

- on May 9, 2012: grant to each shareholder of one bonus share per 30 shares held; and

- on May 17, 2013: dividend distribution with respect to fiscal year 2012.

These adjustments have no impact on share-based compensation expense related to the relevant stock option and performance share plans.

(c) Since 2012, achievement of the objectives underlying the performance conditions has been assessed over two years (each year over two years for the plans allocated in 2011). The final grant is effective according to fulfillment of the following performance criteria:
- internal indicator (70%): EBITA margin as a function of the cumulative income from the past two fiscal years, for the plans allocated in 2013 and 2012 (compared to the adjusted net income (45%), and cash flow from operations (25%) for the plans allocated in 2011);
- external indicators (30%): performance of Vivendi's share price over two years, according to the Dow Jones Stoxx Telecom index (21% for plans allocated in 2013 and

2012, compared to 18% for the plans allocated in 2011) and according to the Media index comprised of a pre-established panel (9% for plans allocated in 2013 and 2012, compared to 12% for plans allocated in 2011).

- The definitive grant of stock options and performance shares of April 17, 2012 became effective as of December 31, 2013. The acquisition of these instruments is conditional upon active employment at the vesting date.

With regard to stock options and performance shares of April 13, 2011, the final grant became effective as of December 31, 2012.

Performance share plans based on the value of Vivendi

Performance shares granted in 2013, 2012 and 2011 will vest at the end of a two-year period. The compensation cost is therefore recognized on a straight-line basis over the vesting period. Performance shares are available at the end of a four-year period from the date of grant. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders are entitled to the dividends and voting rights attached to these shares from the end of the two-year vesting period. The recognized compensation cost corresponds to the value of the equity instruments received by the beneficiary, and is equal to the difference between the fair value of the shares to be received and the discounted value of dividends that were not received over the vesting period.

On February 22, 2013, 717,000 performance shares were granted, compared to 552,000 granted on April 17, 2012 and 492,000granted on April 13, 2011. After taking account of a discount for non-transferability, 8.3% of the share price as of February 22, 2013 (7.1% as of April 17, 2012 and 4.5% as of April 13, 2011), the fair value of each granted performance share was €11.79, as compared with €9.80 per share as of April 17, 2012 and €16.84 as of April 13, 2011, corresponding to a global fair value of €8 million (€5 million in 2012 and €8 million in 2011).

Stock option plans based on the value of Vivendi

Stock options granted in 2012 and 2011 will vest at the end of a three-year period and expire at the end of a ten-year period (with a 6.5 year expected term) and the compensation cost determined at grant date is recognized on a straight-line basis over the vesting period. In 2013, Vivendi did not grant any stock options. On April 17, 2012, 495,000 stock options were granted, compared to 610,000 options on April 13, 2011. After taking into account a 2.35% risk-free interest rate (3.21% in 2011), the fair value of each option granted was €0.96 (compared to €2.16 per option as of April 13, 2011), corresponding to a global fair value of €0.5 million (€1.3 million in 2011).

Free allocation plan of 50 shares

On July 16, 2012, Vivendi granted a 50 bonus share plan per employee of all the group's French subsidiaries, including SFR. These shares will be issued at the end of a two-year period, i.e., July 17, 2014, subject to the employee being in active employment at this date and without any performance conditions. The compensation cost is therefore recognized on a straight-line basis over this period. The shares will only be available after another two-year period. However, as the shares granted are ordinary shares of the same class as existing shares making up the share capital of Vivendi SA, employee shareholders will be entitled to the dividend and voting rights relating to these shares from the end of the two year vesting period.

On July 16, 2012, 500,000 bonus shares were granted. After taking into account a discount for non-transferability of 9.3% of the share price on July 16, 2012, the fair value of each granted bonus share was €12.40, a total of €6 million.

Employee stock purchase and leveraged plans subscribed by the employees of SFR
Vivendi also maintains share purchase plans (stock purchase and leveraged plans) that allow substantially all of SFR employees and retirees to purchase Vivendi shares through capital increases reserved to them. These shares, which are subject to certain sale or transfer restrictions, may be purchased by employees with a maximum discount of 20% on the average opening market price for Vivendi shares during the 20 trading days preceding the date of approval of the share capital increase by the Management Board (purchase date). The difference between the subscription price of the shares and the share price on the date of grant (corresponding to the subscription period closing date) represents the benefit granted to the beneficiaries. Furthermore, Vivendi applies a discount for non-transferability in respect of the restrictions on the sale or transfer of the shares during a five-year period, which is deducted from the benefit granted to the employees. The value of the stock purchase plans granted is estimated and fixed at the grant date.
For the employee stock purchase and leveraged plans subscribed in 2013, 2012 and 2011, the applied valuation assumptions were as follows:

For the Group savings plans and leverage plans subscribed in 2013, 2012 and 2011, the valuation assumptions used are as follows:

	2013	2012	2011
Grant date	June 28	June 25	June 23
Subscription price (in euros)	12.10	10.31	15.27
Data at grant date:			
Share price (in euros)	14.55	13.57	18.39
Discount to face value	16.82%	24.02%	16.97%
Expected dividend yield	6.87%	7.37%	8.16%
Risk-free interest rate	1.19%	1.37%	2.44%
5-year interest rate in fine	6.08%	6.51%	6.15%
Repo rate	0.36%	0.36%	0.36%

Under the employee stock purchase plans 1,505,000 shares were subscribed in 2013 (compared to 1,541,000 shares in 2012 and 1,381,000 shares in 2011). After taking into account a 15.2% discount for non-transferability to the share price on the grant date (15.3% in 2012 and 10.0% in 2011), the fair value per subscribed share on June 28, 2013 was €0.24, compared to €1.18 per share subscribed on June 25, 2012 and €1.28 per share subscribed on June 23, 2011.

Under the leveraged plans, virtually all employees and retired employees of SFR were entitled to subscribe for Vivendi shares through a reserved share capital increase, while obtaining a discounted subscription price, and to ultimately receive the capital gain (calculated pursuant to the terms and conditions of the plan) corresponding to 10 shares for one subscribed share. A financial institution mandated by Vivendi hedges this transaction.

In 2013, 6,225,000 shares were subscribed under the leverage plan (compared to 6,591,000 shares subscribed in 2012 and 4,537,000 shares subscribed in 2011). After taking into account a 1.5% discount for non-transferability measured after the leveraged impact (unchanged in relation to 2012 and 1.0% in 2011), the fair value per share subscribed on June 28, 2013 amounted to €2.23, compared with €3.05 per share subscribed on June 25, 2012 and €2.94 per share subscribed on June 23, 2011.

In 2013, the charge recognized with respect to employee stock purchase and leveraged plans amounted to €14 million (as compared with €22 million in 2012 and €15 million in 2011).

17.1.2. Information on outstanding SFR Plans Based on the Value of Vivendi since January 1, 2011

Equity-settled instruments

	Stock options		Performance shares
	Number of outstanding stock options	Weighted average strike price of outstanding stock options	Number of outstanding performance shares
	(in thousands)	(in euros)	(in thousands)
Balance as of December 31, 2010	**12,688**	**21.6**	**538**
Granted	645	19.9	502
Exercised	(25)	13.9	(152)
Cancelled	(377)	20.3	(42)
Balance as of December 31, 2011	**12,931**	**21.5**	**846**
Granted	495	13.6	552
Exercised	(94)	13.0	(344)
Cancelled	(82)	18.3	(32)
Adjusted	460	20.6	36
Balance as of December 31, 2012	**13,710**	**20.6**	**1,058**
Granted	-	N/A	817
Exercised	(734) (a)	14.2	(496)
Forfeited	(85)	12.2	-
Cancelled	(16)	18.2	(6)
Adjusted	1,390	19.4	114
Balance as of December 31, 2013	**14,265** (b)	**19.7**	**1,487** (c)
Exercisable as of December 31, 2013	***12,913***	***20.2***	-
Acquired as of December 31, 2013	***12,913***	***20.2***	-

N/A: not applicable

(a) The weighted average share price for Vivendi shares at the dates of exercise for the options was €16.71 (compared to €16.50 for stock options exercised in 2012 and €20.85 for the stock options exercised in 2011).

(b) The total intrinsic value of outstanding stock options was €17 million.

(c) The weighted-average remaining period before issuing shares was 0.8 years.

Regarding the grant of 50 bonus shares in 2012, the remaining number of bonus shares was 455,000 as of December 31, 2013 (474,000 as of December 31, 2012). During 2013, 19,000 shares were cancelled (26,000 in 2012).

Information on stock options as of December 31, 2013 is as follows:

	Outstanding stock options			Vested stock options	
Range of strike price	Number	Weighted average strike price	Weighted average remaining contractual life	Number	Weighted average strike price
	(in thousands)	(in euros)	(in years)	(in thousands)	(in euros)
Under €15	624	13.6	8.6	-	-
€15-€17	3,613	16.8	5.7	3,613	16.8
€17-€19	3,107	17.6	2.2	2,379	17.5
€19-€21	1,944	20.0	1.3	1,944	20.0
€21-€23	1,613	21.3	4.3	1,613	21.3
€23-€25	1,771	24.1	2.3	1,771	24.1
€25-€27	1,593	26.1	3.3	1,593	26.1
Over €27	-	-	-	-	-
	14,265	**19.7**	**3.6**	**12,913**	**20.2**

17.2. Impact on Income Statement

(in millions of euros)	2013	2012	2011
Stock options, performance shares and bonus shares	*12.3*	*9.7*	*7.8*
Employee stock purchase plan	*14.2*	*21.9*	*15.1*
Charges / (income) relative to compensation based on equity-settled instruments	**26.5**	**31.6**	**22.9**

Note 18. Provisions

	2013					
(in millions of euros)	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes (a)	72	7	(10)	-	8	76
Restructuring (b)	170	67	(152)	(1)	-	85
Site renovation costs (c)	65	4	(4)	-	(4)	61
Litigation and other (d)	274	127	(53)	(86)	6	269
Provisions	**581**	**205**	**(218)**	**(87)**	10	**491**
Current provisions	*408*	*195*	*(185)*	*(86)*	*3*	*335*
Non-current provisions	*173*	*11*	*(34)*	*(1)*	*7*	*156*

(a) Staff benefit schemes: refer to Note 19 – Post-employment benefits

(b) Restructuring: refer to Note 4.2 – Other operating income and expenditure

(c) Site renovation costs: the Group is required to renovate the technical sites of its network upon expiry of the lease, in the event of its non-renewal or in the event of early termination.

(d) Litigation and other: this includes, among other things, provisions whose amount and type are not detailed because their disclosure could harm the Group. The provisions made for litigation cover the risks relating to contentious proceedings instigated against the Group. All provisioned litigation is currently awaiting a hearing or pleadings before a court. The unused part of the provisions recognized at opening corresponds to litigations which have been settled with sums, paid by the Group, that are lower than those provisioned.

The tables of the previous financial years are presented below:

	2012					
(in millions of euros)	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes	50	7	(0)	(1)	15	72
Restructuring	9	170	(0)	-	(8)	170
Site renovation costs	55	3	(3)	-	10	65
Litigation and other	259	89	(30)	(60)	16	274
Provisions	**372**	**271**	**(33)**	**(61)**	**32**	**581**
Current provisions	*236*	*256*	*(30)*	*(54)*	-	*408*
Non-current provisions	*137*	*14*	*(3)*	*(7)*	*32*	*173*

	2011					
(in millions of euros)	Opening Balance	Allocations	Utilization	Recoveries and changes of estimates	Other changes	Closing Balance
Staff benefit schemes	45	6	(0)	(1)	0	50
Restructuring	1	-	(1)	(6)	14	9
Site renovation costs	49	3	(2)	-	4	55
Litigation and other	271	92	(40)	(63)	(1)	259
Provisions	**366**	**101**	**(43)**	**(69)**	**17**	**372**
Current provisions	*260*	*56*	*(31)*	*(52)*	*3*	*236*
Non-current provisions	*106*	*45*	*(11)*	*(17)*	*14*	*137*

Note 19. Post-Employment Benefits

All employees of the Group benefit from severance pay in accordance with the collective agreement of the company to which they are attached.

19.1. Assumptions used for Evaluation

The actuarial debt is evaluated using the following assumptions:

	2013	2012	2011
Discount rate	3.00%	3.25%	4.50%
Salary increase rate	2.75%	2.75%	2.75%

The demographic assumptions are specific to each company. The discount rate is based on the "iBoxx € Corporates AA" rate.

The proceeds of interest on the hedging assets are determined on the basis of the discount rate.

These hedging assets are invested in the general fund Cardif, which is principally composed of bonds.

19.2. Analysis of Net Benefit obligation under Pensions and Post retirement Benefits

The analysis of the change in net benefit obligations is presented in the tables below:

Changes in the value of Benefit obligations

(in millions of euros)	2013	2012	2011
Benefit obligation at the beginning of the year	73	52	48
Current services cost	7	5	5
Interest cost	2	2	2
Benefits for the period	(0)	(0)	(1)
Scheme reduction (a)	(12)	(1)	-
Settlement	-	-	(0)
Curtailment	-	-	(1)
Actuarial differences (profits) / losses	7	15	(0)
Benefit obligation at the end of year	77	73	**52**
Including commitments not financed	*76*	*71*	*50*
Including commitments totally or partially financed	*0*	*2*	*2*

(a) The scheme reduction of €12 million in 2013 corresponds to the impact of the voluntary redundancy scheme launched by SFR in 2012 (refer to Note 4.2 – Other operating income and expenditure).

Changes to fair value of plan assets

(in millions of euros)	2013	2012	2011
Fair value of plan assets at start of year	3	3	3
Benefits paid by the fund	-	-	(1)
Actuarial differences (profits) / losses on return	-	0	-
Return expected from the hedge funds	0	0	0
Fair value of plan assets at end of year	**3**	**3**	**3**

Net liabilities recorded

(in millions of euros)	2013	2012	2011
Net liabilities recorded at start of year	(70)	(49)	(45)
Expenditure for the period	(9)	(7)	(5)
Benefits reducing commitment	0	0	0
Scheme reduction	12	1	-
Scheme settlement	-	-	0
Actuarial differences profits / (losses) in overall earnings	(7)	(15)	0
Net liabilities recorded at end of year	**(74)**	**(70)**	**(49)**

Value of commitments, fair value of assets and financial sub-hedge over 3 financial years

(in millions of euros)	2013	2012	2011
Value of commitments	77	73	52
Fair value of plan assets	3	3	3
Financial sub-hedge	**74**	**70**	**49**

Sensitivities to the discount rate

An increase of 50 base points to the discount rate expected in 2013 (or a fall of 50 base points) would be reflected in a reduction in the commitment of €7 million (or an increase of €7 million).

19.3. Analysis of the Expenditure Recorded on the Income Statement

Expenditure recorded for defined benefit schemes can be broken down as follows:

(in millions of euros)	2013	2012	2011
Current service cost	7	5	5
Interest costs	2	2	2
Expected return on plan assets	(0)	(0)	(0)
Past services cost	-	-	(1)
Expenditure for the financial year	**9**	7	**5**
Scheme reduction	(12)	(1)	-
Scheme settlement	-	-	(0)
Total expenditure	**(3)**	**6**	**5**

19.4. Actuarial Differences Recorded in Overall Earnings

(in millions of euros)	2013	2012	2011
Actuarial differences from experience	1	-	2
Actuarial differences from assumptions	6	14	(2)
Actuarial differences recorded in overall earnings	7	**15**	-
Actuarial differences accumulated in equity	**21**	**14**	-

The amount of the 2013 actuarial differences relative to the hedging assets is not significant. The amount relative to the commitments is detailed as follows:

(in millions of euros)	Total	Commitment	
Actuarial differences from experience	1	1	1.0%
Actuarial differences from assumptions	6	6	7.7%
Total	7	7	

19.5. Allocation of pension plan assets

The allocation of plan assets is presented in the table hereunder:

	2013	2012	2011
Shares	12.6%	11.4%	11.8%
Bonds	80.7%	78.2%	81.5%
Real estate	6.7%	6.5%	6.1%
Other	0.0%	3.9%	0.6%
Total	**100.0%**	**100.0%**	**100.0%**

Apart from real estate investments, all these assets are exchange-listed.

19.6. Schedule of Post-Employment Benefits

The estimated amount (in nominal value) of the benefits to be paid in the next ten years is as follows:

(in millions of euros)	Under one year	Two to five years	Six to ten years	Total
Estimated benefits payable	0	2	12	**14**

Note 20. Borrowing and Financial Debt

20.1. Analysis of the Expenditure Recorded on the Income Statement

(in millions of euros)	2013	2012	2011
Shareholder debt (a)	1,200	1,200	3,700
Bond loan (b)	-	300	300
Securitization of receivables (c)	-	-	422
Debt relative to finance leasing	8	11	15
Other financial debt	40	50	53
Non-current borrowing and financial debt	**1,248**	**1,561**	**4,490**
Shareholder debt (a)	7,472	6,409	1,761
Bond loan (b)	300	-	996
Bank loan	50	66	48
Debt relative to finance leasing	3	4	9
Other financial debt (d)	20	27	83
Current borrowing and financial debt	**7,846**	**6,506**	**2,896**
Borrowing and financial debt	**9,094**	**8,067**	**7,385**

(a) Shareholder debt: this category corresponds to the financial debt contracted with Vivendi in the form of:

- cash current account: this is an advance on current account granted to the Group by Vivendi in June 2011. This facility was drawn respectively to the level of €7.5 billion, €4.9 billion and €1.8 billion as of December 31, 2013, 2012 and 2011. This advance is denominated almost entirely in euros. The interest rate, which was fixed in accordance with market conditions, has remained fixed since January 1, 2013 (2.79%);
- shareholder loan: these are loans or credit facilities entered into between the Group and Vivendi:
  - o The Revolving Credit facility entered into in January 2011 for €1 billion, bearing interest at the Euribor rate + 2.5%, matured in 2012,
  - o The Revolving Credit facility in the sum of €1.5 billion, entered into in June 2009 at the Euribor interest rate + 2.5%, matured in June 2013,
  - o The loan entered into in December 2011 for €1.2 billion, bearing interest at the Euribor rate + 0.825%, maturity of which is June 2015, was still in force as of December 31, 2013;

(b) Bond loan (net of amortized cost): The Group issued a bond loan of €300 million in July 2009, maturity of which is July 9, 2014, bearing interest at the rate of 5%. Another loan, resulting from several bond issues from 2005 to 2009 for a total of €1 billion, was repaid in full upon maturity in July 2012.

(c) A receivables securitization program was set up in 2011. This program was settled ahead of the original due date in June 2012.

(d) The commercial papers were repaid in full in 2012.

20.2. Breakdown by Interest Rate Type of the Repayment Value of Borrowing and Financial Debt

(in millions of euros)	2013		2012		2011	
Breakdown by type of interest rate:						
Fixed interest rate (after hedge)	7,769	85%	300	4%	1,296	18%
Variable interest rate	1,324	15%	7,767	96%	6,090	82%
Total	**9,094**		**8,067**		**7,385**	

20.3. Breakdown by Maturity of Future Cash Flow linked to Borrowing and Financial Debt

The table below is a schedule of the contractual cash flow of borrowing and financial debt, including interest coupons, on a non-discounted basis. The interest payable is calculated on the basis of the debt as of December 31, 2013. The variable interest rates are the rates applicable as of December 31, 2013.

The effective annual percentage rate over the year 2013 is 2.80%.

		2013		
		Schedule of repayments		
(in millions of euros)	**Book value**	Under one year	Two to five years	Over five years
Shareholder debt	8,672	7,472	1,200	-
Bond loan	300	300	-	-
Borrowing relative to leasing	11	3	6	2
Other financial debts	110	70	33	7
Borrowing and financial debts	**9,094**	**7,846**	**1,239**	**9**

Note 21. Trade Accounts Payable and Other Payables

(in millions of euros)	2013	2012	2011
Trade accounts payable	2,878	2,943	3,114
Customer's credit balances	622	512	478
Tax and social contributions (a)	846	1,028	1,100
Short term prepaid income	524	630	710
Income tax	3	9	6
Other	1	13	4
Trade accounts payable and other payables	**4,874**	**5,136**	**5,412**

(a) As of the end of 2013, tax and social contributions can be broken down principally into the following elements:

- Value-added tax payable: €331 million
- Social contributions: €338 million
- Territorial economic tax (CET): €77 million
- Tax on electronic communications (TCE – Copé): €54 million
- Tax on television services (TST – COSIP): €24 million

Note 22. Other Current and Non-Current Liabilities

(in millions of euros)	2013	2012	2011
Deferred income	309	339	346
GSM license	136	154	172
Uncalled share capital (Numergy)	63	63	-
Other (a)	33	41	114
Other non-current liabilities	**540**	**597**	**633**
Uncalled share capital (Numergy)	16	16	-
Other current liabilities	1	1	3
Other current financial liabilities	**17**	**17**	**3**

(a) In 2011, includes €53 million QTE settled early in December 2012 (refer to Note 12 – Other current and non-current assets).

Note 23. Financial Instruments

23.1. Fair Value of Financial Instruments Recorded in the Balance Sheet and Accounting Categories

The table below presents the net carrying value by category and the fair value of the Group's financial instruments as of December 31, of each year.

		2013						
(in millions of euros)	Note	Assets / liabilities at fair value by earnings	Available-for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
Assets								
Other non-current financial assets	12	8	12	86			106	106
Derivative instruments	12					2	2	2
Other current financial assets	12	0					0	0
Other non-current operating assets	12				79		79	79
Trade accounts receivable and other	14				2,558		2,558	2,558
Cash and cash equivalents	15	394					394	394
Liabilities								
Non-current borrowings and financial debts	20				1,248		1,248	1,248
Current borrowings and financial debts	20				7,844		7,844	7,851
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				4,874		4,874	4,874
Other non-current liabilities	22				540		540	540
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2012

(in millions of euros)	Note	2012 Assets / liabilities at fair value by earnings	Available–for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
Assets								
Other non-current financial assets	12	8	13	63			83	83
Derivative instruments	12					2	2	2
Other current financial assets	12	1					1	1
Other non-current operating assets	12				78		78	78
Trade accounts receivable and other	14				2,544		2,544	2,544
Cash and cash equivalents	15	267					267	267
Liabilities								
Non-current borrowings and financial debts	20				1,561		1,561	1,578
Current borrowings and financial debts	20				6,505		6,505	6,505
Derivative instruments	20					2	2	2
Trade accounts payable and other	21				5,136		5,136	5,136
Other non-current liabilities	22				597		597	597
Other current financial liabilities	22				17		17	17

For the record, as of December 31, 2011

(in millions of euros)	Note	2011 Assets / liabilities at fair value through earnings	Available–for-sale securities	Loans and receivables	Assets / liabilities at amortized cost	Hedge derivatives	Total net carrying value	Fair value
Assets								
Other non-current financial assets	12	8	20	120			148	148
Derivative instruments	12					0	0	0
Other current financial assets	12	2					2	2
Other non-current operating assets	12				1		1	1
Trade accounts receivable and other	14				3,015		3,015	3,015
Cash and cash equivalents	15	228					228	228
Liabilities								
Non-current borrowings and financial debts	20				4,490		4,490	4,504
Current borrowings and financial debts	20				2,895		2,895	2,907
Derivative instruments	20							
Commitments to purchase non-controlling interests	12	1					1	1
Trade accounts payable and other	21				5,412		5,412	5,412
Other non-current liabilities	22				633		633	633
Other current financial liabilities	22				3		3	3

The carrying value of the operating receivables and other, cash and cash equivalents and trade accounts payable and other is a reasonable approximation of fair value, due to the short maturity of these instruments.

The fair value of the borrowings and financial debts is calculated either from the market price for the bond loan or, for the rest of the debt, by discounting future contractual flows, taking account of market conditions as of December 31 each year.

Valuation method for financial instruments at fair value on the balance sheet

In compliance with IFRS 7, financial assets and liabilities at fair value are classified according to a fair value hierarchy at fair value of the financial instruments (level 1 to 3) as follows:

- the fair value of financial instruments exchanged in active markets (for example monetary UCITS) is based on the market price listed on the date of closure. This valuation method is described as level 1 in the hierarchy defined by IFRS 7;

- the fair value of financial instruments not traded in active markets (for example rate swaps) is determined using valuation techniques. The assumptions used can be observed either directly (i.e. such as prices) or indirectly (i.e. determined from prices). This valuation method is described as level 2 in the hierarchy defined by IFRS 7;

- the fair value of the instruments classified in level 3 (for example, available–for-sale securities) is determined using a valuation technique not based on observable market data.

The tables below present the method of valuation used for the financial assets and liabilities at fair value as of December 31, of each year.

	2013			
(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	20	8		12
of which cash management assets	*8*	*8*		
available-for-sale securities	*12*			*12*
Derivative instruments	2		2	
Other current financial assets	0	0		
Cash and cash equivalents	394	394		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2012

(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	21	8		13
of which cash management assets	8	8		
available-for-sale securities	13			13
Derivative instruments	2		2	
Other current financial assets	1	1		
Cash and cash equivalents	267	267		
Financial liabilities at fair value				
Derivative instruments	2		2	

For the record, as of December 31, 2011

(in millions of euros)	Fair value	Level 1	Level 2	Level 3
Financial assets at fair value				
Other non-current financial assets	28	8		20
of which cash management assets	8	8		
available-for-sale securities	20			20
Derivative instruments	0		0	
Other current financial assets	2	2		
Cash and cash equivalents	228	228		
Financial liabilities at fair value				
Derivative instruments				
Commitments to purchase non-controlling interests	1			1

23.2. Management of Financial Risks and Derivative Financial Instruments

As part of its business, the Group is exposed to several types of financial risks: market risk, credit (or counterparty) risk and liquidity risk. Market risks are defined as the risks of fluctuation in future cash flow of financial instruments that depend on the changes in financial markets. For the Group, market risks may therefore primarily impact interest rates and foreign currency exchange positions, in the absence of significant investment in the stock markets.

As part of the Vivendi Group as of December 31, 2013, the Group follows group policy with regard to management of financial risks and derivative financial instruments, which is centrally managed by Vivendi's Financing and Treasury department.

The Group uses derivative instruments to manage its exposure to market risks. The valuation of these instruments is not significant over the periods presented.

Valuation linked to the credit risk of derivative instruments is calculated from historic probabilities of default, as resulting from the calculations of a leading ratings agency, to which a recovery rate is applied. As of December 31, 2013, the impact of the adjustment recommended by IFRS 13 was not significant.

23.3. Interest Rate Risk

The exposure of the Group to interest rate risk is linked to its net variable rate financial debt level.

As of December 31, 2013 and as of December 31, 2012, this exposure was not hedged by rate derivative instruments.

Sensitivity analysis to interest rate risk

Sensitivity analysis to interest rate changes for variable rate instruments was determined considering all variable rates of financial instruments. The analysis was conducted assuming that the amounts of debts and financial instruments on the balance sheet as of December 31, 2013 will remain constant over a year. For the purposes of this analysis, all other variables, particularly the exchange rates, are assumed to remain constant.

A change of 50 basis points in the interest rate on date of closure would have resulted in an increase (decrease) in the cost of debt of €7 million.

23.4. Foreign Exchange Risk

To hedge its currency purchases, related in particular to the acquisition of telecoms equipment, the Group uses forward contracts which it buys from the Financing and Treasury department of the Vivendi Group.

As of December 31, 2013, the Group held foreign exchange hedge instruments for a notional amount of 115 million US dollars (USD). All contracts are US dollar (USD) forward contracts with a maturity between 1 and 7 months.

The forward contracts are defined as cash flow hedges. Their ineffectiveness over the period is not significant.

The residual exposure of the Group after hedging the USD fluctuations is barely significant over the financial year. As of December 31, 2013, the exposure to foreign exchange risk on the balance sheet of the Group in USD amounts to 2 million, and is completely hedged.

Sensitivity analysis to foreign exchange risk

As of December 31, 2013, an instant change of 10% of the euro in relation to the dollar would, on the assets and liabilities recorded on the balance sheet, have quite a significant impact on the foreign exchange earnings of the Group. For the purposes of this analysis, all other variables, and in particular the interest rates, are assumed to remain constant.

23.5. Liquidity Risk

The Group manages the liquidity risk by continually supervising the cash flow projections and the actual cash flow. As of December 31, 2013, the financial flexibility of the Group was assured by the current account provided by Vivendi.

A liquidity schedule is detailed in Note 20.3 – Breakdown by maturity of future cash flow linked to borrowings and financial debts.

23.6. Credit and Counterparty Risk

The main financial assets potentially generating a credit risk for the Group are:

- cash investments,
- trade accounts receivable and other .

The maximum exposure of the financial assets to the credit risk corresponds to their net carrying value.

Cash investments and derivative instruments

The Group makes its cash investments (monetary UCITS that meet the specifications of AMF position No. 2011-13, and other short-term highly liquid investments with an original maturity less than or equal to three months) with leading banking counterparties.

As of December 31, 2013:

- cash investments are made with counterparties enjoying high credit ratings,
- derivative instruments, forward purchases of dollars, were bought from Vivendi and not directly from banking partners.

Trade accounts receivable and other

The concentration of the counterparty risk related to trade accounts receivable is limited because the client portfolio of the Group is highly diversified and not concentrated, considering the large number of clients, in particular the Retail business, with several million individual customers.

With regard to the B2B business, the 20 main clients represent less than 3% of the Group's revenues.

With regard to the Wholesale business, revenues are more concentrated, with the biggest clients being telecommunications operators (such as Orange, Bouygues Telecom, Free Mobile) whose risk is moderate considering the interconnection flows equilibrium. Orange, the first client operator, is also the first supplier of the Group.

Note 24. Transactions with Related Parties

The related parties of the Group are:

- All companies included in the scope of combination, whether fully integrated or accounted for by the equity method,
- Vivendi S.A. and its consolidated entities (the "Vivendi Group"),
- The Vodafone Group up to June 16, 2011, when Vodafone sold its 44% holding in SFR to Vivendi S.A.,
- All members of the executive committee of SFR S.A.,
- All companies in which a member of the executive committee exercises control, participates in the joint control, exercises a significant influence, or is one of its principal directors.

The transactions between the companies fully integrated within the scope of combination were eliminated when preparing the combined accounts. The breakdown of operations between the Group and the other related parties is presented below.

24.1. Compensation of the Managers

The managers of the combined group include the members of the executive committee of its main entity SFR S.A.

The table below presents the compensation allocated to the people who were, upon closure or during the financial years presented members of the executive committee.

(in millions of euros)	2013	2012	2011
Short-term benefits (a)	5	6	6
Post-employment benefits (b)	1	1	2
Share-based compensation (c)	3	4	3

Compensation of managers	**8**	**10**	**11**

(a) Includes gross salaries, fixed and variable compensations, profit sharing and benefits in kind recorded during the financial year. The variable part includes bonuses provisioned at closure of the financial year. The 2013 bonus for the corporate representatives will be finally approved later by the Supervisory Board of Vivendi S.A. at the recommendation of the Human Resources Committee of Vivendi S.A.

(b) Corresponds to the cost of services delivered.

(c) Expense recorded on the profit and loss account by way of share option plans and offers reserved to employees.

24.2. The Shareholder Companies and Joint Ventures

Shareholder companies and joint ventures, equity-accounted, are presented in Note 11 – Equity-accounted securities.

Transactions with the related parties summarized below concern the principal current operations undertaken with shareholder companies and joint ventures.

(in millions of euros)	Affiliated companies			Joint ventures		
	2013	2012	2011	2013	2012	2011
Assets	**66**	**54**	**52**	**53**	**24**	**22**
Non-current assets	-	-	-	43	18	17
Current assets	66	54	52	10	6	5
Liabilities	**80**	**79**	**15**	**5**	-	-
Current liabilities	18	16	15	5	-	-
Non-current liabilities	63	63	-	-	-	-
Net earnings	**67**	**76**	**77**	**21**	**20**	**17**
Operating income	67	76	77	25	20	17
Operating expenses	-	-	-	(4)	-	-
Off-balance sheet commitments	**56**	**79**	**70**	**569**	**319**	**303**
Operating	-	-	-	413	228	228
Financial	56	79	70	86	58	50
Pledges	-	-	-	70	34	25

The principal transactions with the equity-accounted companies are with:

- La Poste Telecom as part of telephony business,
- Numergy as part of services relative to “cloud computing”,
- Synerail as part of the GSM-R Public / Private Partnership,
- Foncière Rimbaud (1 to 4) with the Vinci Group as part construction of the registered office of SFR S.A.

(refer to Note 11 – Equity-accounted securities)

24.3. The Historic Shareholders

From 2011 to 2013, the principal operations with the Vivendi Group and the Vodafone Group were as follows:

Financing by Vivendi S.A.

(in millions of euros)	2013	2012	2011
Under balance sheet liabilities			
Shareholder debt (a)	8,673	7,609	5,461
On the profit and loss account			
Interest linked to shareholder debt	(212)	(170)	(87)

(a) The breakdown of the shareholder debt is presented in Note 20 – Borrowings and financial debts.

Services billed by Vivendi S.A.

(in millions of euros)	2013	2012	2011
Head office costs	(15)	(28)	(26)
Employee benefits	(26)	(32)	(23)
Staff on secondment	(7)	(6)	(6)
Services billed by Vivendi	**(48)**	**(66)**	**(55)**

Operations carried out with the Vodafone Group from January 1 to June 16, 2011

Cooperation with Vodafone: in 2003, Vodafone and SFR S.A. entered into an agreement which enabled them to intensify their cooperation and increase their scale economies in several areas: development and launch of new products and services, reinforcement of operating synergies, notably with regard to purchasing (notably IT and technology) and the sharing of expertise.
SFR S.A. recorded an expense of €21 million for this agreement as of June 30, 2011.
The cooperation agreement with Vodafone was maintained following Vodafone's exit from the share capital of SFR S.A., but no longer falls within the scope of affiliated operations.

Interconnection flow with subsidiaries of the Vodafone Group: as part of the rebilling of flow ("roaming in" and "roaming out"), on June 30, 2011 the Group recorded an income of €23 million and an expense of €13 million vis-à-vis the Vodafone Group.

Other operations undertaken with subsidiaries of the Vivendi Group

(in millions of euros)	2013	2012	2011
Total income	25	24	13
Total expenses	(49)	(61)	(57)

The Canal +, UMG and Maroc Telecom Groups are consolidated within the Vivendi Group. These operations fall within the current business of the Group.

Note 25. Contractual Commitments

The significant contractual commitments made or received by the Group are detailed hereunder:

25.1. Commitments related to Fixed Assets

The amount of contractual commitments for the acquisition of tangible and intangible assets amounted to €888 million as of December 31, 2013. This amount includes commitments linked to the rollout of telecommunications networks.

The schedule of these commitments is as follows:

		Schedule				
(in millions of euros)	Minimum future payments	Under one year	Two to five years	Over five years	2012	2011
Commitments related to Public Service Concessions	72	27	22	23	262	336
Commitments related to MDPA (a)	216	19	99	99	8	-
Other investments (b)	600	582	19	-	702	1,776
Investment commitments	**888**	**628**	**139**	**122**	**972**	**2,112**

(a) Commitments related to the rollout of the FTTH (Fiber-To-The-Home) within the less dense areas

(b) In 2011, the amount includes the commitment to acquire the LTE license, in the amount of €1,065 million.

25.2. Commitments related to the Telecommunications Licenses

	Commitments given	**Amount**	**Maturity**
(a)	UMTS license on French territory	1% of revenues generated	2021-2030
(a)	GSM license on French territory	1% of revenues generated	2021
(a)	LTE license on French territory	1% of revenues generated	2031-2032
(b)	3G network coverage	Not costed	2013
(c)	4G network coverage	Not costed	2023-2027

	Commitments received	**Amount**	**Maturity**
(a)	Network operating and telecommunications service provision authorizations on French territory	Not costed	2021 / 2032

(a) The Group is the holder of operating authorizations for its networks and for the provision of telecommunications services in France, under the following financial conditions:

- payment of a fixed part, either recorded in debt (GSM) or paid at the time of allocation (UMTS and LTE),
- payment of a variable part corresponding to 1% of the revenues generated by these licenses.

(refer to Note 1.3.7 – Intangible assets; Note 9 – Intangible assets).

(b) On November 30, 2009, the ARCEP called on the Group to comply with its obligations to roll out the UMTS networks no later than December 31, 2013, which were to provide a rate of cover of the metropolitan population of 99.3%.
As of December 31, 2013, with 99.3% of the population covered, the Group had fulfilled its coverage obligations.

(c) Within the framework of allocation of the first block of LTE frequencies in October 2011, the Group undertook to respect the rollout obligations for very high-speed mobile in accordance with the timeline below:

- 25% of the metropolitan population by 11 October 2015,

  - 60% of the metropolitan population by 11 October 2019,
  - 75% of the metropolitan population by 11 October 2023.

These coverage obligations may be met by the use of 2.6 GHz frequencies or through the use of other frequencies held by the Group.

Through Decision No. 2012-0039 of the ARCEP dated January 17, 2012, the Group was allocated 2*10 MHz in the 800 MHz band for the sum of €1,065 million. The commitments linked to this allocation are as follows:

- The Group undertook to fulfill the following obligations for rollout of very high-speed mobile:
  - coverage of 98% of the metropolitan population by January 17, 2024 and 99.6% of the metropolitan population by January 17, 2027;
  - coverage in the priority rollout area (around 18% of the metropolitan population and 63% of the territory): the Group must cover 40% of the population of this priority rollout area by January 17, 2017 and 90% of the population of this same area by January 17, 2022;
  - departmental coverage: the Group must cover 90% of the population of each French département by January 17, 2024 and 95% of the population of each département by January 17, 2027.
- SFR and Bouygues Telecom have a mutual obligation to share the network or share frequencies in the priority rollout area.
- The Group has an obligation to host Free Mobile roaming in the priority rollout area when it has covered 25% of the French population with its own network at 2.6 GHz, and if it has not signed a national roaming agreement with another operator.
- The Group must cover, jointly with the other holders of the 800 MHz band, the town centers identified by the public authorities within the framework of the "white areas" program (above 98% of the population) within a maximum period of 15 years.

25.3. Commitments linked to operating lease agreements

The amount of the minimum future rents for operating lease agreements is detailed in the table hereunder:

(in millions of euros)	Minimum future rents	Schedule Under one year	Schedule Two to five years	Schedule Over five years	2012	2011
Land	5	0	2	3	4	5
Buildings	1,842	287	899	656	1,701	1,560
of which administrative premises	*566*	*61*	*206*	*299*	*521*	*585*
technical premises	*1,273*	*226*	*692*	*356*	*1,181*	*952*
Other	159	44	67	48	146	168
Rentals	**2,006**	**331**	**968**	**707**	**1,851**	**1,732**
Buildings	(216)	(40)	(101)	(75)	(109)	(41)
Of which technical rents	*(216)*	*(40)*	*(101)*	*(75)*	*(109)*	*(41)*
Sub-leases	**(216)**	**(40)**	**(101)**	**(75)**	**(109)**	**(41)**
Net Total	**1,790**	**291**	**867**	**632**	**1,742**	**1,691**

The total amount of future technical rents includes rights of way and rents linked to the use of fiber optics. The amount of the net rents recognized for 2013, 2012 and 2011 respectively is €284 million, €276 million and €277 million.

The future finance leasing rent amounts are presented in Note 10.3 – Tangible assets.

25.4. Commitments related to Long-Term Contracts

Commitments related to long-term contracts principally concern contracts for maintenance of the telecommunications network.

(in millions of euros)	Minimum future payments 2013	Schedule Under one year	Schedule Two to five years	Schedule Over five years	2012	2011
Given commitments	178	62	79	37	172	63
Received commitments	(127)	(14)	(50)	(63)	-	(80)
Total	**51**	**48**	**29**	**(25)**	**172**	**(17)**

25.5. Other Commitments

	(in millions of euros)	2013	Schedule	2012	2011
(a)	GSM-R bank guarantees, joint and several guarantees	105	According to construction	92	66
	Other bank guarantees	65	2026	64	90
(b)	Share purchase commitments	16	2026	16	18
	Pledges	84	2017	51	46
	Given commitments	**269**		**223**	**219**
	Other bank guarantees	(1)		(1)	(1)
	Received commitments	**(1)**		**(1)**	**(1)**

(a) This is the Public / Private Partnership (PPP) between the Groups SFR, Vinci, AXA and TDF with Réseau Ferré de France (RFF). (Refer to Note 11 – Equity-accounted securities).

(b) The Group has made unilateral promises to buy back the stakes of a minority financial partner within certain entities. These promises may only be carried out in the event that the entities of the Group do not respect the contractual commitments made upon entering into the shareholders' agreements.

25.6. Employees' Individual Right to Training (DIF)

Law No. 2004-391 of May 4, 2004 on professional training and social dialogue created, for permanent employees, an individual training entitlement of a minimum of 20 hours per year, which can be accumulated over a period of six years but limited to 120 hours. The total volume of training hours corresponding to the rights acquired under the DIF at end 2013, 2012 and 2011 is estimated respectively at 1,184,635 hours, 1,194,180 hours and 1,117,215 hours.

25.7. Contingent Assets and Liabilities

Following the successful takeover bid of June 2008 which enabled the Group to acquire a 96.41% stake in Neuf Cegetel, the Group initiated a squeeze-out procedure for the outstanding shares of Neuf Cegetel. The amounts set aside as compensation for Neuf Cegetel shares, which have not been claimed by the depositary institutions on behalf of rights holders, will be retained by the CACEIS Corporate Trust for ten years from the initiation date of the squeeze-out procedure(June 24, 2008). After this date they will be transferred to the Caisse des Dépôts et Consignations. These funds may be claimed at any time by rights holders subject to the French government's thirty-year prescription period.

Note 26. Litigation

In the normal course of its business, SFR is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings (collectively referred to herein as "Legal Proceedings").

The costs which may result from these proceedings are only recognized as provisions when they are likely to be incurred, and when the obligation can be reasonably quantified or estimated, in which case, the amount of the provision represents our best estimate of the risk, provided that we may, at any time, reassess such risk if events occur during such proceedings.

To the company's knowledge, there are no Legal Proceedings or any facts of an exceptional nature, including to the company's knowledge, any pending or threatened proceedings in which it is a defendant, which may have or have had during the previous twelve months a significant impact on the company's and on its group's financial position, profit, business and property, other than those described below.

All material Legal Proceedings in which SFR is a plaintiff or a defendant are disclosed in this note.

Complaint of Bouygues Telecom against SFR and Orange concerning the call termination and mobile markets

Bouygues Telecom brought a claim before the French Competition Council against SFR and Orange for certain alleged unfair trading practices on the call termination and mobile markets ("price scissoring"). On May 15, 2009, the French Competition Authority (the "Competition Authority") resolved to postpone its decision on the issue and remanded the case for further investigation. On December 13, 2010, SFR was heard on these allegations by the instructing magistrate. On August 18, 2011, SFR received a notification of grievances in which the Competition Authority noted the existence of abusive price discrimination practices. On December 13, 2012, the Competition Authority fined SFR €66 million. SFR appealed against this decision. The case was argued before the Paris Court of Appeal on February 20, 2014.

Following the decision of the Competition Authority of December 13, 2012, Bouygues Telecom, OMEA and El Telecom (NRJ Mobile) brought a claim before the Paris Commercial Court against SFR for damages suffered. They are seeking damages of €623.6 million, €67.9 million and €28.6 million, respectively. SFR strongly disputes the validity and amount of these claims, which Vivendi believes cannot, in any case, exceed €250 million in total. Pending the decision of the Paris Court of Appeal, the mediation process underway in the Paris Commercial Court between Bouygues Telecom and has been suspended.

Complaint against Orange before the French Competition Authority (NRA ZO)

On December 9, 2009, SFR and SFR Collectivités brought a claim before the French Competition Authority against Orange for unfair practices.
Following the filing of this claim, SFR brought a claim for damages before the Paris Commercial Court of (NRA ZO) against Orange.

Complaint against Orange before the Paris Commercial Court (call termination – call origination)

On February 22, 2010, SFR brought a claim against Orange seeking the rescindment of the Orange call origination charge for the period 2006-2007 and its replacement by a charge that is 2% lower for 2006 and 15% lower for 2007.

Complaint by Orange Réunion, Orange Mayotte and Outremer Telecom against SRR

On June 6, 2009, Orange Réunion, Orange Mayotte and Outremer Télécom notified the French Competition Authority about alleged on-net/off-net pricing discrimination practices implemented by SRR on the mobile market in Mayotte and Réunion.

On September 16, 2009, the French Competition Authority (the "Competition Authority") imposed protective measures on SRR, pending its decision on the merits. Following this decision, on June 17, 2013, Outremer Telecom filed a claim before the Paris Commercial Court against SFR and SRR in respect of the consumer market and the business market for damages it claims to have suffered as a result of the practices reported in the notification to the Competition Authority. The Court has issued a stay of these proceedings. On July 12, 2013, SRR received a notification of grievances concerning its practices on the consumer market and did not contest it. The amount of the fine to be imposed on SRR is currently under review by the Competition Authority.

Complaint against Orange before the French Competition Authority
On August 9, 2010, SFR filed a complaint before the French Competition Authority against Orange for anti-competitive practices on the professional mobile market.

Complaint of Orange against SFR before the Paris Commercial Court (overflow case)

In a complaint filed on August 10, 2011, Orange asked the Paris Commercial Court to compel SFR to immediately stop its practices of unfair "overflow" and to order SFR to pay the sum of €309.5 million in penalties established by mutual agreement. SFR is accused of having deliberately organized the overflow onto the Orange network for the purpose of optimizing the economic performance of its own network (undersizing of "PDB" /["BPN"] commands). On December 10, 2013, the Court ordered SFR to pay €22.1 million to Orange. SFR and Orange have appealed this decision.

SFR against Orange: abuse of dominant position on the secondary residence market

On April 24, 2012, SFR filed a complaint before the Commercial Court of Paris against Orange for practices constituting an abuse of its dominant position on the retail market for mobile telephony services to non-residential customers, and seeking damages of between €122 million and €129 million.
On February 12, 2014, the Commercial Court of Paris ordered Orange to pay €51.4 million to SFR for abuse of its dominant position on the secondary residence market.

Free against SFR: unfair competition for non-compliance with provisions inherent to consumer credit in respect of offers with subsidies

On May 21, 2012, Free filed a complaint before the Paris Commercial Court against SFR. Free is challenging the subsidy model associated with SFR's *Carrée* offerings sold over the Internet from June 2011 to December 2012, claiming that it constitutes a consumer credit mechanism and as such, SFR is guilty of unfair practices, by not respecting the provisions inherent to consumer credit including providing prior information to customers. Free has asked, among other things, that the Paris Commercial Court compel SFR to inform its customers, and to award damages of €29 million. On January 15, 2013, the Paris Commercial Court dismissed all of Free's claims and awarded SFR the sum of €0.3 million in damages. On January 31, 2013, Free appealed this decision.

UFC against SFR: abusive clauses

On June 7, 2012, the French Federal Union of Consumers (UFC) filed a complaint before the Paris Court of First Instance (Tribunal de Grande Instance*)* against SFR alleging that the general conditions of use of SFR's *La Carte* offering contain abusive clauses. The UFC is seeking the removal of these clauses and damages.

SFR against Orange (ZND case)

On November 26, 2012, SFR notified the French Competition Authority about practices constituting an abuse of dominant position on the retail high-speed internet access market in non-unbundled areas.

CLCV summons against SFR

On January 7, 2013, the French consumer protection association, CLCV (Consumption housing and quality of life) filed a complaint before the Paris Tribunal of First Instance against SFR.

The CLCV considers certain clauses contained in the general conditions of subscription of SFR (as well as those of other telephone operators) to be abusive and is seeking the removal of such clauses. It is also seeking compensation for the collective loss.

Employee litigation arising from the transfer of customer relations centers in Toulouse, Lyon and Poitiers

Following the transfer of the customer relations centers located in Toulouse and Lyon to the company Infomobile, and of the center in Poitiers to a subsidiary of the Bertelsmann Group, former employees of these sites filed complaints with the industrial tribunals (Conseils des Prud'hommes) of each of these cities, claiming unfair execution of their employment contracts and fraudulent breach of Article L.1224-1 of the French Labor Code and of the legal provisions relating to dismissal on economic grounds. The findings of the courts on this issue in 2013 were not consistent; the Toulouse Court of Appeal sanctioned the SFR and Téléperformance groups in half the cases, while the courts of Lyon and Poitiers rendered judgments which were favorable to SFR. The cases are at different stages of proceedings: industrial tribunal, Court of Appeal and Supreme Court.

Disputes with independent distributors (Consumers and SFR Business Team)

SFR, like other companies that use an indirect distribution model, faces complaints by its distributors, and almost systematically, by its former distributors. These recurring disputes concern the abrupt termination of the contractual relationship, the abuse of economic dependency and/or requests for reclassification of a distributor as commercial agent, and, more recently, applications for reclassification of a manager as a branch manager and reclassification of the employment contracts of the employees working at these points-of-sale as employment contracts with SFR . Following several adverse rulings of the Supreme Court in relation to the status of branch managers, various Courts of Appeal have recently issued a number of decisions favorable to SFR. With regard to the reclassification of employment and sales contracts in these disputes, apart from a few exceptions, SFR has benefited from favorable case law.

Note 27. List of Combined Entities

Company	Country Registered office	Group interests			Method (1)		
		2013	2012	2011	2013	2012	2011
SFR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SIG 50 SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications BV	Netherlands	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Italie Srl	Italy	100.0%	100.0%	100.0%	FC	FC	FC
LD Communications Suisse SA	Suisse	100.0%	100.0%	100.0%	FC	FC	FC
2SID SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
2SIP SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Cinq sur Cinq SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Ariège Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Buzz SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Cap Connexion SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
CID SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Debitex Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Efixo SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Eur@seine SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
FOD SNC	France	100.0%	100.0%	100.0%	FC	FC	FC
Futur Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Gravelines Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Haut-Rhin Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Loiret THD SAS	France	100.0%	-	-	FC	-	-
MACS THD SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Opalys Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Rennes Métropole Telecom SAS	France	100.0%	100.0%	100.0%	FC	FC	FC

Rimbaud Gestion B SCI	France	100.0%	-	-	FC	-	-
Foncière Velizy SCI	France	100.0%	100.0%	-	FC	FC	-
SFCM SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Collectivités SA	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Développement SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SID SCS	France	100.0%	100.0%	-	FC	FC	-
SNBL SA	France	100.0%	100.0%	-	FC	FC	-
SRR SCS	France	100.0%	100.0%	100.0%	FC	FC	FC
SHD SA	France	100.0%	100.0%	100.0%	FC	FC	FC
LTBR SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
Pays Voironnais Network Part. SAS	France	100.0%	100.0%	100.0%	FC	FC	FC
SFR Service Client SA	France	100.0%	100.0%	100.0%	FC	FC	FC
Iris 64 SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Manche Telecom SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Medi@lys SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Teloise SAS	France	70.0%	70.0%	70.0%	FC	FC	FC
Alsace Connexia Part. SAS	France	61.9%	61.9%	61.9%	FC	FC	FC
Synerail Exploitation SAS	France	60.0%	60.0%	60.0%	FC	FC	FC
Inolia SA	France	60.0%	60.0%	60.0%	FC	FC	FC
Moselle Telecom Part. SAS	France	56.0%	56.0%	56.0%	FC	FC	FC
Comstell SAS	France	50.0%	50.0%	50.0%	FC	FC	FC
Alsace Connexia SAS	France	43.3%	43.3%	43.3%	FC	FC	FC
Moselle Telecom SAS	France	39.2%	39.2%	39.2%	FC	FC	FC
Irisé SAS	France	25.0%	25.0%	25.0%	FC	FC	FC
Foncière Rimbaud 3 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 4 SAS	France	50.0%	100.0%	100.0%	EA	FC	FC
Foncière Rimbaud 1 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Foncière Rimbaud 2 SAS	France	50.0%	50.0%	50.0%	EA	EA	EA
Dokeo TV SAS	France	50.0%	-	-	EA	-	-
La Poste Telecom SAS	France	49.0%	49.0%	49.0%	EA	EA	EA
Nomotech Finances SAS	France	48.5%	48.5%	48.5%	EA	EA	EA
Numergy SAS	France	46.7%	46.7%	-	EA	EA	-
Synerail Construction SAS	France	40.0%	40.0%	40.0%	EA	EA	EA
VOD Factory SAS	France	40.0%	-	-	EA	-	-
Fischer Telecom SAS	France	34.0%	34.0%	34.0%	EA	EA	EA
Synerail SAS	France	30.0%	30.0%	30.0%	EA	EA	EA
Webwag SAS	France	27.0%	27.0%	27.0%	EA	EA	EA
Buyster SA	France	25.3%	25.6%	26.0%	EA	EA	EA
Ocealis SAS	France	25.0%	25.0%	25.0%	EA	EA	EA
AF 83 SAS	France	24.6%	24.6%	24.6%	EA	EA	EA
Sud Partner SARL	France	24.0%	24.0%	24.0%	EA	EA	EA
Sofialys SAS	France	23.8%	26.0%	24.5%	EA	EA	EA
Idenum SAS	France	21.0%	-	-	EA	-	-
Velizy Invest Eurl	France	nc	100.0%	-	nc	FC	-
Supertec SAS	France	nc	26.2%	26.2%	nc	EA	EA
M2M Solution SAS	France	nc	23.4%	23.4%	nc	EA	EA
FCT TEMA	France	nc	nc	100.0%	nc	nc	FC
Neuf Assistance SAS	France	nc	nc	100.0%	nc	nc	FC
Neuf Center SAS	France	nc	nc	100.0%	nc	nc	FC
Digitick SA	France	nc	nc	27.5%	nc	nc	EA

(1) FC = Full combination; EA = Equity-Accounted; nc = not combined

At December 31, 2011, there remained one Dutch company (SPADIX BV) specifically created under the lease / sublease agreements entered into in 2001, in which the combined group has no shareholding. This company departed from the scope of combination in 2012.

Note 28. Subsequent Events

On January 31, 2014, SFR and Bouygues signed a strategic network sharing agreement. The two operators are to roll out a new shared mobile network over an area covering 57% of the population. This agreement will enable both operators to improve their mobile coverage and generate significant savings. The agreement is effective upon signature with the creation of a joint venture, and the shared network is expected to be completed by the end of 2017. This agreement had no impact on the combined financial statements as of December 31, 2013. Pending its implementation, this agreement represents a net commitment received by SFR of approximately €460 million, which applies over the entire duration of the long-term agreement.

On February 13, 2014, Vivendi announced it had entered into exclusive negotiations with the Belgacom Group in order to acquire 100% of the shares of Groupe Telindus France. Groupe Telindus France is one of the leaders in the French telecoms integration and ICT (Information and Communication Technology) market, and is the leading Cisco distributor in France. Telindus France aims to reinforce the Vivendi French telecoms segment alongside SFR, which will thus considerably strengthen its presence on the adjacent market of telecoms integration and will enable to offer new services to its corporate clients in addition to the offers from SFR Business Team.

Within the framework of its public service outsourcing activity since 2004 in Oise dèpartement, the Group has committed to launching a new project "Oise THD" ("Oise Very High Speed Internet") for the operation and marketing of 280,000 FTTH outlets. The contract is to be signed in March 2014. The total commitment should amount to €125 million over 15 years.

ORANGE DOMINICANA, S.A.

Standalone Financial Statements

As of and for the two years ended December 31, 2013

Deloitte

Deloitte & Associes
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
(Téléphone : + 33 (0) 1 40 88 28 00)
Télécopieur : + 33 (0) 1 40 88 28 28
www.deloitte.fr

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Orange Dominicana

We have audited the accompanying balance sheets of Orange Dominicana (the "Company") as of December 31, 2013 and 2012, and the related statements of income, stockholders' 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, 2013 and 2012, 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

Deloitte & Associés

Neuilly-sur-Seine, France
March 7, 2014

Société anonyme au capital de 1 723 040 €
Société d Expertise Comptable Inscrite au Tableau de l'Ordre du Conseil Régional de Paris Ile-de France
Société de Commissaires aux Comptes membre de la Compagnie régionale de Versailles
572 028 041 RCS Nanterre
TVA FR 02 572 028 041

Member of Deloitte Touche Tohmatsu Limited

ORANGE DOMINICANA, S. A

Financial Statements

December 31, 2013

Orange Dominicana, S. A.
Income Statement
Years ended December 31, 2013 and 2012
(Amounts expressed in Dominican pesos-RD$)

	2013	2012
Revenues (note 4)	24,404,724,867	22,754,373,505
Cost and operating expenses:		
Cost of equipment sold (note 8)	(3,258,891,193)	(3,000,109,167)
Selling, distribution and traffic costs (note 9)	(6,262,609,226)	(5,861,191,549)
Advertising and sponsoring costs	(875,449,137)	(937,385,613)
Offices and technical sites costs	(623,094,846)	(563,689,755)
Labor expenses (note 14)	(1,233,892,484)	(1,174,728,970)
Corporate fees	(628,491,262)	(582,695,613)
Maintenance costs	(328,775,415)	(331,814,892)
Other costs and income (note 10)	(2,343,587,573)	(2,572,513,250)
Depreciation and amortization (notes 15 and 16)	(3,518,263,738)	(3,509,204,978)
Total cost and operational expenses	(19,073,054,874)	(18,533,333,787)
Income from operations	5,331,669,993	4,221,039,717
Non-operating income (expenses)		
Bank commissions	(75,695,527)	(70,778,482)
Interest income	17,884,697	36,522,740
Foreign currency exchange gains (losses)	26,306,025	69,838,887
Other	(13,204,429)	(20,423,571)
	(44,709,234)	15,159,574
Profit before income tax	5,286,960,759	4,236,199,291
Income tax (note 18)	(1,389,934,101)	(789,931,748)
Net income	3,897,026,658	3,446,267,543

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.
Statement of Financial Position
As of December 31, 2013 and 2012
(Amounts expressed in Dominican pesos-RD$)

	2013	2012
Non-current assets:		
Intangible assets, net (note 15)	2,113,374,919	2,211,688,949
Property, plant and equipments, net (note 16)	13,689,442,150	13,873,521,204
Other assets	54,734,720	55,133,105
Deferred tax (note 18)	1,806,330,478	1,622,149,160
Total non-current assets	17,663,882,267	17,762,492,418
Current assets:		
Inventories (note 11)	1,034,348,663	882,961,123
Trade receivables (note 5)	1,832,887,111	1,937,408,905
Other receivables (note 6)	2,972,515,059	629,454,718
Income tax receivable (note 18)	—	235,499,637
Prepaid expenses	255,837,525	197,925,846
Cash and cash equivalents (notes 19 and 28)	1,038,925,338	1,159,590,768
Total current assets	7,134,513,696	5,042,840,997
Total assets	24,798,395,963	22,805,333,415
Shareholders' equity (notes 20, 21 and 22):		
Share capital	5,800,000,000	5,800,000,000
Legal reserve	580,000,000	580,000,000
Retained earnings	11,918,347,226	9,863,289,584
Shareholders' equity, net	18,298,347,226	16,243,289,584
Non-current liabilities (note 17)	632,107,351	644,675,778
Current liabilities:		
Trade payables (notes 12, 24 and 28)	3,252,122,915	3,504,651,801
Other current liabilities (note 13)	721,042,519	697,728,614
Deferred income (note 7)	1,597,303,273	1,714,987,638
Income tax payable (note 18)	297,472,679	—
Total current liabilities	5,867,941,386	5,917,368,053
Total liablities and shareholders' equity	24,798,395,963	22,805,333,415

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.
Statements of Cash Flows
Years ended December 31, 2013 and 2012

Amounts expressed in Dominican pesos-RD$)

	2013	2012
Reconciliation of the net income and net cash provided from operating activities:		
Net income	3,897,026,658	3,446,267,543
Adjustments to reconcile net profit with net cash provided by operating activities:		
Depreciation and amortization	3,518,263,738	3,509,204,978
Gains (losses) on disposals	14,420,020	761,266
Change in provisions (litigations, dismantling and others)	(87,395,724)	67,719,013
Deferred income tax, net	(184,181,318)	(332,500,700)
Changes in inventories, account receivables and payables:		
Inventories, net	(151,387,541)	104,653,055
Trade receivables, net	104,521,795	(59,018,416)
Other receivables	(2,343,060,340)	(2,637,465)
Trade payables, net	(239,147,901)	(483,375,373)
Other changes in working capital requirements		
Prepaid expenses	(57,911,680)	25,398,475
Non-current assets	398,385	(2,114,147)
Non-current liabilities	23,145,409	8,419,337
Other current liabilities	23,313,905	47,427,001
Deferred income	(117,684,366)	41,647,217
Income tax payable	532,972,315	624,977,760
Net cash provided by operating activities	4,933,293,355	6,996,829,544
Cash flows from investment activities:		
Purchase of fixed tangible and intangible assets	(3,198,608,785)	(3,637,115,310)
Net cash used in investing activities	(3,198,608,785)	(3,637,115,310)
Cash flows from financing activities		
Dividends paid	(1,855,350,000)	(3,344,780,000)
Net cash used in financing activities	(1,855,350,000)	(3,344,780,000)
Net increase (decrease) in cash and cash equivalents	(120,665,430)	14,934,234
Cash and cash equivalents at the beginning of the year	1,159,590,768	1,144,656,534
Cash and cash equivalents at the end of the year	1,038,925,338	1,159,590,768

The notes (1 to 30) are an integral part of these financial statements.

Orange Dominicana, S. A.
Statements of Changes in Equity
Years ended December 31, 2013 and 2012
(Amounts expressed in Dominican pesos-RD$)

	Capital	Legal Reserve	Retained Earnings	Total
Balance as of 12/31/2011	**1,752,869,800**	**175,286,980**	**14,213,645,261**	**16,141,802,041**
Net income	—	—	3,446,267,543	3,446,267,543
Dividends paid (note 22)	—	—	(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 as of 12/31/2012	**5,800,000,000**	**580,000,000**	**9,863,289,584**	**16,243,289,584**
Net income	—	—	3,897,026,658	3,897,026,658
Dividends paid (note 22)	—	—	(1,855,350,000)	(1,855,350,000)
Others	—	—	13,380,984	13,380,984
Balance as of 12/31/2013	**5,800,000,000**	**580,000,000**	**11,918,347,226**	**18,298,347,226**

The notes (1 to 30) are an integral part of these financial statements.

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., 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 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, 2013;
- 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	Property, Plant and Equipment	Measurement of property, plant and equipment and intangible assets at historical cost
IAS 38	Intangible Assets	

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

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, 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.

The underlying assumptions used for significant estimates are outlined below:

Estimate		Nature of estimate
Note 2.3	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 onthe 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 2.5	Purchases and other expenses	Provision for claims and litigation: assumptions underlying legal assessment and risk measurement.
Note 2.10.2	Property, plant and equipment, intangible assets	Assessment of assets' useful life based on assessment of the technological, legal or economic environments.
Note 2.11	Income tax ISR	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.

2 Accounting policies

2.1 Financial statements preparation principle

Income statement

Expenses are presented in the income statement based on their nature.

Operating income corresponds to net income before:

- Finance income;
- Finance costs;
- Income tax (current and deferred taxes).

2 Accounting policies (Continued)

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 twelvemonths are classified as current whereas, assets and liabilities with a term of more than twelve months are classified as non-current.

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).

2.2 Foreign operations

The amounts in financial statements are expressed in Dominican pesos. All of the amounts of assets and liabilities in foreign currency are translated into Dominican pesos, at the rate in effect of the date of the financial statements. Transactions of revenues, expenses and others, occurred during current years are translated at the rate in effect on the date of the transaction. Gain and losses resulting from the differences between exchange rates are included as other income (expenses) in the accompanying income statements.

As of December 31, 2013 and 2012, the exchange rates used to exchange the amounts in foreign currency were RD$42.78 and RD$40.25 per US$1.00, respectively for cash, accounts receivable and accounts payable; Euro rate is RD$59.52 and RD$53.78 per €1.00, respectively.

2.3 Revenues

Revenues from ODO's activities are recognized as follows:

2.3.1 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 contingent upon the rendering of telecommunication services, i.e. the amount paid by the customer for the handset.

2 Accounting policies (Continued)

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.

2.3.2 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.

2.3.3 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 bý 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.

2.3.4 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.

2.4 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.

2 Accounting policies (Continued)

2.5 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.

Financing expenses

Expenses from commissions, foreign currency exchange and other financing expenses are recorded with charge to the period result.

2.6 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.

2.7 Trade payables

Payables are recorded at their nominal value.

2.8 Provisions and contingent liabilities

2.8.1 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.

2.8.2 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 Accounting policies (Continued)

2.9 Employee benefits

Labor costs are expensed as incurred including social costs contributed by the Company in accordance with the law 87-01.

This law establishes that the employer will contribute to the financing of the contributing regime, as much for old aged insurance; handicaps (AFP) with 7.10% and family health (SFS) with 7.09% based on the wages and the employee will cover 2.87% and 3.04% respectively.

Employees are not provided with postemployment benefits.

2.10Intangible assets, property, plant and equipment

2.10.1 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.

2.10.2 Property, plant and equipments

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.

2.10.3 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

2 Accounting policies (Continued)

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 Lives in Years
Licences	3 - 5
Frequencies	10 - 15
IRU (Indefeasible rights of use)	10 - 15
Buildings	30
Antennas and technical equipment installed (sites)	8 - 28
Other technical equipment	3 - 8
Office material and software	3 - 5
Office furniture and equipment	5 - 10
Leased improvements	10

2.10.4 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.

2.11Financial instruments

The International Financial Reporting Standards (IFRS) require the disclosure of the estimated value of financial instruments, when it is practical to estimate their fair market value. The method and assumptions used to estimate the fair value of the active financial instruments like cash and cash equivalents, trade accounts receivable and payable, consisted in the approximate book value given the short expiration time of these instruments.

2.12Income 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.

2.13Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturity at the date of acquisition of three month or less.

3 Financial risk management

The Company is exposed to the following risks related to the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

3.1 Credit Risk

It is the risk of financial loss of the company if a client or the counterpart of a financial instrument, do not fulfill its contractual obligations. It comes from Cash and Receivables accounts mainly. This risk is primarily impacted by the quality and characteristics of every client.

The revenues of the Company are the results from the telecommunication services and the sale of mobiles. Accounts receivable arise with the billing to our customers and sales to wholesalers and distributors.

The company estimates the potential losses on the trade receivable accounts and other receivables based on specific components related to individual characteristics for which there is a reserve for bad debt.

3.2 Liquidity Risk

It is the risk that the company does not meet its financial obligations when dues. The policy of the company in regards to the management of the liquidity risk is to have, to the extent possible, sufficient liquidity to redeem all the current liabilities at their corresponding maturities, under normal circumstances as well as in economic crisis also without having to incur in unacceptable losses or risk damaging the company's reputation.

3.3 Market Risk

It is the risk of changes in the market price (or rates) such as exchange rates of foreign currency and interest rates that might have an impact on the net results or the value of the financial instruments owned by the company. The objective of this management is to control the exposure to this risk within acceptable parameters while improving the return of this risk.

The company is exposed to the foreign exchange risk in the purchase of goods and services denominated in dollars (US$) and euros (EUR), which are currencies different from the reporting currency of the company, as well as for keeping assets and liabilities in those currencies without having a financial instrument to cover the exchange risk.

4 Revenues

A detail of revenues as of December 31,2013 and 2012 is as follows:

	2013	2012
Mobile	20,503,053,000	19,436,051,000
Wholesale	1,815,813,000	1,662,445,000
Internet	644,159,000	507,036,000
Equipment	1,151,349,000	866,134,000
Other	290,350,867	282,707,505
	24,404,724,867	22,754,373,505

5 Trade receivables

A detail of the trade receivables as of December 31,2013 and 2012 is as follows:

	2013	2012
Customers (gross)	2,293,630,201	2,424,943,725
Provision for doubtful accounts	(460,743,090)	(487,534,820)
Customers (net of provision)	**1,832,887,111**	**1,937,408,905**

A detail of accounts receivables with an aging as of December 31, 2013 and 2012 is as follows:

	2013	2012
Not due or less than 30 days	1,438,538,202	1,251,365,210
Between 30 and 60 days	238,936,495	654,176,575
Between 60 and 90 days	106,597,280	181,345,679
More than 90 days	509,558,224	338,056,261
	2,293,630,201	**2,424,943,725**

ODO 2012 figures have been restated in order to make possible the comparability between years 2013 and 2012. The restatement consisted in a netting between the trade receivables and the trade payables for an amount of RD$633,372,811.

6 Other receivables

A detail of the other receivables as of December 31, 2013 and 2012 is as follows:

	2013	2012
Advances to suppliers	171,599,490	296,156,659
VAT	216,507,994	158,393,560
Cash pooling—current account	2,566,699,740	135,623,414
Others	17,707,835	39,281,085
	2,972,515,059	**629,454,718**

7 Deferred Income

A detail of deferred income as of December 31, 2013 and 2012 is as follow:

	2013	2012
Prepaid telephone cards	906,677,451	768,069,643
Loyalty program	481,072,839	511,072,839
Monthly fee	119,517,977	130,045,686
Handsets	91,950,897	237,384,310
Sim cards	(1,915,891)	68,415,160
	1,597,303,273	1,714,987,638

8 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). A detail of cost of equipment sold as of December 31, 2013 and 2012 is as follow:

	2013	2012
Terminals	(3,005,732,352)	(2,691,685,132)
SIM cards	(117,495,603)	(134,380,975)
Import duties and freight costs	(95,833,246)	(123,264,823)
Phone cards	(37,918,765)	(50,750,362)
Accessories	(167,880)	168,291
Other	(1,743,347)	(196,166)
	(3,258,891,193)	**(3,000,109,167)**

9 Selling, distribution and traffic costs

A detail of the selling, distribution and traffic costs as of December 31, 2013 and 2012 is as follows:

	2013	2012
Selling and distribution costs	(2,280,230,331)	(2,181,628,470)
National voice mobile terminations	(1,798,145,387)	(1,766,511,266)
National voice fixed line terminations	(170,473,269)	(222,273,638)
International terminations	(501,946,684)	(497,571,059)
Data terminations (SMS)	(227,304,467)	(215,589,932)
International roaming	(66,724,930)	(76,658,280)
Other	(1,217,784,156)	(900,958,904)
	(6,262,609,226)	**(5,861,191,549)**

10 Others costs and income

A detail of the other costs and income as of December 31, 2013 and 2012 is as follows:

	2013	2012
Other income	192,711,837	127,281,750
Purchase of services	(442,714,740)	(453,543,414)
Network energy	(509,614,096)	(432,777,929)
Consulting, contractors & prof. serv.	(258,883,238)	(309,892,025)
Bad debt expense	(183,177,721)	(212,931,032)
IT expenses	(169,508,120)	(178,198,199)
Temporary staff / interim net[a]	(77,145,048)	(78,477,569)
Purchases of supplies	(133,406,463)	(137,764,003)
Operating tax	(49,702,291)	(137,062,235)
Other	(712,147,693)	(759,148,594)
	(2,343,587,573)	**(2,572,513,250)**

(a) The temporary labor expenses attributable to the network development are net of costs capitalized (RD$ 89,832,817 and RD$ 71,335,720, respectively for 2013 and 2012).

11 Inventories

As of December 31, 2013 and 2012, inventories are composed of equipments, accessories and prepaid cards and a detail of the same is as follows:

	2013	2012
ODO's warehouse	933,564,620	572,890,663
ODO's distributors (dealers)	100,784,043	310,070,460
	1,034,348,663	**882,961,123**

12 Trade payables

A detail of trade payables as of December 31, 2013 and 2012 is as follows:

	2013	2012
Fixed assets and operating suppliers	1,974,180,451	2,476,250,462
Related companies (see note 24)	327,464,583	314,449,212
Distributors (dealer)	175,108,372	164,294,562
Merchandises suppliers	646,847,845	540,481,470
Others	128,521,664	9,176,095
	3,252,122,915	**3,504,651,801**

ODO 2012 figures have been restated in order to make possible the comparability between years 2013 and 2012. The restatement consisted in a netting between the trade receivables and the trade payables for an amount of RD$633,372,811.

13 Other current liabilities

A detail of the other current liabilities as of December 31, 2013 and 2012 is as follows:

	2013	2012
Taxes and VAT	464,918,913	455,803,544
Staff bonuses	228,037,124	213,293,578
Vacations and other	28,086,482	28,631,492
	721,042,519	**697,728,614**

14 Labor expenses

A detail of labor expenses as of December 31, 2013 and 2012 is as follows:

	2013	2012
Salaries and wages[a]	(766,797,062)	(758,861,075)
Employee profit sharing	(181,597,181)	(167,749,604)
Social contribution	(156,712,236)	(143,296,628)
Others	(128,786,005)	(104,821,663)
	(1,233,892,484)	(1,174,728,970)

---

[a] According to the Company's policies and standards, personnel expenses that work at Network development are capitalized at the project for which such personnel is working. As of December 31, 2013 and 2012 the capitalized amounts for this concept are for RD$296,338,497 and RD$266,039,069, respectively.

15 Intangible assets

A detail of intangible assets as of December 31, 2013 and 2012 is as follows:

	2013				
	Frequencies	Software licenses & IRU	Rights of use corporate solutions	Total	2012
Acquisition cost at beginning of the year	1,192,676,947	4,094,656,072	132,852,964	5,420,185,983	4,782,110,362
Acquisition	—	571,843,256	20,830,486	592,673,742	696,046,488
Disposals	—	(9,204,595)	—	(9,204,595)	(14,352,199)
Reallocations	(1,213,414)	(81,673,682)	—	(82,887,096)	(43,618,668)
	1,191,463,533	4,575,621,051	153,683,450	5,920,768,034	5,420,185,983
Minus:					
Amortization beginning of the year	(593,324,201)	(2,525,276,116)	(89,896,717)	(3,208,497,034)	(2,534,475,883)
Depreciation expense	(164,000,969)	(537,019,777)	(19,951,667)	(720,972,413)	(688,373,350)
Disposals	—	9,204,595	—	9,204,595	14,352,199
Reallocations	1,213,414	111,658,323	—	112,871,737	—
	(756,111,756)	(2,941,432,975)	(109,848,384)	(3,807,393,115)	(3,208,497,034)
	435,351,777	1,634,188,076	43,835,066	2,113,374,919	2,211,688,949

For the period ended December 31, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 70. ODO stopped the Hyperinflation restatement in the year 2006.

16 Property, plant and equipments

As of December 31, 2013 and 2012, a detail and movement of property, plant and equipments, is as follows:

	2013						
	Lands	Buildings	Network and transmition equipment	IT infrastructure	Others assets	Total	2012
Acquisition cost at the beginning of the year	158,783,979	1,720,670,474	25,760,775,863	2,159,692,072	188,739,491	29,988,661,879	27,229,194,068
Acquisition	—	138,461,731	2,134,286,957	321,717,199	11,469,338	2,605,935,225	2,941,068,823
Disposals	—	(14,464,500)	(23,727,600)	(4,732,703)	(23,197)	(42,948,000)	(91,446,590)
Reallocations	1,522,130	(72,112,894)	(1,198,124,642)	(123,916,851)	(3,969,652)	(1,396,601,910)	(90,154,421)
	160,306,109	1,772,554,811	26,673,210,578	2,352,759,717	196,215,980	31,155,047,195	29,988,661,879
Accumulated depreciation							
Beginning of the year	—	(814,069,448)	(13,670,410,515)	(1,529,631,424)	(101,029,288)	(16,115,140,675)	(13,384,994,371)
Depreciation expense	—	(249,827,873)	(2,283,638,600)	(248,688,454)	(15,136,398)	(2,797,291,325)	(2,820,831,628)
Disposals	—	44,480	23,727,600	4,732,703	23,217	28,528,000	90,685,324
Reallocations	—	70,590,764	1,219,821,688	123,916,851	3,969,652	1,418,298,955	—
	—	(993,262,077)	(14,710,499,827)	(1,649,670,324)	(112,172,817)	(17,465,605,045)	(18,115,140,675)
	160,306,109	779,292,734	11,962,710,751	703,089,393	84,043,163	13,689,442,150	13,873,521,204

For the period ended December 31, 2013, the reallocations mainly comprise a reclassification between gross value and depreciation due to hyperinflation effect for an amount of MDOP 1,461. ODO stopped the Hyperinflation restatement in the year 2006.

17 Non-current liabilities

A detail of the non-current liabilities as of December 31, 2013 and 2012 is as follows:

	2013	2012
Customer deposit	213,025,325	203,084,345
Provisions	259,834,847	343,923,698
ARO provisions	159,247,179	97,667,735
	632,107,351	644,675,778

18 Income Tax

The tax expense shown in the income statement as of December 31, 2013 and 2012 is as follows:

	2013	2012
Current Income Tax	(1,625,181,190)	(1,462,560,892)
Deferred Income Tax	184,181,317	332,500,698
Dividends Credits	—	329,753,087
Tax credits from Law 57-2007 incentives	51,065,771	10,375,360
	(1,389,934,101)	(789,931,748)

The reconciliation between the profit before income tax as per the income statements, and the income tax expense is as follows:

	2013	2012
Profit before income tax	**5,286,960,759**	**4,236,199,291**
29% Income tax rate on profit before income tax	(1,533,218,620)	(1,228,497,795)
Tax effect of:		
Dividends credits	—	329,753,087
Inflation adjustment applied to depreciable fixed assets	180,034,077	168,732,345
Effect of change in tax rate on deferred income tax	(15,882,170)	46,475,938
Adjustment to current tax of prior year	9,418,271	(63,714,428)
Other	(30,285,660)	(42,680,895)
Effective income tax	(1,389,934,101)	(789,931,748)
Effective tax rate	**26.3%**	18.6%

The reconciliation of the income tax payable/receivable as of December 31, 2013 and 2012 is as follows:

	2013	2012
Advances of the period	1,003,996,777	497,442,249
Prior year tax credit carried forward	272,645,963	796,762,816
Tax credit from Law 57-2007 incentives	51,065,771	10,387,949
Credit arising from dividends withholdings	—	329,753,087
Current tax provision	(1,625,181,190)	(1,398,846,464)
	(297,472,679)	**235,499,637**

18 Income Tax (Continued)

The deferred income tax as of December 31, 2013 and 2012 is composed as follows:

	2013		2012	
	Balance Sheet	Income Statement	Balance Sheet	Income Statement
Deferred tax assets				
Provisión for Loyalty Program . . .	129,889,667	8,100,000	137,989,667	15,151,457
Depreciable fixed assets	1,275,118,503	(174,222,770)	1,100,895,733	(257,394,884)
Provisión for bad debts	162,720,514	(14,886,601)	147,833,913	(14,097,955)
Provisión inventory obsolescence .	—	21,801,449	21,801,449	(774,224)
Other provisions	340,909,820	(15,574,814)	325,335,006	(50,898,550)
Vacations and incentives provisión	10,059,344	(348,063)	9,711,281	1,119,279
Deferred revenues /cost		1,878,678	1,878,678	(10,349,938)
Exchange difference	409,220	(409,220)	—	1,554,733
	1,919,107,069	(173,661,342)	1,745,445,727	(342,060,370)
Deferred tax liabilities	—			
Exchange difference	—	(967,120)	(967,120)	—
Deferred revenues/costs	(291,969)	—	—	—
Effect of IAS29 adjustment	(112,484,622)	(9,844,825)	(122,329,447)	9,559,672
	(112,776,591)	(10,519,975)	(123,296,567)	9,559,672
Net deferred tax	1,806,330,478	(184,181,317)	1,622,149,160	(332,500,698)

19 Cash and cash equivalents

A detail of cash and cash equivalents as of December 31, 2013 and 2012 is as follows:

	2013	2012
Cash on hand	1,357,000	944,811
Cash at banks	1,037,568,338	1,158,645,957
	1,038,925,338	1,159,590,768

20 Share capital

The General Assembly of Shareholders decided on December 19, 2012 the capitalization of retained earnings to increase the authorized capital by adding 38,000,000 shares. Therefore the new amount of shares is 58,000,000 at RD$100 each.

As of December 31, 2013 and 2012 the outstanding capital paid is composed by 58,000,000 shares for a total amount of RD$5,800,000,000.

21 Legal reserve

The Commercial Code of the Dominican Republic in its article number 58 provides that the Company appropriate no less than 5% annually of net annual result until the total appropriated amount equals 10% of paid in capital. This reserve cannot be capitalized, transferred to retained earnings or to use to pay dividends.

22 Remittance of dividends

ODO shareholders meeting approved the payment of dividends in May 2013 for a total amount of RD$1,855,350,000.

In November 2012 was enacted the law 253-12 of fiscal reform, establishing that dividend payments will be subject to withholding and payment of 10% of income tax as a unique payment, but not constitute anymore a tax credit for the Company.

23 Foreign currency balances

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.

	2013	2012
Revenues:		
DOP	17,802,800,534	16,471,989,318
EUR	207,730,868	265,314,558
USD	6,394,193,465	6,017,069,386
Multi currencies (Gas & Electricity)	—	242
	24,404,724,867	22,754,373,505
Operating expenses:		
DOP	5,785,647,203	5,829,181,877
EUR	1,078,234,834	1,077,968,440
USD	8,124,416,046	7,581,584,880
Multi currencies (Gas & Electricity)	566,493,055	535,393,613
	15,554,791,137	15,024,128,810
Fixed assets acquisitions:		
DOP	1,973,936,902	1,533,906,442
EUR	580,512,336	901 ,068,402
USD	644,159,547	1,202,140,466
	3,198,608,785	3,637,115,310

24 Balances and transactions with related parties

The Company made transactions and keeps balances with related parties as part of the normal operations business. Detail of the most significant transactions and balance with related companies as of December 3l, 2013 and 2012 are as follows:

	2013	2012
Balances:		
Accounts receivable[a]	23,797,027	29,223,556
Cash pooling-current account[a]	2,566,699,740	164,846,970
Accounts payable	(327,464,583)	(314,449,212)
Transactions:		
Revenue (traffic, interconnection and other income)	239,872,138	218,902,968
Selling distribution and traffic coast	(87,279,542)	(66,186,204)
Brand fees[b]	(376,940,510)	(351,549,524)
Corporate management fees[c]	(251,550,752)	(231,146,089)
General maintenance and services	(14,988,993)	(9,896,989)
Other operational expenses, net	(66,568,920)	(102,414,970)
Other operational income	195,501	12,636,008

(a) In February 2009, Orange S. A. and ODO signed a centralized treasury management agreement (CTMA). Orange S. A. thus optimizes the Group liquidity .ODO lends or borrows tits cash surplus/needs through a current account with Orange S. A.

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 S. A. and are charged using a 1.03% on the monthly contributive operational revenue in 2012.

25 Unrecognized contractual commitments

As at December 31, 2013 and 2012 the contractual commitments are as follows:

Leasing commitments

The Company keeps operating rent agreements with enterprises and physical persons for the concept of commercial offices rent, parking, housing, and signal transmission antennas. Almost always these agreements are automatically renewable and are monthly, quarterly or four-monthly paid. During the years ended as of December 2013 and 2012, the Company paid for this concept the amounts of RD$632,221,641 and RD$563,689,755, respectively. The commitment for 2014 for this concept is an estimated RD$604,992,425.

	1 year	1 to 5 years	over 5 years	Total
Rental commitments by year of expiration	604,992,425	1,405,898,412	433,504,377	2,444,395,214

25 Unrecognized contractual commitments (Continued)

Other purchase and investment commitments

A detail of other purchase and investment commitments as of December 31, 2013 is as follows:

	2013
Other opex commitments	400,809,386
Capex commitments	1,122,622,135
Handset purchase commitments	1,095,445,309

- Other opex commitment are relating to marketing, network, gas distribution and civil engineering.
- Capital expenditures mainly related to network projects.

26 Litigation

As of December 31, 2013, ODO is party of 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.

27 Financial Instruments

The financial risks to which the Company is exposed are presented in the following paragraphs.

Foreign exchange risks

The Company is exposed to risk profit or loss in the fluctuation of the exchange rates of foreign currencies that arise, principally the US dollar and Euro. During the year 2003 an accelerated depreciation of the local currency occurred. Nevertheless since the middle of the year 2005 and 2006, the Dominican currency (DOP) has strengthened in relation to the American dollar and Euro and has been quite stable ever since. As of December 2013 and 2012, the Company has assets and liabilities in US dollars and Euros. See note 23.

Credit risk

As of December 31, 2013, credit risk exposure is very limited. Such risk is that Company cannot recover the accounts receivable. The major credit risk is represented by balance of each financial asset. The Company for controlling the credit risks and collects the balances with local distributors imposes to open letters of credit as a warranty to cover any issue that may come up from those clients.

Liquidity Risk

Management is conscious of the implications of liquidity risk. In that sense, it maintains an adequate cash balance.

28 Fair Value of financial Instruments

A detail of the balances booked and the estimated as fair value of the Company financial instruments as of December 31, 2013 and 2012 is as follow:

	2013		2012	
	Accounting Amount	Fair Value	Accounting Amount	Fair Value
Financial Assets:				
Cash	1,038,925,338	1,038,925,338	1,159,590,768	1,159,590,768
Trade receivables	1,832,887,111	1,832,887,111	1,937,408,905	1,937,408,905
Other receivables	2,972,515,059	2,972,515,059	629,454,718	629,454,718
Financial Liabilities:				
Trade payables	3,252,122,915	3,252,122,915	3,504,651,801	3,504,651,801
Other current liabilities	721,042,519	721,042,519	697,728,614	697,728,614

29 Non-recurring transaction

On November 26th, 2013 the Company Wirefree Services Denmark A / S, the major shareholder of Orange Dominicana, S. A., signed a contract with the economic Group Altice, of Luxembourg, for the sale of the 100% of the shares of Orange Dominicana, S. A. As at December 31st, 2013 such transaction is still in the process of validation by the Instituto Dominicano de las Telecomunicaciones (INDOTEL).

30 Subsequent events

No event other than those described above has occurred since the year end.

ORANGE DOMINICANA, S.A.

Standalone Financial Statements

As of and for the two years ended December 31, 2012

ORANGE DOMINICANA, S.A.

Standalone Financial Statements

As of and for the two years ended December 31, 2012

Deloitte.

Deloitte & Associés
185, avenue Charles de Gaulle
92524 Neuilly-sur-Seine Cedex
France
Téléphone : + 33 (0) 1 40 88 28 00
Télécopieur : + 33 (0) 1 40 88 28 28
www.deloitte.fr

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

Deloitte & Associés

Neuilly-sur-Seine, France
September 18, 2013

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

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
Hyperinflation reserve		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	1,673,340,422
Total current liabilities		**6,550, 740,864**	**7,029,336,502**
Total equity and liabilities		**23,438,706,227**	**23,789,154,578**

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**

STATEMENTS 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**

Notes to the standalone financial statements

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 13 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 IFRS 7. This standard is applicable prospectively and has no expected effect on the fair value currently measured by ODO.

Note 1—Description of business and basis of preparation of the standalone financial statements (Continued)

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;
- 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.

Note 2—Accounting policies (Continued)

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 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.

Note 2—Accounting policies (Continued)

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.

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.

Note 2—Accounting policies (Continued)

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 ol 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.

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.

Note 2—Accounting policies (Continued)

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.

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.

Note 2—Accounting policies (Continued)

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

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

Note 3—Sales (Continued)

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$ 41,284,818, 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	2012
				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	2,998,678,626
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	27,229,194,087
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	—	2,610,103	65,987,577	22,187,845	—	90,685,324	105,763,769
Reallocation	—	—	—	—	—	—	(14,120,420)
Depreciation (closing balance)	—	(814,069,449)	(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*

	2012		2011	
Deferred Income tax	Balance Sheet	Income Statement	Balance Sheet	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)	1,269,648,460	(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 eamings or to use to pay dividends.

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.

Note 9—Equity (Continued)

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

12.1 Leasing 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).

12.2 Other 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.

(Société anonyme)

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

L-2449 Luxembourg, 3, boulevard Royal
R.C.S. Luxembourg number B.183.391

ALTICE S.A.

Condensed consolidated statement of income

For the three months ended March 31, 2014

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
		(in millions of euros*)	
Revenues	9	578.4	284.1
Cost of sales	9	(137.5)	(82.3)
Other operating expenses		(79.3)	(38.7)
Staff costs and employee benefits expenses	10	(50.6)	(34.3)
General and administrative expenses		(22.8)	(7.2)
Other sales and marketing expenses		(29.3)	(8.6)
Operating profit before depreciation, amortization, management fees, restructuring, non-recurring-costs and other expenses	9	**259.1**	**113.0**
Depreciation and amortization		(162.0)	(85.4)
Management fees		(0.4)	(0.2)
Restructuring, non-recurring costs and other expenses		(27.9)	(7.6)
Operating profit		**68.7**	**19.8**
Gain arising on step acquisition	11	256.3	-
Finance income		0.3	47.4
Finance costs		(153.0)	(43.4)
Share in income of associates	11	1.3	2.8
Profit before income tax (expenses)/benefits		**173.6**	**26.5**
Income tax benefit/(expenses)	14	5.1	(9.2)
Profit for the period		**178.6**	**17.3**
Attributable to equity holders of the parent		160.9	20.1
Attributable to non-controlling interests		17.7	(2.8)
Earnings per share (expressed in euros)			
Basic		*1.16*	*0.14*
Diluted		*0.99*	*0.12*

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

Condensed consolidated statement of other comprehensive income

For the three months ended March 31, 2014

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
		(in millions of euros*)	
Profit for the period		**178.6**	**17.3**
Other comprehensive income			
Exchange differences on translating of foreign operations		-	2.7
Net fair value gain on available-for-sale financial assets		3.4	-
Employee benefits		(0.2)	0.2
Total comprehensive income for the period		181.8	20.2
Attributable to equity holders of the parent		164.1	23.0
Attributable to non-controlling interests		17.7	(2.8)
Earnings per shares (expressed in euros)			
Basic		*1.18*	*0.11*
Diluted		*1.01*	*0.14*

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

ALTICE S.A.

Condensed consolidated statement of financial position

As of March 31, 2014

	Notes	March 31, 2014	December 31, 2013
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents		347.2	61.6
Restricted cash	4	962.0	1,242.8
Trade and other receivables		601.5	232.2
Inventories		56.2	11.0
Current tax assets		100.7	14.6
Total current assets		**2,067.6**	**1,562.2**
Non-current assets			
Deferred tax assets		210.2	47.4
Investment in associates	11	2.9	679.1
Financial assets		60.0	50.6
Trade and other receivables		22.4	22.8
Property, Plant & Equipment		2,743.2	1,134.2
Intangible assets		872.3	579.6
Goodwill	3	3,964.2	1,100.7
Total non-current assets		**7,875.3**	**3,614.4**
Total assets		9,942.9	**5,176.6**

	Notes	March 31, 2014	December 31, 2013
		(in millions of euros)	
EQUITY AND LIABILITIES			
Current liabilities			
Bonds	8	90.6	59.7
Borrowings from financial institutions	8	32.3	-
Deferred revenue		136.0	55.9
Trade and other payables		1,171.6	517.4
Other current liabilities	8	43.7	15.9
Provisions		44.4	31.1
Current tax liabilities		99.1	57.1
Total current liabilities		**1,617.7**	**737.0**
Non-current liabilities			
Bonds	8	2,887.8	2,527.0
Borrowings from financial institutions	8	3,466.1	1,214.0
Loans from related parties	8	-	100.7
Other financial liabilities	8	375.2	271.6
Deferred revenue		113.2	10.6
Trade and other payables		24.5	29.0
Retirement benefit obligations		19.2	8.2
Provisions		89.7	-
Deferred tax liabilities		172.8	183.1
Total non-current liabilities		**7,148.5**	**4,344.2**
Equity			
Invested equity		-	95.8
Issued capital	5	2.0	-
Share Premium	5	5,786.4	-
Other reserves	7	(4,962.6)	-
Net income		160.9	-
Total equity attributable to the shareholders of the parent		**986.6**	**95.8**
Non-controlling interests		190.1	(0.5)
Total equity		**1,176.7**	**95.3**
Total equity and liabilities		**9,942.9**	**5,176.6**

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

Condensed consolidated statement of changes in equity

For the three months ended March 31, 2014

	Issued capital	Share Premium	Other Reserves	Net income	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
					(€ in millions)		
Equity at January 1, 2013	-	-	272.8	-	272.8	5.2	278.0
Dividends paid	-	-	-	-	-	-	-
Profit of the period	-	-	-	20.1	20.1	(2.8)	17.3
Other comprehensive income	-	-	2.9	-	2.9	-	2.9
Transaction with shareholders	-	-	(162.8)	-	(162.8)	-	(162.8)
Other movements	-	-	2.4	-	2.4	0.5	2.9
Equity at March 31, 2013	-	-	115.3	20.1	135.4	2.9	138.3
Equity at January 1, 2014	-	-	95.8	-	95.8	(0.5)	95.3
Dividends paid	-	-	-	-	-	-	-
Profit of the period	-	-	-	160.9	160.9	17.7	178.6
Total other comprehensive income	-	-	3.2	-	3.2	-	3.2
Incorporation of Altice S.A.	0.0	-	-	-	0.0	-	0.0
Contribution of Altice France and Altice International	1.7	4,970.2	(5,036.1)	-	(64.1)	-	(64.1)
Issuance of new shares	0.3	816.2	(29.7)	-	786.8	-	786.8
Stock option plan	-	-	2.2	-	2.2	-	2.2
Change in scope	-	-	-	-	-	172.9	172.9
Transaction with shareholders	-	-	2.0	-	2.0	-	2.0
Equity at March 31, 2014	2.0	5,786.4	(4,962.6)	160.9	986.8	190.1	1,176.8

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

Condensed consolidated statement of cash flows

for the three months ended March 31, 2014

	Notes	March 31, 2014	March 31, 2013
		(€ in millions)	
Profit for the period		**178.6**	**17.3**
Adjustments for :			
Depreciation and amortization		162.0	85.4
Share of profit in associates		(1.3)	(2.8)
Gains and losses on disposals		-	-
Gain on step acquisition	11	(256.3)	-
Expense related to stock options (IFRS 2)	10	3.6	-
Other non-cash operating gains and losses		(7.1)	(3.3)
Net cash provided by operating activities before changes in working capital, finance costs and income tax		79.5	96.6
Finance costs, net		152.7	(3.9)
Income tax (gain)/expense recognised in profit and loss		(5.1)	1.3
Income tax paid		(6.8)	0.1
Changes in working capital		10.2	(28.1)
Net cash provided by operating activities		**230.5**	**65.9**
Purchases of tangible and intangible assets		(138.1)	(53.5)
Acquisitions of available for sale financial assets		-	(3.9)
Increase / (Decrease) in loans and other non-current financial assets		-	11.2
Increased/ (Decrease) of restricted cash		282.6	-
Transactions with non-controlling interests	2	-	-
Net payments on acquisition of subsidiaries	2	(526.0)	-
Net cash used in investing activities		**(381.5)**	**(46.2)**
Proceeds from issuance of shares	5	722.0	-
Proceeds from debt issuance	8	28.7	-
Repayment of debt	8	(56.2)	(14.9)
Distribution to CPEC's holders		(190.0)	(28.9)
Interest paid		(70.5)	(11.5)
Net cash provided by/ (used in) financing activities		**433.9**	**(55.3)**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(0.0)	(0.0)
Net increase in cash and cash equivalents		**283.0**	**(35.6)**
Cash and cash equivalents at the beginning of the period		61.6	129.7
Net (decrease)/increase in cash and cash equivalents		283.0	(35.6)
Cash and cash equivalents at the end of the period		**344.6**	**94.0**
Cash and cash equivalent		347.2	94.0
Bank overdraft		(2.6)	-

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

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

Nature of the business

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

Altice France

Altice France holds shares in Numericable Group, 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 S.A.S. 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 International

Altice International offers a variety of services over its cable and mobile infrastructure, including, but not limited to, pay television, broadband Internet access, fixed-line telephony and mobile telephony to residential customers, and, to a lesser extent, corporate customers, depending on the country. Available cable-based service offerings depend on the bandwidth capacity of its cable networks and whether they have been upgraded for two-way communications. Where possible, Altice International Group intends to deploy the same technologies and equipment across its footprints to generate economies of scale and common knowledge. In addition, the Altice International Group companies aim at sharing skills and best practices across the various operations of Altice International 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 Altice International Group tailors its basic and premium channel line-up to each country of operation according to culture, demographics, programming preferences and local regulation. The Altice International Group also offers broadband Internet access services and fixed-line telephony in all its footprints. It also owns and operates mobile infrastructures in certain geographies (French Overseas Territories) and offers mobile services through an MVNO (Mobile Virtual Network Operator) arrangement in Belgium.

Basis of presentation

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

As Altice France and Altice International, before being contributed to Altice S.A. and after the IPO, were and remained entities under joint control (controlled by Patrick Drahi through Next L.P.), the contribution transactions do not constitute acquisitions within the meaning of IFRS 3 *Business Combinations*. The Group has opted to account for this transaction using the book values, and the Condensed Consolidated Financial Statements disclose the amounts as if the contribution of the equity securities of Altice France and Altice International had occurred before January 1, 2010.

The comparative data presented for the condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three month period from January 1, 2013 to March 31, 2013 for comparison purposes correspond to the condensed combined financial statements of Altice France and the Altice International Group (hereinafter referred to as the "Two Groups"). Such condensed combined consolidated statements have not been subject to an audit or a review in accordance with any International Standards on Auditing or International Standards on Review Engagements.

Before being contributed to Altice S.A. on January 31, 2014, the Two Groups were entities under common control controlled by Next L.P.. Accordingly, the financial information presented for comparative purposes reflect the historical assets, liabilities, revenues, expenses and cash flows that were directly related to the sub-groups, Altice France and Altice International, which formed two separate group as of December 31, 2013.

Accounting policies

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

There were no other significant effects on the Condensed Consolidated Financial Statements as a result of the adoption of any of the below mentioned standards or interpretations.

New standards applied for the first time in the current period

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

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

  Under the revised standard, the novation of a hedging instrument should not be considered as an expiration or termination giving rise to the discontinuation of hedge accounting when a hedging derivative is novated. This amendment has no impact on the Condensed Consolidated Financial Statements of the Company, as it does not practice hedge accounting.

- Amendments to IAS 36–Recoverable Amount Disclosures:

  The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. This amendment has no impact on the Condensed Consolidated Financial Statements of the Company.

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

Judgments

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

Estimates and assumptions

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (herein after referred to as "CGU" or "CGUs") to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Legal claims

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

Post-employment benefits

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

Deferred tax asset

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

Note 2 – Main changes in the scope of consolidation

2.1 Numericable Group S.A. ("NG")

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

Since February 3, 2014, NG contributed €217.2 million to the Group revenue and €55.7 million to the Group operating profit for the three months ended March 31, 2014. The options granted to majority shareholders and mentioned above had a fair value of € 0.7 million as of March 31, 2014.

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

Total consideration paid to the vendors for the shares of the acquired entity amounted to €317.0 million on a cash free, debt free basis. Additionally, an earn-out, based on the performance of the share price of NG will be paid out to the vendors on a date culminating six months after the initial agreement. As of the date of this report, the earnout has been paid to the vendors and amounted at € 42.1 million euros, thus bringing the total consideration transferred to €359.2 million.

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

Book value of investment in associate (prior to change in control):	€679.1 million
Variation in investment in associates as of February 3, 2014:	€1.3 million
Gain on step acquisition (resulting from change in control):	€256.3 million
Non-controlling interests (post change in control):	€161.6 million
Total consideration for acquisition of additional shares (including earnout):	€359.1 million
Fair value of NG at acquisition:	€1,457.3 million

The total value of assets transferred in consideration for the values mentioned above amounted to €2,456.6 million, comprising mainly of intangible assets for a net value of €302.6million, property, plant and equipment for a total value of €1,468.7 million, financial assets for a total value of €11.3 million and trade and other receivables for a total amount of €519.1 million. Total liabilities amounted to €3,682.7 million, comprising of €2,842.7 of non-current liabilities and €840.0 million of current liabilities. The residual value of € 2,683.4 million was recognised provisionally as goodwill.

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of NG. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

Total consideration transferred	€1,457.3 million
Fair value of identifiable assets, liabilities and contingent liabilities	€ (1,226.1) million
Goodwill	€2,683.4 million

2.2 Tricom S.A. and Global Interlinks Limited ("Tricom" and "GLX")

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

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

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

Total consideration paid to the vendors for the shares of the acquired entity amounted to €299.2 million on a cash free, debt free basis.

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

The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Tricom S.A. and Global Interlinks Limited. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

Total consideration transferred	€299.2 million
Fair value of identifiable assets, liabilities and contingent liabilities	€134.9 million
Goodwill	€164.3 million

2.3 Mobius S.A.S. ("Mobius")

On January 15, 2014, the Company, through its subsidiary, Altice Blue Two S.A.S., obtained control over Mobius, a telecommunications operator in the French Overseas Territories (La Reunion), by acquiring 99.9% of the shares and voting interests in the company. This acquisition enables the Group to further expand and consolidate its footprint in the French Overseas Territories.

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

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

- Total consideration paid to the vendors for the shares of the acquired entity amounted to €18.8 million on a cash free, debt free basis.

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

- The values of the assets and liabilities assumed have been determined on a provisional basis as being equivalent to the book values in the accounting records of Mobius. The Company is continuously assessing the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

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

Total consideration transferred	€18.8 million
Fair value of identifiable assets and liabilities	€1.4 million
Goodwill	€17.4 million

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

	NG	Tricom
	(in € millions)	
Revenues	108.5	38.7
Purchases and subcontracting services	(51.7)	(11.1)
Gross Profit	56.8	27.6
Other operating expenses	1.5	(4.2)
General and administrative expenses	-	(1.7)
Other sales and marketing expenses	-	(2.2)
Staff costs and employee benefits	(14.0)	(5.3)
Operating profit before depreciation and amortization	44.3	14.1
Depreciation and amortization	(25.6)	(5.1)
Other expenses, net	-	
Management fees	-	(0.8)
Reorganization and non-recurring costs	-	-
Operating profit	**18.8**	**8.2**
Profit / (loss) for the period (including non-controlling interests)	4.6	5.4

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

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

As per the agreement, which was signed on March 13, 2014, the OMT Managers contributed a 17.5% stake held directly in ABT and all their shares held in OMT Ocean 3 S.A.S. (an investment vehicle held by certain members of OMT's senior management and holding a 5.4% stake in ABT), for a base value of € 55.2 million plus two separate earn-out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Note 3 - Goodwill

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

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

The Board of 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 March 31, 2014.

(in millions of euros)

	December 31, 2013	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	March 31, 2014
Numericable	-	2,683.4	-	-	-	2,683.4
Tricom & GLX	-	164.3	-	0.2	-	164.5
Mobius	-	17.4	-	-	-	17.4
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	620.3	-	-	(2.4)	-	617.8
OMT Invest	293.9	-	-	-	-	293.9
ON1	1.3	-	-	-	-	1.3
Total Gross Value	**1,228.7**	**2,865.1**	**-**	**(2.2)**	**-**	**4,091.7**
Numericable	-	-	-	-	-	-
Tricom	-	-	-	-	-	-
Global Interlinks	-	-	-	-	-	-
Mobius	-	-	-	-	-	-
Green.ch	-	-	-	-	-	-
Coditel	-	-	-	-	-	-
Hot Telecom	(128.0)	-	-	0.5	-	(127.5)
OMT Invest	-	-	-	-	-	-
ON1	-	-	-	-	-	-
Total Cumulative impairment	**(128.0)**	**-**	**-**	**0.5**	**-**	**(127.5)**
Numericable	-	2,683.4	-	-	-	2,683.4
Tricom & GLX	-	164.3	-	0.2	-	164.5
Mobius	-	17.4	-	-	-	17.4
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	492.3	-	-	(1.9)	-	490.4
OMT Invest	293.9	-	-	-	-	293.9
ON1	1.3	-	-	-	-	1.3
Total Net book value	**1,100.7**	**2,865.1**	**-**	**(1.7)**	**-**	**3,964.2**

Note 4 – Restricted cash

The decrease in restricted cash is explained by the closing of the Tricom transaction on March 12, 2014. For more details, refer to note 2.2.

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

Note 5 – Issued capital and share premium

Issued capital

As at March 31, 2014, total issued capital of the Company amounts to € 2.0 million, and is composed of 204,902,102 outstanding ordinary shares, with a nominal value of € 0.01 each.

The share capital at incorporation amounted to € 0.03 million euros and was increased through successive capital increases, mainly resulting from the contribution of Altice International and Altice France shares to the new Company (representing € 1.5 million and 0.2 million respectively). In addition to this, share capital increase were also recorded following the buyout of minority interests in ABT, the participation of the Directors of the newly acquired entity, Mobius and the contribution in kind of a vendor note held by Valemi Corp.

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

Additionally, a green shoe option of up to 15% of the total offering was fully exercised and Next L.P. offered additional shares to the public in the IPO.

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

Share premium

Total share premium of the Group amounted to € 5,786.4 million and results from:

	March 31, 2014
Contribution in kind of Altice International	4,412.1
Contribution in kind of Altice France	558.1
Proceeds from primary offering	749.7
Contribution in kind of Valemi vendor note	6.7
Contribution in kind - Mobius	4.6
Contribution in kind - ABT Minorities	55.2
Total	**5,786.4**

A restructuring of the shareholder debts held by Next L.P. against Altice International and Altice France, was carried out before the IPO. As a result of this restructuring, the shareholder debts were contributed by Next L.P. to Altice S.A., in exchange for new shares issued by the Company.

Valemi Corp S.A., the holder of a vendor note against Altice International (pertaining to the acquisition of MCS and SportV in Q4 2013), contributed this asset to Altice S.A. at its nominal value of € 6.7 million, in exchange for new shares issued by the Company.

For the transactions between the non-controlling shareholders in ABT, please refer to note 2.5 above.

Note 6 – Earnings per shares

	March, 31 2014	March, 31 2013
	(in € millions except as stated otherwise)	
Earnings		
Effect of dilutive potential ordinary shares:	-	-
Earnings for the purposes of diluted EPS	160.9	20.1
EPS on basic shares (in €)	1.16	0.14
Number of shares		
Weighted average number of ordinary shares for basic EPS	138.9	138.9
Effect of dilutive potential ordinary shares:		
Employee investment plan	0.8	0.8
Stock options	6.4	6.4
Shares to be provided to other shareholders (1)	17.4	17.4
Weighted average number of ordinary shares for the purposes of diluted EPS	163.5	163.5
Diluted earnings per share (in €)	0.99	0.12

(1) See note 17 – Acquisition of additional shares in Numericable Group from other minority shareholders

Note 7 – Reserves

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

	March 31, 2014
	(In millions of euros)
Contribution of Altice France and Altice International	(4,940.0)
Issuance costs	(29.7)
Stock options	2.2
Fair value of available for sale assets	3.4
Employee benefits	(0.2)
Changes in foreign exchange translation	0.1
Transactions with shareholders	2.0
Other variations	(0.3)
Group reserves	(4,962.6)

Group reserves as of March 31, 2014 were primarily composed of the contribution of Altice France and Altice International. As part of the IPO process, Next L.P., the sole shareholder of Altice France and Altice International, decided to contribute the two companies to Altice S.A. at their fair market value. As this is considered to be an operation under common control, the excess value of these shares (over nominal value) was adjusted through the reserves.

Note 8 – Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	March 31, 2014	December 31, 2013
	(in millions of euros)	
Bonds	2,887.8	2,527.0
Loans from related parties	-	100.7
Borrowings from financial institutions	3,466.1	1,214.0
Finance leases	37.3	23.4
Other financial liabilities	160.2	105.9
Financial instruments	177.7	142.3
Non-current liabilities	**6,729.1**	**4,113.3**
Bonds	26.3	26.4
Borrowings from financial institutions	32.3	-
Finance leases	34.2	11.4
Other financial liabilities	9.5	4.5
Accrued interest	64.3	33.3
Current liabilities	**166.6**	**75.6**
Total	**6,895.7**	**4,188.9**

Increases in debt for the three month period ended March 31, 2014 were mainly explained by:

- The drawdown of € 20.5 million on the USD 80.0 million revolving credit facility at Altice Financing to finance the acquisition of Mobius S.A.S..
- The issuance of a new debt at Greendata center for a total amount of € 8.2 million in order to finance the construction of an additional datacentre capacities to support commercial development.
- The integration of Numericable Group in the Group accounts. See below.

A brief description of Numericable Group debts, fully integrated into the Group accounts for the period ended March 31, 2014, is provided below:

The Numericable Group entered into a Senior Facility Agreement ("**SFA**") dated June 6, 2006 (as amended March 2, 2007, December 9, 2009, September 8, 2011, July 31, 2013 and November 22, 2013) 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. In addition, certain subsidiaries of the Group are guarantors under the SFA, each guaranteeing, subject to certain limitations, the obligations of the other borrowers and guarantors within the SFA.

The SFA contains financial covenants that may affect the interest rates to be paid by the Group as well as the applicable margins on the SFA (see details below).

In 2012, the Numericable Group issued three bonds to refinance a portion of its current Senior Debt under the SFA. The issuer was Numericable Finance & Co. SCA, a Luxembourg company. The proceeds from the bonds were used by Numericable Finance & Co. to fund three new loans issued in favor of the Group by the Lending Bank (JP Morgan) under the Senior Facility Agreement:

- a C-One facility of €360 million;
- a C-Two A facility of €225 million;
- a C-Two B facility of €275 million.

In December 2013, the Numericable Group raised a new tranche of Senior Debt in a total amount of 800 million euros (Tranche D). This tranche is repayable by December 31, 2018 and bears interest at Euribor plus a margin of 3.75%.

The Numericable Group used the proceeds of this issue (800 million euros) and the proceeds of the capital increase carried out in the context of the public offer (250 million euros) to reimburse some of its existing debts, as follows:

- all of the Senior Debt originally subscribed by Altice B2B France in the amount of 451 million euros;
- all of the 275 million euro bond issue (Tranche C-Two B) subscribed in October 2012;
- part of the bond issue of 225 million euros (Tranche C-Two A) subscribed in October 2012 (repayment of 78.8 million euros) – the balance of this bond amounted to 146.3 million euros as of December 31, 2013;
- part of the bond issue of 360 million euros (Tranche C-One) subscribed in February 2012 (repayment of 126.1 million euros) – the balance of this bond amounted to 234.1 million euros as of December 31, 2013.

The table below summarizes the various tranches in place under the Senior Debt contract as of end-December 2013, their maturity, the applicable margin and the outstanding amount of the debt as of December 31, 2013:

Facility	Maturity	Margin/ Coupon (1)	Nominal (December) 2013 (2)
A2 and capex 2	June 2015	E + 3.875%	51.9
B1	June 2014	E + 3.50%	11.2
B2	June 2016	E + 4.75%	106.5
B3	December 2017	E + 4.75%	672.1
C1	December 2015	E + 4.00%	36.0
C2	December 2017	E + 5.25%	42.3
C3	December 2017	E + 4.75%	110.9
C4	December 2018	E + 5.00%	426.8
D	December 2018	E + 3.75%	800.0

(1) Euribor ("E") + margin applicable to the facility;
(2) Nominal amount expressed in millions of euros as of December 31, 2013, excluding accrued interestand the impact of the effective interest rate.

Variations in the debt of Numericable Group S.A. compared to the period ended December 31, 2013 are related mainly to the payment of accrued interests. Interest paid during the three month period ended March 31, 2014 amounted to € 10.9 million. Total outstanding debt (current and non-current) amounted to € 2,622.6 million as of March 31, 2014, including the bonds issued under the facilities C-1 and C-2, as described in section 8.1 below.

8.1 Bonds

Issuer	Fair value in millions of euros March 31, 2014	Coupon	Year of maturity	Carrying amount March 31, 2014	Carrying amount December 31, 2013
Hot Telecom					
- Debentures	294.5	Between 3.9% and 6.9% + Consumer Price Index	2018	265.1	280.1
Altice Financing					
- Senior Secured Notes USD 460 M	352.2	7.875%	2019	306.9	305.1
- Senior Secured Notes EUR 210M	231.6	8.00%	2019	203.0	201.8
- Senior Secured Notes EUR 300M	318.7	6.5%	2022	293.1	292.8
- Senior Secured Notes USD 900M	679.7	6.5%	2022	638.6	637.3
Altice Finco					
- Senior Notes USD 425M	349.2	9.875%	2020	309.5	309.1
- Senior Notes EUR 250M	280.5	9.00%	2023	245.4	245.3
- Senior Notes USD 400M	308.3	8.125%	2024	283.1	282.5
Numericable Group S.A.					
- Senior debt tranche C-One	282.1	12.375%	2019	227.1	-
- Senior debt tranche C-Two	166.4	8.750%	2019	143.3	-
Nominal value of bonds	**3,263.2**			**2,914.1**	**2,554.0**
Of which due within one year	26.3			26.3	26.8
Of which due after one year	3,236.9			2,887.8	2,527.0

8.2 Loans from related parties

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

As per the accounting standards, such instruments, being interest free in nature, had been recorded at their fair value in the consolidated financial statements of the Two Groups. During the IPO process, these instruments were contributed at their nominal value and converted into share capital and share premium of Altice S.A. thus, previous discounting reserves recorded in the accounts of Altice France and Altice International were reversed, thus leading to an adjustment of € (73.2) million to the Group's consolidated reserves.

As of March 31, 2014, no related party loans were outstanding at Altice S.A. level.

Variation in other financial liabilities is explained as follows:

(i) Cancellation of Altice Blue Two put: The minority shareholders of Altice Blue Two exchanged their shares in Altice Blue Two against common shares in Altice S.A. As a result of this exchange, the put agreement in place at Altice Blue Two was cancelled (considered to be unexercised), leading to the reversal of a debt amounting to € 53.2 million.

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

(iii) The variation in the fair value of financial instruments (Swap & Forwards contracts) for € 35.4 million from € 142.3 million to € 177.7 million.

8.3 Classification and fair value of financial assets and liabilities

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

The financial instruments that are presented in the condensed consolidated statement of financial position in accordance with their fair value are classified in accordance with groups that have similar characteristics, into hierarchical levels for fair values, as aforesaid, which are determined in accordance with the source of the input that was used for determining the fair value:

- Level 1 - Quoted prices (without adjustments) in an active market for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices that are included in level 1, which can be observed directly or indirectly.

  Level 3 - Inputs that are not based on observable market data (an evaluation technique that does not use observable market data).

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

For the three month period ended March 31, 2014	Recorded Value in Condensed Consolidated Statement of Financial Position	**Level 1** Quoted Prices in active markets for identical assets/liabilities	**Level 2** Significant other observable inputs	**Level 3** Inputs that are not based on observable market data
			(€ in millions)	
Recurring Fair Value Measurements				
Financial assets				
- Wananchi Group	31.9	-	-	31.9
- Partner Communications Co.	8.4	8.4	-	-
- Fiberman S.à r.l.	3.4	-	3.4	-
- Other financial assets at FVTPL	0.2	-	-	0.2
Financial liabilities				
- Other financial liabilities at FVTPL (derivative instruments)	177.7	-	175.8	1.9

As of March 31, 2014, 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, 2013	Recorded Value in Condensed Consolidated Statement of Financial Position	Level 1 Quoted Prices in active markets for identical assets/liabilities	Level 2 Significant other observable inputs	Level 3 Inputs that are not based on observable market data
			(€ in millions)	
Recurring Fair Value Measurements				
Financial assets				
- Wananchi Group	31.9	-	-	31.9
- Partner Communication Co.	8.4	8.4	-	-
Financial liabilities				
- Other financial liabilities at FVTPL (derivative instruments)	142.3	-	142.3	-

Note 9 – Segmental analysis

9.1 Definitions of segments

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

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

Activities have been split as follows:

- Fixed
- Mobile
- Others (Content/others)

Following the acquisition and full integration of Numericable Group and the acquisition of Tricom S.A., two new geographic segments, France & Dominican Republic, corresponding to the sole geographic zones of operation of the two new entities, were added to the segmental analysis.

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

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

9.2 Segment information

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

	For the three months ended March 31, 2014							
	France	Israel	Belux	Portugal	FOT	Dominican Republic	Others	Total
				(In € millions)				
Fixed								
Revenue	217.2	168.7	17.8	46.1	27.3	7.6	8.0	492.6
Cost of sales	(50.5)	(28.6)	(2.5)	(18.8)	(7.5)	(1.6)	(3.9)	(113.5)
Gross Profit	166.7	140.1	15.2	27.2	19.8	6.0	4.1	379.1
Mobile								
Revenue	-	44.5	0.4	-	32.2	-	-	77.0
Cost of sales	-	(13.2)	(0.4)	-	(8.1)	-	-	(21.7)
Gross Profit	-	31.3	(0.0)	-	24.0	-	-	55.3
Other								
Revenue	0.2	-	-	-	-	-	8.6	8.8
Cost of sales	-	-	-	-	-	-	(2.2)	(2.2)
Gross Profit	0.2	-	-	-	-	-	6.4	6.6
Total Revenue	217.4	213.1	18.1	46.1	59.4	7.6	16.7	578.4
Total cost of sales	(50.5)	(41.7)	(2.9)	(18.8)	(15.6)	(1.6)	(6.2)	(137.5)
Total Gross Profit	166.9	171.4	15.2	27.2	43.8	6.0	10.5	440.9
Operating expenses	(62.6)	(69.3)	(2.7)	(12.5)	(21.0)	(3.3)	(10.5)	(182.0)
Operating profit before depreciation, amortization and non-recurring costs	104.3	102.1	12.4	14.7	22.8	2.7	(0.1)	259.1
Depreciation and Amortisation	(47.1)	(68.0)	(9.4)	(17.9)	(11.9)	(1.3)	(6.3)	(162.0)
Other expenses, net	(1.3)	(9.4)	(2.3)	(2.7)	(2.7)	(0.3)	(9.6)	(28.3)
Operating income	55.9	24.7	0.7	(5.9)	8.2	1.0	(16.0)	68.7
Gain on step acquisition	-	-	-	-	-	-	256.3	256.3
Share in income of associates	-	-	-	-	-	-	1.3	1.3
Net Financial income/(costs)	(25.5)	(7.6)	(3.5)	-	-	(0.3)	(115.8)	(152.7)
(Loss)/profit before income tax expenses	30.4	17.1	(2.8)	(5.9)	8.2	0.7	125.8	173.6

	For the three months ended March 31, 2013					
	Israel	Portugal	Belux	FOT	Others	Total
	(In € millions)					
Fixed						
Revenue	171.7	28.9	17.9	6.1	2.8	227.4
Cost of sales	(36.9)	(8.9)	(3.1)	(0.9)	(0.4)	(50.3)
Gross Profit	134.8	20.0	14.7	5.2	2.4	177.1
Mobile						-
Revenue	47.6	-	0.2	-	-	47.8
Cost of sales	(27.8)		(0.1)			(27.9)
Gross Profit	19.9	-	0.1	-	-	20.0
Other						
Revenue	-	-	0.1	-	8.8	8.9
Cost of sales	-	-	(0.1)	-	(4.1)	(4.2)
Gross Profit	-	-	(0.0)	-	4.7	4.6
Total Revenue	219.4	28.9	18.2	6.1	11.6	284.1
Total cost of sales	(64.7)	(8.9)	(3.4)	(0.9)	(4.5)	(82.3)
Total Gross Profit	154.7	20.0	14.8	5.2	7.0	201.8
Operating expenses	(71.6)	(7.5)	(2.4)	(2.2)	(5.1)	(88.8)
Operating profit before depreciation, amortization and non-recurring costs	83.1	12.5	12.4	3.0	1.9	113.0
Depreciation and Amortisation	(63.9)	(13.8)	(4.0)	(1.6)	(2.2)	(85.4)
Other expenses, net	(5.4)	(0.6)	(1.4)	(0.4)	0.0	(7.8)
Operating income	13.8	(1.9)	7.1	1.0	(0.2)	19.8
Net Financial income/(costs)	(5.9)	(0.7)	(3.5)	(0.2)	14.3	4.0
Share in income of associates	-	-	-	-	2.8	2.8
(Loss)/profit before income tax expenses	7.8	(2.7)	3.6	0.8	16.9	26.5

9.3 Definition of EBITDA

In view of the acquisition of a controlling stake in Numericable Group S.A., the initial public offering of the Company and the future integration of SFR, the Company has decided to define the 'Earnings before interest, taxes, depreciation and amortization, or EBITDA' metric, which is a non-GAAP measure that the Company considers to be an important indicator of its cash generating ability and overall profitability. EBITDA also excludes non-recurring costs related to restructuring, non-recurring costs, management fees and other expenses of a non-cash nature or that the Board of Directors considers to be non-relevant to its regular operating activities. A reconciliation between operating profit before depreciation and amortization is presented below in this note.

9.4 Reconciliation between operating income before depreciation and amortisation and EBITDA (In € millions) as at March 31, 2014

	France	Israel	Belgium & Luxembourg	Portugal	French Overseas Territories	Dominican Republic	Others	Total
Operating profit before depreciation, amortization and non-recurring costs	104.3	102.1	12.4	14.7	22.8	2.7	(0.1)	259.1
Expenses related to stock option plan	1.1	-	-	-	-	-	2.2	3.6
French value added tax	1.7	-	-	-	-	-	-	2.7
EBITDA	107.1	102.1	12.4	14.7	22.8	2.0	2.9	264.0

Note 10 – **Equity based** compensation

As part of the listing process, the Group adopted a new remuneration policy and company stock options were issued to executive directors and some senior management of the Group. The expenses associated with the issuance of these stock options were calculated and recorded in accordance with 'IFRS 2 – Stock Options' for the first time during the period ended March 31, 2014.

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

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

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

As of March 31, 2014, options with a nominal value worth €220.85 million had been allotted to different managers of the Company, (representing 7.82 million ordinary shares of Altice S.A. at the offering price at IPO). As of the date of this report, no options had been exercised or lapsed.

Based on these conditions, for the three month period ended March 31, 2014, Altice S.A. recorded € 2.2 million as expenses related to stock options in the line item, 'staff costs and employee benefits'. A stock option plan has also been established by Numericable Group S.A. for its employee and key management personnel, and an expense amounting to € 1.1 million has been recognized for the period ended March 31, 2014.

Note 11 – **Gain on step acquisition** / Investments in associates

On February 3, 2014, Altice France, a direct subsidiary of the Company, completed the acquisition of an additional 10% stake in Numericable Group S.A. (hereafter referred to as NG). This acquisition triggered a change in control of Numericable S.A., with Altice France becoming the largest shareholder in NG, with 5 out of 10 seats on the Board and the ability to name the Chairman. Thus, for the three month period ended March 31, 2014, NG has been fully consolidated into the financial statements of Altice S.A.

As a result of this change, the investment in associates recorded in the accounts of the Company was reversed and the fair value of the investment in Numericable Group S.A. was recorded in the accounts of Altice S.A. as investments in subsidiaries. The difference between the value previously recorded in the financial statements of Altice S.A. and the fair value of the investment (€ 936.6 million) was recorded as a gain on step acquisition in the condensed consolidated statement of income of Altice S.A. for the three months ended March 31, 2014.

Calculation of carrying amount of investment in associates as of February 3, 2014
(in € millions)

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

Calculation of fair value of investment in associates as of February 3, 2014
(in € millions)

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

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

Note 12 – Related party transactions

Trading and financial transactions

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	March 31,					
	2014	2013	2014	2013	2014	2013
	(€ in millions)					
Shareholders	-	-	-	(0.2)	(0.8)	-
Executive directors	-	-	(1.4)	(1.2)	-	-
Associated companies	0.2	-	(1.5)	(0.5)	(0.2)	-
TOTAL	0.2	-	(2.9)	(1.9)	(1.0)	-

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

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014	Dec 31, 2013	Mar 31, 2014
	(€ in millions)					
Shareholders	100.7	-	-	-	-	-
Executive directors	-	-	-	-	-	-
Associated companies	-	-	6.6	-	-	-
TOTAL	100.7	-	6.6	-	-	-

Note 13 – 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 S.A., for the 3 months period ended March 31, 2014, was €0.6 million and €1.0 million for the 3 month period ended March 31, 2013.

Note 14 – Income tax

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

Note 15 – Commitments and contingent liabilities

15.1 Numericable Group S.A.

Commitments and contingent liabilities at the Numericable Group S.A. level were recognized for the first time in the accounts of the Company for the period ended March 31, 2014. Such information is disclosed under two separate sections in the accounts, as described below:

15.1.1 Provisions and contingent liabilities

The Numericable Group (hereafter, "the NG Group") is involved in legal and administrative proceedings that have arisen in the ordinary course of its business.

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

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

15.1.1.1 Tax audits

The French tax authorities have conducted audits of various companies of the NG 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 NG Group allocates a price reduction compared with the price the NG 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 NG Group had deemed the price reduction to apply primarily to the television portion of its packages.

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

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

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

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

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

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

As of December 31, 2013, a tax contingency provision of 36.3 million was recognized to cover all the risks related to VAT (excluding penalties of 40%, which represents 7.1 million euros) related to the adjustments notified for fiscal years 2006-2010 (i.e. 24.9 million euros) and the risks associated with the challenging of charges for services under the adjustments notified for fiscal years 2009-2011 (11.4 million euros). This amount remained unchanged for the period ended March 31, 2014.

15.1.1.2 Commercial disputes

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

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

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

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

The NG 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 Group of certain companies operating cable networks built by Orange. These cable networks, accessible only through the civil engineering installations of Orange (mainly its ducts), are made available to the Group by Orange through these non-exclusive IRUs over such civil engineering installations. Each of these IRUs covers a different geographical area and was entered into for a term of 20 years.

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

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

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

Lastly, Numericable initiated parallel proceedings against Orange before the Commercial Court of Paris on October 7, 2010 claiming damages of 2.7 billion euros 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 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 euros. The Commercial Court of Paris is expected to hear this case during the second quarter of 2014.

C.) Litigation with Free relating to an advertising campaign

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

Free, which used the term "revolution" to refer to its launch of mobile phone services and whose latest offering was named the "Freebox Revolution," argues that Numericable's campaign led to customer confusion and damaged its brand and image. The case is currently pending before the Paris Commercial Court. Free is claiming damages of 10.0 million euros. After the hearing, the Court asked for an opinion from the French competition authority ("*Direction générale de la concurrence, de la consommation et de la répression des fraudes*" – DGCCRF) related to the reality of the assertions of Free with regard to the laws governing advertising. The DGCCRF returned an opinion in which it indicated that the questions raised by Free did not constitute a fault under the applicable law. However, on December 13, 2013, the Commercial Court of Paris condemned NC Numericable to pay Free the sum of 6,391,000 euros. NC Numericable appealed this decision. As the decision is enforceable and the amount was paid in early 2014, the risk was fully provisioned as of December 31, 2013.

This provision booked in relation to the litigation with Free concerning an advertising campaign was fully utilized as of March 31, 2014. The Group set aside the entire fine in the consolidated financial statements for the year ended December 31, 2013 and the decision was executed in early January 2014.

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

On February 19, 2013, five companies editing value-added telephone services offering their services to the public through premium numbers (0899), jointly assigned Completel before the Commercial Court of Nanterre. The plaintiffs asked for the condemnation of Completel to pay 350,000 euros in repayment of sums corresponding to deductions made by Completel from the sums collected on their behalf. Completel made these deductions in response to practices by these companies that it considers contrary to the agreements between these companies and Completel, as well as ethical standards in the industry. They also sought payment of damages in a total amount of 12 million euros in compensation for the prejudice allegedly suffered as a result of the withholding of money by Completel.

Furthermore, in November 2012, Completel, having decided in November 2012 to put an end to this activity, suspended certain repayments and applied various contractual penalties on companies selling this type of value-added telephony services. Some of these companies assigned Completel before various Commercial Courts and sought an order for the payment of the amounts withheld by Completel or the cancellation of penalties applied by Completel. The overall claim amounts to approximately 400,000 euros, mainly representing sums collected for these companies.

E.) Dispute with the Ligue de Football Professionnel

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

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

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

G.) Complaint of Bouygues Telecom

In late October 2013, the Numericable Group received a claim from Bouygues Telecom on the "white label" contract concluded between the two companies on May 14, 2009, initially for five years and extended once for an additional five years for the supply to Bouygues Telecom of double- and triple-play broadband offers. In its letter, Bouygues Telecom claimed damages totaling 53 million euros as a result of this contract. Bouygues Telecom alleges a prejudice that justifies, according to Bouygues Telecom, damages including (i) an amount of 17.3 million euros due to an alleged pre-contractual fraud (provision of incorrect information prior to the conclusion of the contract), (ii) an amount of 33.3 million euros as a result of alleged failure by Group companies in the execution of the contract and (iii) an amount of 2.4 million euros to repair the alleged damage to Bouygues Telecom's image. The Numericable Group considers these claims unfounded both in fact and in contractual terms, and rejects both the allegations of Bouygues Telecom and the amount of damages claimed. It nevertheless intends to continue regular discussions between the parties regarding the implementation of this contract, for which Bouygues Telecom is requesting modifications in the context of its claim. Notwithstanding this claim, which has not been brought before the courts, the parties have continued their day-to-day cooperation in conditions identical to those prevailing before October 2013. The contract, which runs until 2019, generated 37.3 million euros in revenues in 2012, 49.6% of total white label B2C revenues of 75.3 million euros and 2.8% of the Group's total revenues.

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

In mid-November 2013, a number of press articles reported that the Regional Auditor of Ile-de-France had opened an investigation into the management of the department of Hauts-de-Seine between 2004 and 2007. The articles reported that the investigation would focus primarily on the DSP 92 project awarded to Numericable, and in particular the granting of 59 million euros in consideration for public service costs for the establishment and operating of a high-capacity electronic communications network in Hauts de Seine. The Numericable Group has no information as to the object or the timing of the investigation, and as such to its exact nature or its potential impact on the Group. However, the Group notes, as indicated above, that DSP 92 has been validated by French administrative courts, by the European Commission and by the General Court of the European Union, before which action against the DSP 92 contract has successively been brought, and that the Court of Auditors has no power to act against a non-governmental entity.

I.) Litigation with employees

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

15.1.2 Commitments and contractual liabilities

	< 1 year	Maturity 1-5 years	> 5 years	Total March 31, 2014	Total December 31, 2013
		(in € millions)			
Operating leases	10.2	33.7	11.7	**55.6**	**58.2**
Total	**10.2**	**33.7**	**11.7**	**55.6**	**58.2**

The Numericable 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 vehicles under operating lease is 3 years.

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

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

The maturities of operating leases are provided above.

15.2 Israel

CONTINGENT LIABILITIES

During the routine course of business, lawsuits have been filed against the companies in the Group and various legal proceedings are outstanding against it (hereinafter - The Legal Claims).

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

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

- An amount of approximately €375.2 million (NIS 1.8 billion) in respect of claims, in respect of which in the assessment of the Company's management, in reliance on the opinion of its legal advisors, the chances of their being accepted do not exceed 50%.
- An amount of approximately €83.4 million (NIS 0.4 billion) in respect of claims, in respect of which it is not yet possible, at this stage, to make an assessment, the main ones being in connection to applications for the approval of class actions that were presented close to the date of the financial statements.
- An amount of approximately €104.2 million (NIS 0.5 billion) in respect of claims which, in the assessment of the Company's management, in reliance upon the opinions of its legal advisors, their chances of being accepted exceed 50% and in respect of which a provision has been recorded in accordance with the assessment of the managements of the companies in the Group.

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

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

(1) The amount includes €0.9 million (NIS 4.5 million) in respect of claims after the balance sheet date.
(2) The amount includes €0.3 (NIS 1.5 million) in respect of claims after the balance sheet date.

15.3 Portugal

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

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

15.4 Other subsidiaries of the group

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

Note 16 – Going concern

As of March 31, 2014, the Group had a net current asset position of €449.9 million (mainly due to restricted cash of €962.0 million). During the three month period ended March 31, 2014, the Group recorded a net profit of €178.6 million (€17.3 million as of March 31, 2013), positive cash flow from operations of €230.5 million (€ 65.9 million for the three months ended March 31, 2013), and negative working capital of €513.9 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net gain recorded resulted mainly from the recognition of a non-cash gain on the step acquisition of Numericable Group S.A. for a total amount of € 256.3 million.

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 (€601.5 million as of March 31, 2014 compared to €1,171.6 million). Payables due the following month are covered by revenues and operating cash (if needed). As of 31 March 2014, the Group had few short term current liabilities with amortization of debts limited to the local bonds in Israel (€ 13.0 million per half year) and on the Altice Financing term loan facility (€ 1.8 million per quarter).

As at March 31, 2014, the Company had a positive equity position of € 1,176.7 million, of which €986.6 million attributable to the equity holders. This positive position results from the initial public offering of shares of Altice S.A. on Euronext Amsterdam, as well as the conversion and contribution of various vendor debts and minority interests stakes into the equity of Altice S.A.

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

The Group had sufficient cash reserves as of March 31, 2014 (€347.2 million) to cover its operational needs. Additionally, the Group had access to revolving credit facilities ("RCF") of up to € 66.7 million.

Note 17– Subsequent events

Acquisition of additional shares in Numericable Group from other minority shareholders

On April 5, 2014, Altice, controlling shareholder of Numericable Group, has entered into an agreement with Carlyle Cable Investment SC (« Carlyle », an affiliate of The Carlyle Group) and CCI (F3) S.à r.l (« Cinven », and affiliate of Cinven), according to which Altice will acquire the entirety of their respective stake in the share capital of Numericable Group (21.32% from Carlyle and 13.27% from Cinven). This acquisition of approximately 34.6% of Numericable Group's share capital will be implemented (i) for up to approx. 14% of the share capital of Numericable Group (6.50% for Cinven and 7.50% for Carlyle) by a sale of shares at a price of € 30.50 per share payable in cash and (ii) for the remainder, by a contribution in kind, remunerated in shares of Altice SA (one share of Numericable Group for 0.97 share of the Company).

Following this transaction, Altice's stake in the share capital and voting rights of Numericable Group will increase from 40% to 74,6%. Altice thereby confirms its intention to raise its stake in Numericable Group by acquiring the participations of Carlyle and Cinven. This acquisition would end, at its completion, the majority concert of these three shareholders, in place since the listing of Numericable Group.

The completion of this transaction is subject to obtaining an exemption from the French Autorité des Marchés Financiers from the obligation to launch a public tender offer on all Numericable Group S.A. shares.

SFR acquisition

On April 6, 2014, the Vivendi group (VIV) announced that it had accepted an offer from NG to acquire the shares of SFR Société Française du Radiotéléphone S.A. and their subsidiaries (hereafter referred to as the "SFR Group" or "SFR"). After the completion of the transaction, Altice S.A. is expected to hold approximately 59.7% of the new Numericable Group (after the above mentioned SFR Acquisition).

Under the terms of the agreement, the details of which are laid out in the appendix, Vivendi will receive €13.5 billion in cash and 20% of the combined SFR - Numericable Group as well as a potential earn-out of €750 million. Vivendi will also at a later stage have the possibility of selling its 20% stake according to set terms.

Orange Dominicana Acquisition

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

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

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

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

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

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

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

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

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

Issuance of debt to finance the acquisition of SFR

On April 23, 2014, Altice S.A. announced the issuance of (i) €2,075 million in aggregate principal amount of its 7 1/4% Senior Notes due 2022 ("Senior Euro Notes") and (ii) $2,900 million aggregate principal amount of its 7 3/4% Senior Notes due 2022 ("Senior Dollar Notes" and, together with the Senior Euro Notes, the "Senior Notes"). Following their release from escrow, proceeds of the Senior Notes, together with proceeds from certain future equity financings, will be used to (i) exercise all preferential subscription rights to be allocated to Altice France S.A. ("Altice France"), a wholly-owned subsidiary of Altice S.A., pursuant to the €4,732 million rights issue by Numericable Group S.A. ("Numericable") comprising ordinary shares with preferential subscription rights to its existing shareholders (the "Numericable Rights Issue"), (ii) purchase certain ordinary shares of Numericable from funds affiliated with Carlyle Group and Cinven Ltd., (iii) repay certain existing indebtedness of Altice France, and (iv) pay fees and expenses related thereto. The offering of the Senior Notes has closed on May 8, 2014, and the proceeds from such offering are now held in segregated escrow accounts pending satisfaction of certain escrow release conditions (including the completion of the Numericable Rights Issue).

Additional debt was issued by Numericable Group S.A., a direct subsidiary of Altice S.A., to finance the acquisition of SFR through an offering of (i) $2,400 million aggregate principal amount of its 4⅞% Senior Secured Notes due 2019 (the "2019 Senior Secured Notes"), (ii) €1,000 million aggregate principal amount of its 5⅜% Senior Secured Notes due 2022 (the "Euro 2022 Senior Secured Notes"), (iii) $4,000 million aggregate principal amount of its 6.0% Senior Secured Notes due 2022 (the "Dollar 2022 Senior Secured Notes"), (iv) €1,250 million aggregate principal amount of its 5⅝% Senior Secured Notes due 2024 (the "Euro 2024 Senior Secured Notes"), and (v) $1,375 million aggregate principal amount of its 6¼% Senior Secured Notes due 2024 (the "Dollar 2024 Senior Secured Notes", and together with the 2019 Senior Secured Notes, Euro 2022 Senior Secured Notes, Dollar 2022 Senior Secured Notes, Euro 2024 Senior Secured Notes, the "Senior Secured Notes" and, together with the Senior Notes, the "Notes"). Following their release from escrow, proceeds of the Senior Secured Notes, together with borrowings under a senior secured loan credit facility to be entered into by Numericable on or about April 23, 2014 in an aggregate principal amount equivalent to €3,780 million (equivalent) and the proceeds of the Numericable Rights Issue, will be used by the Numericable to (i) pay cash consideration to Vivendi S.A. to acquire 100% of the capital of SFR (other than 10 shares in SFR not held by Vivendi S.A.) and all of the shares of another subsidiary of Vivendi S.A., SIG 50 (the "Acquisition"), (ii) refinance certain existing indebtedness of Numericable and its subsidiaries, (iii) purchase the shareholder note owed by SFR to Vivendi S.A. and (iv) pay fees and expenses related thereto. The offering of the Senior Secured Notes was closed on May 8, 2014, and the proceeds from such offering will be held in segregated escrow accounts pending satisfaction of certain escrow release conditions (including completion of the Acquisition).

Additional RCF (200 M EUR)

As part of the debt issuance to finance the acquisition of SFR, Altice S.A. obtained an additional revolving credit facility of € 200 million to provide additional liquidity and flexibility to the firm.

Note 18 – Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorized for issue on May 15, 2014.

Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Altice S.A. as of March 31, 2014 and the related condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three month period then ended and the other explanatory notes (collectively, the "Interim Financial Statements"). The Board of Directors is responsible for the preparation and fair presentation of the Interim Financial Statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

We draw attention to the fact that the comparative amounts within the Interim Financial Statements relating to the three month period ended March 31, 2013 were not subject to an audit or a review in accordance with ISRE 2410. Our conclusion is not modified in respect of this matter.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

May 15, 2014

Société à responsabilité limitée au capital de 35.000 EUR
RCS Luxembourg B 67.895
N° d'autorisation d'établissement 10022179

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

Deloitte.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Board of Directors of
Altice S.A.
3, Boulevard Royal
L-2449 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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.

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's*, 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 July 16, 2014 in relation to the proposed 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

July 21, 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.

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.

Notes to the opening balance sheet at incorporation (cont'd)
as of January 3, 2014

Note 2 - Summary of significant accounting policies (cont. and end)

2.1. Basis of preparation (cont. and end)

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.

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.

Notes to the opening balance sheet at incorporation (cont'd and end)
as of January 3, 2014

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.

Consolidated financial statements for the year ended December 31, 2013

Statement of Director's responsibilities

The Directors are responsible for preparing the Annual Report, including the consolidated financial statements, the consolidated management report and the Corporate Governance Report, in accordance with Luxembourg legal and regulatory requirements ("Company Law"). The Directors are also responsible for ensuring that the Annual Report is published in accordance with Company Law.

Company Law requires the Board of Directors to prepare consolidated financial statements for each financial year. The Directors are required by Regulation (EC)1606/2002 of 19 July 2002 ("IAS Regulation") to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs").

IFRS requires that the consolidated financial statements give a true and fair view of the Company's consolidated financial position, consolidated financial performance and cash flows for each financial year. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In doing so, the Directors are responsible for ensuring compliance with all applicable IFRSs so as to ensure that the consolidated financial statements give a true and fair view.

The Directors are also required to properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

Responsibility statement

We confirm to the best of our knowledge that:

1. The consolidated financial statements of Altice S.A. as at and for the year ended December 31, 2013 presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included within the consolidation taken as a whole.

2. The consolidated management report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board of Directors

Dexter Goei
Chief Executive Officer

Dennis Okhuijsen
Chief Financial Officer

March 18, 2014

Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg
Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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

Report on the consolidated financial statements

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

Responsibility of the Board of Directors for the consolidated financial statements

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

Responsibility of the réviseur d'entreprises agréé

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

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

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

Opinion

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

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*
Partner

March 18, 2014

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

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Revenues	24	1,286.8	1,092.4
Purchases and subcontracting services	24	(367.8)	(302.1)
Other operating expenses	25	(186.2)	(162.6)
Staff costs and employee benefits expenses[1]		(134.7)	(145.3)
General and administrative expenses		(36.2)	(33.3)
Other sales and marketing expenses		(43.9)	(45.9)
Operating profit before depreciation, amortization and non-recurring-costs(*)		**518.0**	**403.1**
Depreciation and amortization	26	(399.6)	(266.4)
Goodwill impairment		-	(121.9)
Other expenses, net	28	(15.1)	(29.8)
Management fees		(0.6)	(6.2)
Restructuring and other non-recurring costs	28	(61.2)	(20.8)
Operating profit/(loss)		**41.5**	**(42.0)**
Gain arising on settlement of financial instruments	27	255.7	-
Finance income	29	120.9	40.7
Finance costs	29	(376.6)	(225.4)
Share in income of associates	7	15.5	20.4
Profit/(loss) before income tax expenses		**57.0**	**(206.2)**
Income tax (expenses)/benefit	23	(7.4)	26.0
Profit/(loss) for the year		**49.6**	**(180.2)**
Attributable to equity holders of the parent		*71.8*	(139.3)
Attributable to non-controlling interests		*(22.2)*	*(40.9)*

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

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

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

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

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Profit/(loss) for the year		49.6	(180.2)
Other comprehensive income			
Exchange differences on translating foreign operations		0.3	(5.1)
Net fair value gain on available-for-sale financial assets		1.7	-
Employee benefits		0.6	-
Total comprehensive profit/(loss) for the year		52.4	(185.3)
Attributable to equity holders of the parent		*74.5*	*(143.1)*
Attributable to non-controlling interests		*(22.1)*	*(42.2)*

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

Consolidated statement of financial position
December 31, 2013

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
ASSETS			
Current assets			
Cash and cash equivalents	12	61.6	129.8
Restricted cash	12	1,242.8	-
Trade and other receivables	11	232.2	193.3
Inventories	10	11.0	6.1
Current tax assets	23	14.6	5.5
Total Current assets		1,562.2	334.7
Non-current assets			
Deferred tax assets	23	47.4	19.3
Investment in associates	7	679.1	81.3
Financial assets	8	50.6	160.5
Trade and other receivables	11	22.8	24.6
Property, Plant & Equipment	6	1,134.2	1,067.8
Intangible assets	5	579.6	458.5
Goodwill	4	1,100.7	790.9
Total non-current assets		3,614.4	2,602.9
Total assets		5,176.6	2,937.6
EQUITY AND LIABILITIES			
Current liabilities			
Debentures	17	59.7	111.9
Loan from related parties	17	-	14.3
Deferred revenue	21	55.9	34.1
Trade and other payables	20	517.4	377.8
Other current liabilities	17	15.9	8.7
Provisions	14	31.1	25.7
Current tax liabilities	23	57.1	10.7
Total current liabilities		737.0	583.3
Non-current liabilities			
Debentures	17	2,527.0	1,108.5
Borrowings from financial institutions	17	1,214.0	257.2
Loans from related parties	17	100.7	322.4
Other financial liabilities	17	271.6	181.2
Deferred revenue	21	10.6	10.8
Trade and other payables	20	29.0	38.7
Retirement benefit obligations	15	8.2	9.1
Deferred tax liabilities	23	183.1	148.2
Total non-current liabilities		4,344.2	2,076.1
Equity			
Invested equity	13	95.8	272.8
Non-controlling interests	16	(0.5)	5.2
Total equity		95.3	278.1
Total equity and liabilities		5,176.6	2,937.6

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

ALTICE S.A.

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

	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
		(in millions of euros)	
Equity at January 1, 2012	367.2	349.2	716.4
Loss for the year	(139.3)	(40.9)	(180.2)
Variation in CPEC			
Employee benefits	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)	(26.1)
Option warrants	(3.9)	-	(3.9)
Purchase of minority interest	68.3	(298.4)	(230.1)
Other variations	0.3	0.7	1.0
Equity at December 31, 2012	272.8	5.2	278.1
Profit/(Loss) for the year	71.8	(22.1)	49.7
Employee benefits	0.6	-	0.6
Variation in CPEC	(203.9)	-	(203.9)
Shareholders' contribution	151.9	-	151.9
Effect of discounting of financial instruments	(45.7)	-	(45.7)
IFL fair value variation	2.6	-	2.6
Variation in Currency Translation Reserve	0.1	0.3	0.4
Increase in equity	5.4	-	5.4
Increase or decrease of ownership rate	(132.8)	16.0	(116.8)
Acquisition of companies under common control	(31.2)	-	(31.2)
Other variations	4.2	0.1	4.3
Equity at December 31, 2013	95.8	(0.5)	95.3

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

ALTICE S.A.

Consolidated statement of cash flows

For the year ended **December 31, 2013**

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
		(in millions of euros)	
Net profit/(loss), including non-controlling interests		49.6	(180.2)
Adjustments for:			
Depreciation and amortization		399.6	391.0
Share in profit of associates		(15.5)	(20.4)
Gains and losses on disposals	28	(1.0)	4.8
Other non-cash operating gains and losses	17	(268.7)	53.6
Net cash provided by operating activities before changes in working capital, finance costs and income tax		164.1	248.8
Finance costs recognized in profit and loss		244.6	181.9
Income tax (benefit)/expense recognized in the statement of income	23	7.4	(26.0)
Income tax (paid)/received		(2.3)	1.6
Changes in working capital		25.3	58.2
Net cash provided by operating activities		439.1	464.5
Purchases of tangible and intangible assets	5,6	(288.8)	(347.0)
Acquisitions of financial assets		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets		1.5	0.1
Increase/(decrease) in non-current financial assets		0.5	(16.1)
Acquisition of shares in associates	7	(243.7)	-
(Increase)/ use of restricted cash	12	(1,234.9)	32.6
Payment to acquire subsidiaries, net	3.3	(253.1)	(172.9)
Transactions with non-controlling interests	17	(120.9)	32.6
Net cash provided used by investing activities		(2,157.5)	(574.2)
Proceeds from issue of equity instruments	13	1.8	-
Dividends paid to non-controlling-interests	-	-	(26.0)
Proceeds from issuance of debts	17	2,795.5	891.5
Repayment of debt	17	(756,3)	(532.6)
Distribution to CPEC holders	13	(212.5)	-
Interest paid		(178.6)	(117.8)
Net cash provided in financing activities		1,649.8	215.1
Effects of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.2
Net increase in cash and cash equivalents		(68.1)	105.6
Cash and cash equivalents at beginning of year	12	129.7	24.2
Net (decrease) / increase in cash and cash equivalents		(68.1)	105.6
Cash and cash equivalents at end of year	12	61.6	129.8

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

1 Notes to the consolidated financial statements

1.1 Presentation of the Two Groups forming Altice Group

Altice S.A.

Altice S.A. (the "Company") is a public limited liability company (*Société Anonyme*) 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 on January 31, 2014, the Company received 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. is 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 is hence the successor entity of Altice Six and Altice VII (collectively the "Predecessor Entities").

Altice Six

As at December 31, 2013, 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 Altice VII 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**", the "**Reporting Entity**" or the "**Consolidated Group**") are as at December, 2013, entities under common control and considered together to be the reporting entity for the purposes of these consolidated financial statements. The Two Groups are ultimately controlled by Patrick Drahi. The purpose of the consolidated 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 consolidated financial statements.

Accordingly, the consolidated 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 as at December 31, 2013.

1.3 Statement of compliance

The Consolidated financial statements of Altice Group include a consolidated statement of financial position as of December 31, 2013, a consolidated statement of income, a consolidated statement of other comprehensive income, a consolidated statement of cash flows and a Consolidated statement of changes in equity for the year ended December 31, 2013 and the underlying Notes. The Consolidated 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.

The Consolidated Financial Statements were approved by the Board of Directors on March 18, 2014.

1.4 Basis of presentation of the consolidated financial statements

The consolidated 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, 2013.

All intra-group balances and transactions have been eliminated in preparing the consolidated 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 Consolidated 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 Consolidated Financial Statements.

- Likewise, the Consolidated 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 invested 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 Consolidated 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.

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

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

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

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

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

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

Impact of the application of IFRS 10

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

The Directors of the Company made an assessment as at the date of initial application of IFRS 10 (i.e. 1 January 2013) and has not identified any impact in the scope of consolidation linked to application of IFRS 10 on the existing companies that are in the scope of consolidation as at December 31, 2013.

Impact of the application of IFRS 11

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

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

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

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

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

Impact of the application of IFRS 12

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

IFRS 13 Fair Value Measurement

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

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

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

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

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

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

The Annual Improvements to IFRSs 2009-2011Cycle 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 Finaitcial 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 Consolidated Group's consolidated financial statements.

Amendments to IAS 32

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

Standards issued but not yet effective

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

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

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

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

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

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

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

2 *Significant accounting policies*

2.1 Significant accounting policies

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

2.2 Basis of preparation

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

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

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

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

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

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

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

The principal accounting policies are set out below.

2.3 *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Reporting Entity and entities (including structured entities) controlled by the Reporting Entity and its subsidiaries, except as disclosed in note 1.6. Control is achieved when the Reporting Entity:

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

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

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

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

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

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

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

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

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

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

2.4 *Functional currency*

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

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

2.5 *Foreign currency translation*

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

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

2.6 *Subsidiaries and associates*

2.6.1 Subsidiaries

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

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

2.6.2 Associates

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

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

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

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

The Consolidated Group has included the subtotal "Operating profit before depreciation, amortization and no-recurring costs" on the face of the consolidated statements of income. The Consolidated Group believes that this subtotal is useful to users of the Consolidated 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 Consolidated Group's financial statements and providing information regarding the results of the Consolidated Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Consolidated Group's financial performance.

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

2.8 *Revenue recognition*

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Consolidated 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 Consolidated Group are split into and recognised under each individual service sold in the bundle. For example, tripe play package revenues are booked under 'triple play television', 'triple play data' and 'triple play telephony' on a straight-line basis over their subscription period and revenues from telephone calls are recognized in revenue when the service is rendered.

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

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

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

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

Income from credit arrangements

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

2.9 *Finance costs*

Finance costs primarily comprise:

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

2.10 *Income taxes*

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

2.10.1 Current taxes

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

2.10.2 Deferred taxes

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

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

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or 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 Consolidated Statement of Financial Position and Consolidated Income Statement of the Consolidated Group.

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

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

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

2.11 *Goodwill and business combinations*

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

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Group's ownership interests in subsidiaries that do not result in the Consolidated Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated 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 Consolidated Group.

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

2.12 Other intangible assets

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

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

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

The useful lives of the intangible assets are as follows:

	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.

2.13 Impairment of tangible and intangible assets

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

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

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

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

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

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

2.14 Property, plant and equipment

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

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

	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 Consolidated Group, which it intends to exercise) or the estimated useful lifetime of the improvement.

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

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

2.15 Leasing

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

2.15.1 The Consolidated Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Consolidated 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 Consolidated 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 Consolidated Group.

2.15.2 The Consolidated Group as lessee

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

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

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

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

2.16 Borrowing costs

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

2.17 Government grants

Government grants are not recognized until there is reasonable assurance that the Consolidated 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 Consolidated Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Consolidated Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

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

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

2.18 Financial assets

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

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

2.18.1 Available-for-sale financial assets

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

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

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

2.18.2 Loans and receivables

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

This category mainly includes trade receivables.

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

2.18.3 Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Consolidated 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 Consolidated Group currently does not hold any held to maturity financial assets.

2.18.4 Financial assets measured at fair value through profit or loss

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

This category mainly includes:

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

2.19 Inventories

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

Cost of inventories is determined using the weighted average cost method.

The Consolidated Group periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

2.20 Cash and cash equivalents

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Consolidated Group's cash management.

2.21 Restricted cash

Restricted cash is considered to be cash that is dedicated to the repayment of the Consolidated Group's liabilities to banking entities in accordance with the Consolidated Group's credit agreement and therefore amounts that the Consolidated Group cannot use at its discretion.

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different group companies to financial institutions related to financing or other activities. Restricted cash is not considered to be a component of cash and cash equivalents since such balances are not held for the purposes of meeting short term cash commitments.

2.22 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently reassessed at their fair value.

The Consolidated Group enters into interest rate swaps and caps to manage its interest or foreign currency exchange rate exposure. These contracts do not qualify as hedges for accounting purposes according to IAS 39, as there was no formal designation and documentation of the hedging relationship at inception. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement within financial income and expenses.

2.23 Share based payment arrangements

The Consolidated Group's employees are entitled to remuneration in the form of equity-settled share-based payment transactions and certain employees are entitled to remuneration in the form of cash-settled share-based payment transactions that are measured based on the increase in the Company's share price. These stock options based remunerations mainly concerned the Israeli entity, HOT Telecom and these plans were terminated post the take private of the company in December 2012 and the delisting of all active shares of HOT Telecom on the Tel Aviv stock exchange.

2.24 Financial liabilities

Financial liabilities other than derivative instruments include:

2.24.1 Financial liabilities at amortized cost

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method according to IAS 39. The effective interest rate is the internal yield rate that exactly discounts future cash flows through the term of the financial liability. Fees, debt issuance and transaction costs are included in the calculation of the effective interest rate over the expected life of the instrument.

2.24.2 Financial liabilities that are measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on liabilities held for trading are recognized in profit or loss.

Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments. In the event of a financial instrument that contains one or more embedded derivatives, the entire combined instrument may be designated as a financial liability at fair value through profit or loss only upon initial recognition.

The Consolidated Group assesses whether embedded derivatives are required to be bifurcated from host contracts when the Consolidated Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices at the close of business on the balance sheet date. For financial instruments for which there is no active market, fair value is determined by the use of valuation techniques. Such techniques include evaluation based on transactions that have been executed recently under market terms, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

2.24.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2.24.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the value of the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Consolidated Group also issued some CPECs (Convertible Preferred Equity Certificates). Details of these subordinated financial instruments are set out in note 17.4.

2.25 Other liabilities

2.25.1 Provisions

A provision in accordance with IAS 37 is recognized in the statement of financial position when the Consolidated Group has a present obligation (legal or implicit) as the result of a past event and it is expected that the use of economic resources will be required in order to settle the obligation and it is possible to reliably estimate it. Where the impact is significant, the provision is measured by discounting the forecasted future cash flows, using a pre-tax interest rate that reflects the expectations of the market in respect of the time frame of the money and in certain cases, the risks that are specific to the liability.

The following types of provisions are recorded in the financial statements:

2.25.2 Legal claims

A provision regarding legal claims is recognized when the Consolidated Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Consolidated Group will be required to expand economic resources to clear the commitment, when it is possible to estimate it reliably and when the effect of time is significant, the provision is measured according to the present value.

2.25.3 Warranty

The Consolidated Group recognizes a provision for warranty for the sale of its products. The warranty is limited to malfunctions as defined by the Consolidated Group and does not include warranty for damages incurred by the customer.

2.25.4 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Consolidated Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.25.5 Restructuring

A restructuring provision is recognized when the Consolidated 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 Consolidated Group.

2.26 Liabilities for employment benefits

In accordance with the laws and practices of each country in which it operates, the Consolidated Group participates in, or maintains, several employee benefits. There are as follows:

2.26.1 Short-term benefits for employees

Short-term benefits for employees include salaries, vacation pay, sick leave, recuperation pay and employers' deposits for national insurance and are recognized as an expense when the services are provided. A liability in respect of a cash bonus or a profits participation scheme is recognized where the Consolidated Group has a legal or an implicit commitment to pay the said amount in respect of service that has been provided by the employee in the past and where the amount can be reliably estimated.

2.26.2 Post-retirement benefits

In Israel, the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Group's creditors, and cannot be paid directly to the Consolidated Group.

The liability regarding employee benefits presented in the statement of financial position represents the present value of the defined benefits obligation less the fair value of the plan assets, and the past service costs. Actuarial gains and losses are reflected in the income statement in the period in which they arise, as part of the salary costs.

The Consolidated Group has defined contribution plans pursuant to the Severance Pay Law under which the Consolidated Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed simultaneously with receiving the employee's services and no additional provision is required in the financial statements.

2.26.3 Other long-term employee benefits

The Consolidated Group's employees are entitled to benefits and other long-service grants. These benefits are accounted for as other long-term benefits since the Consolidated Group estimates that these benefits will be used and the respective Consolidated Group's obligation will be settled during the employment period and after one year from the end of the reporting period.

The Consolidated 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 Consolidated Group's obligation. The obligation is calculated using the projected unit credit method. Actuarial gains and losses are recognized in profit or loss in the period in which they occur.

2.26.4 Benefits in respect of the termination of employment

Severance pay for employees is reflected as an expense when the Consolidated 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 Consolidated Group has offered the employees a plan that encourages voluntary retirement, it is expected that the offer will be accepted and the number of persons accepting the offer can be reliably estimated.

2.27 Significant accounting judgments and estimates used in the preparation of the financial statements

2.27.1 Judgments

In the process of applying the significant accounting policies, the Consolidated Group has exercised its judgment and has taken into account matters which have the most significant impact on the amounts that have been recognized in the consolidated financial statements.

2.27.2 Estimates and assumptions

The preparation of the consolidated financial statements requires the Consolidated Group to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period in which the estimate changes.

2.27.3 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the 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.

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 6.3% to 11%.

2.27.4 Legal claims

In estimating the likelihood of outcome of legal claims filed against the Consolidated Group and its investees, the group companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

2.27.5 Post-employment benefits

The liability in respect of post-employment defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about, among others, discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

2.27.6 Deferred tax asset

Deferred tax assets relate primarily to tax loss carry forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carry forwards are recognized if it is probable that the Consolidated Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Consolidated Group's capacity to utilize tax loss carry-forwards relies on significant judgment. The Consolidated Group analyses past events, and the positive and negative elements of certain economic factors that may affect its business in the foreseeable future to determine the probability of its future utilization of these tax loss carry forwards.

2.27.7 Discounting of Yield Free Preferred Equity Certificates (YFPEC) and similar instruments

The Consolidated Group has loans with its equity holder which are currently non-interest bearing and therefore considered as not being at arm's length. In determining the present value, a discount rate of 4.76% has been used for YFPECs and a discount rate of 6.79% for the Interest Free Loans (IFLs) issued by the Consolidated Group. YFPECs issued by Altice Six S.A. have been discounted at a rate of 5.3%, representing the effective borrowing rate for Altice Six as of December 31, 2013.

3-Scope of consolidation

3.1 The entities included in the scope of consolidation

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Consolidated Group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice Six S.A.	Luxembourg	FC(*)	FC(*)	FC(*)	100%
Altice VII S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Cool Holding LTD	Israel	FC(*)	FC(*)	100%	100%
H. Hadaros 2012 LTD	Israel	FC(*)	FC(*)	100%	100%
HOT Telecommunication Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Telecom Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot Mobile LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC(*)	FC(*)	100%	100%
Hot Vision LTD	Israel	FC(*)	FC(*)	100%	100%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	50%
South Saron Communications LTD	Israel	FC(*)	FC(*)	100%	100%
Iscarable LTD	Israel	FC(*)	FC(*)	100%	100%
Hot TLM Subscription Television LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Eden Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Israel Cables Systems LTD	Israel	FC(*)	FC(*)	100%	100%
Hot Net Limited Partnership	Israel	FC(*)	FC(*)	100%	100%
Hot EDOM LTD	Israel	FC(*)	FC(*)	100%	100%
Zira (Copyrights on the Internet) LTD	Israel	Equity method	Equity method	25%	25%
Altice Securities S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Holdings S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	-
Altice Africa S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Blue One S.A.S.	France	FC(*)	FC(*)	100%	100%
MTVC S.A.	France	FC(*)	FC(*)	76.97%	100%
WSG S.A.	France	FC(*)	FC(*)	76.97%	99.95%
Green.ch	Switzerland	FC(*)	FC(*)	99.12%	99.12%
Valvision S.A.S.	France	-	FC(*)	-	100%
Auberimmo S.A.S.	France	FC(*)	FC(*)	100%	100%
Green Datacenter AG	Switzerland	FC(*)	FC(*)	97,3%	97%
Deficom Telecom S.à r.l.	Luxembourg	FC(*)	FC(*)	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding Lux S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Holding S.A.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%

Coditel Brabant S.p.r.l.	Belgium	FC(*)	FC(*)	84.4%	44.39%
Coditel S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Coditel Management S.à r.l.	Luxembourg	FC(*)	FC(*)	84.4%	44.39%
Altice Caribbean S.à r.l.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Portugal S.A.	Portugal	FC(*)	FC(*)	100%	60%
Cabovisao S.A.	Portugal	FC(*)	FC(*)	100%	60%
Altice Finco S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice Financing S.A.	Luxembourg	FC(*)	FC(*)	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC(*)	-	100%	-
OMT Invest S.A.S	France	FC(*)	-	76.97%	-
Groupe Outremer Telecom S.A.	France	FC(*)	-	76.97%	-
Outremer Télécom S.A.S	France	FC(*)	-	76.97%	-
Outremer Télécom Océan Indien S.A.S	France	FC(*)	-	76.97%	-
Altice Blue Two S.A.S	France	FC(*)	-	76.97%	-
City Call Ltd	Mauritius	FC(*)	-	76.97%	-
Outremer Telecom Ltee	Mauritius	FC(*)	-	76.97%	-
Telecom Reunion SNC	France	FC(*)	-	76.97%	-
Telecom 2004 SNC	France	FC(*)	-	76.97%	-
OPS S.A.S	France	FC(*)	-	76.97%	-
WLL Antilles-Guyane S.A.S	France	FC(*)	-	76.97%	-
WLL Réunion SAS	France	FC(*)	-	76.97%	-
ONI S.G.P.S., S.A.	Portugal	FC(*)	-	100%	-
Winreason S.A.	Portugal	FC(*)	-	100%	-
Onitelecom-Infomunicações, S.A..	Portugal	FC(*)	-	100%	-
Knewon S.A.	Portugal	FC(*)	-	100%	-
Onitelecom Açores S.A.	Portugal	FC(*)	-	100%	-
Onitelecom Madeira S.A.	Portugal	FC(*)	-	100%	-
Altice Content S.à r.l.	Luxembourg	FC(*)	-	100%	-
Ma Chaine Sport S.A.S.	France	FC(*)	-	100%	-
Sport Lux S.à r.l.	Luxembourg	FC(*)	-	100%	-
Sportv S.A.	Luxembourg	FC(*)	-	100%	-
CPA Lux S.à r.l.	Luxembourg	FC(*)	-	100%	-
Altice Bahamas S.à r.l.	Luxembourg	FC(*)	-	100%	-
Ypso Holding S.à r.l.(**)	Luxembourg	-	Equity method	-	24.06%
Altice B2B Lux S.à r.l.(**)	Luxembourg	-	Equity method	-	24.06%
Numericable Group S.A.(**)	France	Equity method	-	27.4%	-

(*) FC stands for "Full Consolidation"

(**) Numericable Group S.A. is the Successor Entity of Ypso Holding S.à r.l. and Altice B2B Lux S.à r.l.

3.1.1 Composition of the Consolidated Group

Principal activity	**Place of incorporation and operation**	**Number of wholly owned subsidiaries**	
		31/12/2013	**31/12/2012**
Distribution of cable based telecommunication services	Israel	9	9
	Belgium	1	1
	Luxembourg	1	1
	Portugal	5	1
	France	3	2
Provider of mobile services	France	2	-
	Israel	1	1
Production and distribution of content based services	Israel	1	1
	France	1	-
	Luxembourg	1	-
Total		25	16

3.2.2 *Details of non-wholly owned subsidiaries that have material non-controlling interests*

		Proportion of ownership interests and voting rights held by non-controlling interests		**Profit/ (loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
Name of subsidiary	**Place of incorporation and operation**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**	**December 31, 2013**	**December 31, 2012**
Altice Blue Two S.A.S	France	23%	-	(2.7)	-	(1.4)	-
Deficom Telecom S.à r.l.	Luxembourg	26%	26%	(17.1)	(10.6)	(9.3)	(13.5)
Green.ch	Switzerland	0.88%	0.88%	-	-	0.3	0.4
Green Datacenter AG	Switzerland	3%	3%	-	-	0.2	0.2
Cool Holding Ltd	Israel	-	-	-	(39.4)	9.3	9.1
Winreason S.A.	Portugal	-	-	-	-	0.4	-
Altice Portugal S.A.	Portugal	-	40%	(2.3)	9.1	-	9.1
Total				(22.1)	(40.9)	(0.5)	5.2

3.2 Modification of the scope of consolidation

3.2.1 Main acquisitions in 2013

3.2.1.1 Acquisition of OMT

On July 5, 2013 the Consolidated Group obtained control of OMT, a telecommunications operator in the French Overseas Territories, by acquiring 77% of the shares and voting interests in the company. This acquisition enables the Consolidated Group to expand its footprint in the French Overseas Territories.

Since July 5, 2013 OMT contributed EUR 102.1 million to revenue and EUR 13.5 million to operating profit to the Consolidated Group's results for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of OMT based on the assumptions described below.

Brand:

The ONLY brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions :

- Discount rate – 11.4%
- Royalty rate – 1.5%

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumption:

- EBIT margin rate: 13.5% for fixed telephone clients, 12.4% for internet clients, 19.3% for mobile clients, 26.4% for B2B clients.
- Attrition rate: 9.7% for fixed telephone clients, 29.2% for internet clients, 48.5% for mobile clients, 16.4% for B2B clients.
- Discount rate: 11.4%
- Perpetuity growth rate: 2%

3.2.1.2 Acquisition of ONI Communication

On August 8, 2013 the Consolidated 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 Consolidated Group to expand its footprint in Portugal and eventually realise synergies with the Consolidated Group's other business within the same country.

Since August 8, 2013 ONI contributed EUR 41.8 million in revenue and EUR 4.9 million in operating loss to the Consolidated Group's result for the year ended December 31, 2013.

A purchase price allocation was performed following the acquisition of ONI based on the assumptions described below.

Brand:

The ONI brand was valued using the royalty relief method over an indefinite useful life and the method was built on the following assumptions :

- Discount rate – 6.5%;
- Royalty rate – 2.0%.

Clients:

The portfolio of clients has been valued using the excess earnings approach and based upon the following assumptions :

- EBIT margin rate: 14.1%;
- Attrition rate: 22.9% for B2B clients;
- Discount rate: 6.5%;
- Perpetuity growth rate: 0%.

3.2.1.3 Integration of content channels

On October 4, 2013 Ma Chaine Sport S.A.S. ("MCS") and SportV S.A. ("SportV"), two exclusive content producing companies based in France and Luxembourg respectively were transferred to the Consolidated Group by Altice IV and Valemi Corp, Altice IV S.A. being considered as a related party as it shares the same controlling shareholder as the Consolidated Group at time of acquisition. In the absence of any specific guidance concerning the accounting for common control transactions within IFRS, no purchase price allocation was performed. These transactions allow the Consolidated Group to pursue a strategy of vertical integration and also provide a more integrated solution to its customers.

Since October 4, 2013, Ma Chaine Sport and SportV contributed EUR 6.4 million in revenue and EUR 0.3 million in operating profit to the Consolidated Group's result for the year ended December 31, 2013.

3.2.2 Change in the Consolidated Group's ownership interest in 2013

3.2.2.1 Acquisition of minority interests in Cabovisao

On April 23, 2013, the Company completed the acquisition of 40% of minority stake held by Apax Partners in its Portuguese subsidiary Cabovisao S.A, through an investment in the holding company of Cabovisao S.A, Altice Portugal.

The total consideration of EUR 105.0 million was paid on April 23, 2013, of which EUR 90.0 million was paid in consideration for the shares acquired and EUR 15.0 million towards the repayment of an existing vendor note. An amount of EUR 9.1 million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred between non-controlling interests to controlling interest. The difference of EUR 80.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.2 Disposal of Valvision

On June 6, 2013, the Consolidated Group disposed of its interests in Valvision S.A.S, a cable based service provider in France to Altice VII Bis S.à r.l., a sister concern under common control of the Company's sole shareholder, Next L.P.

The difference of EUR 3.3 million gain generated on this transaction (representing the difference between the net asset value of the entity prior to transfer and the consideration received) has been recognized directly in equity.

3.2.2.3 Acquisition of minority interests in Coditel

Deficom Telecom S.à r.l., a majority owned subsidiary of Altice VII, is the owner of 60% of the outstanding shares of Coditel Holding Lux II and Coditel Management. On November 29, 2013, Altice Holdings S.à r.l. purchase 40% of the interest of Coditel Holding Lux II and Coditel Management held by Codilink S.à r.l. .

The total consideration of EUR 82.5 million was paid on November 29, 2013, of which EUR 30.6 million was paid in consideration for shares and EUR 51.9 million paid as repayment of subordinated debt instruments held by Codilink (the Coditel PECs). An amount of EUR (9.3) million (being the proportionate share of the carrying amount of the net assets of the entity) has been transferred from non-controlling interests to controlling interest. The difference of EUR 39.9 million between the decrease in the non-controlling interests and the consideration received has been debited from the retained earnings.

3.2.2.4 Acquisition of an additional stake in Numericable Group ("NG Group")

In November 2013, concomitantly with the initial public offering of Numericable Group on the Paris Stock Exchange, Altice Six increased its stake in NG group to reach a percentage holding of 27.4% from 24.06%..

3.3 Acquisitions of businesses

Business combinations that occurred during the reporting period are described in note 3.2.

The major classes of assets acquired and liabilities assumed at the acquisition date are:

	Total Business Combinations	OMT	ONI	MCS(1)	SportV(1)
	(in millions of euros)				
Cost of acquisition(2)	280.6	223.3	22.3	23.0	12.0
ASSET					
Intangible assets	154.1	106.7	45.9	1.3	0.2
Property, plant and equipment	122.9	69.5	52.6	0.9	-
Non-current financial assets	1.6	1.6	-	-	-
Inventories	6.3	4.9	1.4	-	
Trade accounts receivable and other	55.7	28.1	19.6	6.0	2.0
Tax receivable	3.0	2.6	0.4	-	-
Cash and cash equivalents	36.3	33.6	0.7	0.3	1.7
Other current assets	13.0	3.2	8.7	0.6	0.5
Total assets	393.0	250.2	129.3	9.1	4.4
EQUITY AND LIABILITIES					
Non-current liabilities	253.1	205.3	47.5	0.3	-
Current liabilities	185.7	115.5	60.8	6.7	2.7
Total liabilities	438.8	320.8	108.3	7.0	2.7
Net assets	(45.9)	(70.6)	21.0	2.1	1.7
Residual goodwill	295.2	293.9	1.3	-	-
Including impact of non-controlling interests on goodwill	*67.7*	*67.7*		-	-

(1) No goodwill is attributed to neither MCS nor SportV as these were deemed by the Board of Directors to be integration under common control and thus any difference in the net asset value and the purchase price is recorded directly in the reserves of the group attributable to the shareholders.

(2) When acquiring OMT, ONI and integrating MCS and Sport, the company did not, (i) pay the vendors of OMT and ONI directly as the cash was transferred directly from the lenders to the sellers' accounts, or to their debt holders in case of refinancing of the acquired entities debts or (ii) did not pay the entire amount in cash (as was the case for MCS and SportV), thus generating vendor notes held by the vendors. The total cash out from the accounts of the company amounted to EUR 13.0 million. These vendor notes were settled in 2014.

The acquisition of a controlling stake in OMT Invest S.A.S ("OMT") and Winreason S.A. ("ONI") are considered to be non-cash transactions, as the consideration paid to the vendors flows directly from the lending parties to final sellers, without transitioning through the company's accounts. Thus, the cost of such transactions is deducted directly from the issuance of debt in the consolidated statement of cash flows.

The main figures of the entity, since the beginning of the year, and until the business combination, are presented as follows:

	OMT	ON1	MCS	SportV
	(in millions of euros)			
Revenues	**96.5**	**59.0**	**13.8**	**4.5**
Cost of sales	(30.1)	(31.2)	(3.4)	(1.1)
Gross Profit	**66.4**	**27.8**	**10.5**	**3.3**
Other operating expenses	(19.8)	(11.2)	(1.4)	-
General and administrative expenses	(6.1)	(5.9)	(1.1)	(0.1)
Other sales and marketing expenses	(7.3)	(1.3)	(0.2)	(0.2)
Operating profit before depreciation, amortization and non-recurring costs	**33.2**	9.4	7.7	**3.0**
Depreciation and amortization	(11.4)	(9.9)	(6.2)	(1.1)
Other expenses, net	(2.0)	(1.7)	(0.5)	-
Management fees	-	-	-	-
Reorganization and non-recurring costs	(0.4)	(0.5)	-	-
Operating profit	**19.4**	**(2.7)**	**1.0**	**1.9**
Profit / (loss) for the period (including non-controlling interests)	**10.9**	**(8.8)**	**0.8**	**1.4**

4-Goodwill

The Company identified six operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the cash generating units. Goodwill is allocated as follows to each of the Company's operating segments:

	December 31, 2012	Business combinations	Impairment losses	Changes in foreign currency translation	Disposals	December 31, 2013
			(in millions of euros)			
WSG	4.6	-	-	-	-	4.6
Valvision	1.4	-	-	-	(1.4)	(0.0)
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	601.8	-	-	18.4	-	620.3
OMT Invest	-	293.9	-	-	-	293.9
ONI	-	1.3	-	-	-	1.3
Total Gross Value	921.1	295.2	-	18.4	(1.4)	1,233.3
WSG	(4.6)	-	-	-	-	(4.6)
Valvision	(1.4)	-	-	-	1.4	-
Green.ch	-	-	-	-	-	-
Coditel	-	-	-	-	-	-
Hot Telecom	(124.2)	-	-	(3.8)	-	(128.0)
OMT Invest	-	-	-	-	-	-
ONI	-	-	-	-	-	-
Total Cumulative impairment	(130.1)	-	-	(3.8)	1.4	(132.6)
WSG	(0.0)	-	-	-	-	(0.0)
Valvision	(0.0)	-	-	-	-	(0.0)
Green.ch	17.8	-	-	-	-	17.8
Coditel	295.5	-	-	-	-	295.5
Hot Telecom	477.6	-	-	14.6	-	492.3
OMT Invest	-	293.9	-	-	-	293.9
ONI	-	1.3	-	-	-	1.3
Total Net book value	790.9	295.2	-	14.6	-	1,100.7

	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
			(in millions of euros)		
WSG	4.6	-	-	-	4.6
Valvision	1.4	-	-	-	1.4
Green ch	17.8	-	-	-	17.8
Coditel Brabant	209.2	-	-	-	209.2
Coditel S.à r.l.	86.3	-	-	-	86.3
Hot Telecom	600.2	-	-	1.6	601.8
Total Gross Value	**919.5**	**-**	**-**	**1.6**	**921.1**
WSG	(4.6)	-	-	-	(4.6)
Valvision	(1.4)	-	-	-	(1.4)
Green ch	-	-	-	-	-
Coditel Brabant	-	-	-	-	-
Coditel S.à r.l.	-	-	-	-	-
Hot Telecom	(1.6)	-	(121.9)	(0.7)	(124.2)
Total Cumulative impairment	**(7.6)**	**-**	**(121.9)**	**(0.7)**	**(130.2)**
WSG	-	-	-	-	-
Valvision	-	-	-	-	-
Green ch	17.8	-	-	-	17.8
Coditel Brabant	209.2	-	-	-	209.2
Coditel S.à r.l.	86.3	-	-	-	86.3
Hot Telecom	598.6	-	(121.9)	0.9	477.6
Total Net book value	**911.9**	**-**	**(121.9)**	**0.9**	**790.9**

The carrying amount of goodwill as at December 31, 2013 was EUR 1,100.7 million (December 31, 2012 was EUR 790.9 million).

Goodwill is reviewed at the Consolidated Group of cash-generating unit ("CGU") level for impairment annually and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2013, goodwill was tested at the CGU level for impairment as of December 31. The CGU is at the subsidiary level of the Company. The recoverable amounts of the CGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the CGUs as the carrying value of the CGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the churn rate during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

The value in use of the CGUs was determined by estimating cash flows for a period of five years, giving due consideration to the nature of the industry in which each CGU operates. Assumptions for churn rates and EBIT margin were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

When estimating turnover for purposes of the 2013 impairment test, the Company used a growth rate between (3.6)-6% over the next 5 years. Those estimates were determined on the basis of the analysis of the markets where the Company is active in as well as on the basis of projections provided by external sources.

	Green. ch	Coditel	Hot Mobile
Average long term growth rate in 2012 (in %)........................	2.0	2.0	1.5-2
Average long term growth rate in 2103 (in %)........................	2.0	2.0	2.0

When estimating EBIT margin for purposes of the 2013 impairment test, the Company used a stable ratio of EBIT margin over the next 5 years.

Management estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the CGUs was estimated from the weighted average cost of capital ("WACC") of companies which operate a portfolio of assets similar to those of the Company's assets.

	Green ch	Coditel	Cabovisao	Hot Mobile
CGU weighted average post-tax WACC rate used in 2012 (in %)........................	7.0	8.0-8.5	-	10-11
CGU weighted average pre-tax WACC rate used in 2013 (in %)........................	6.5	6.6	6.3	10-11

The results of the goodwill impairment test of 2012 and 2013 for each CGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the CGU, except for EUR 121.9 million in Hot Telecom for the year ended December 31, 2012.

In validating the value in use determined for the CGU, key assumptions used in the discounted cash-flow model were sensitized to test the resilience of value in use and no impairments were noted in these sensitivity analysis.

	Green.ch	Coditel	Hot Telecom
Recoverable amount	124.4	466.6	1,357.1
Carrying amount	17.8	295.5	477.6
Excess of recoverable amount over carrying amount	106.6	171.1	879.5

The following changes in key assumptions in projected cash flows in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value.In addition, the Company analyzed the sensitivity of the estimated recoverable amounts to the reasonable expected changes in assumptions, assuming unchanged values for the other assumptions:

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the weighted average cost of capital (WACC), all other assumptions being stable and the impact would be :

- Green.ch: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment would be required.
- Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR 807.2 million and therefore no impairment would be required.

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the perpetuity growth rates, all other assumptions being stable and the impact would be :

- Green.ch: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.
- Coditel: an increase of 50 bps in the growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.
- HOT Mobile: an increase of 50 bps in the growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

The analysis did not result in a scenario whereby a reasonable possible change in the aforementioned key assumptions would result in a recoverable amount for the CGU which is inferior to the carrying value.

5-Intangible assets

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
				(in millions of euros)			
Software	64.9	23.5	-	-	3.0	0.1	91.2
Brand name	79.8	0.3	-	49.1	0.7	-	129.9
Customer relations[1]	325.6	-	-	52.9	8.2	-	386.7
Licenses	31.9	6.2	-	14.7	0.5	3.6	56.8
R&D costs acquisitions	-	-	-	1.8	-	2.1	3.8
Subscriber purchase costs[2]	173.9	20.2	-	-	6.2	-	200.3
Intangible assets under construction	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
Total Gross Value	795.0	92.5	(1.2)	154.1	21.1	0.5	1,061.9
Software	(28.1)	(25.4)	-	-	(1.9)	(0.1)	(55.5)
Brand name	(2.6)	(2.2)	-	-	(0.2)	-	(5.0)
Customer relations[1]	(52.9)	(36.1)	-	-	(2.5)	-	(91.5)
Licenses	(9.9)	(7.3)	-	-	(0.1)	0.1	(17.2)
R&D costs	-	(0.7)	-	-		-	(0.7)
Subscriber purchase costs[2]	(166.3)	(21.8)	-	-	(6.0)	-	(194.1)
Intangible assets under construction	-	-	-	-	-	-	
Other intangible assets	(76.7)	(40.7)	0.7	-	(1.6)	-	(118.3)
Total Cumulative amortization and depreciation	(336.5)	(134.1)	0.7	-	(12.3)	-	(482.3)
Software	36.8	(1.9)	-	-	1.1	-	36.0
Brand name	77.2	(1.9)	-	49.1	0.5	-	124.9
Customer relations[1]	272.7	(36.1)	-	52.9	5.8	-	295.3
Licenses	22.0	(1.1)	-	14.7	0.4	3.8	39.7
R&D costs	-	(0.7)	-	1.8	-	2.1	3.1
Subscriber purchase costs[2]	7.6	(1.6)	-	-	0.2	-	6.2
Intangible assets under construction	-	5.2	(0.5)	7.7	-	(5.9)	6.5
Other intangible assets	42.2	(3.6)	-	28.0	0.9	0.5	68.0
Total Net book value	458.5	(41.7)	(0.5)	154.1	8.7	0.5	579.6

	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
			(in millions of euros)				
Software	37.1	27.3	-	-	0.3	0.1	64.9
Brand name	50.0	-	-	29.6	0.2	-	79.8
Customer relations[1]	316.4	-	-	8.2	1.0	-	325.6
Licenses	19.2	13.2	(0.6)	-	-	0.1	31.9
Subscriber purchase costs[2]	152.1	21.2	-	-	0.6		173.9
Intangible assets under construction	-	0.3	-	-	-	(0.3)	-
Other intangible assets	95.3	23.1	-	0.1	0.4		118.9
Total Gross Value	670.3	85.1	(0.6)	37.9	2.5	(0.1)	795.0
Software	(10.8)	(17.2)	0.2	-	(0.2)	0.1	(28.1)
Brand name	(1.1)	(1.5)	-	-	-		(2.6)
Customer relations[1]	(21.6)	(31)	-	-	(0.3)		(52.9)
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)	(124.0)	0.4	0.0	(1.4)	0.4	(336.5)
Software	26.3	10.1	0.2	-	0.1	-	36.8
Brand name	48.9	(1.5)	-	29.6	0.2	-	77.2
Customer relations[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	-	0.3	-	-	-	(0.3)	-
Other intangible assets	64.4	(23.0)	-	0.1	0.1	0.6	42.2
Total Net book value	458.3	(38.9)	(0.2)	37.9	1.1	0.3	458.5

---

(1) Customer relations have been valued on the basis of the fair value of the existing customers. These are amortized on the basis of the local churn rate.

(2) Subscriber purchase costs were recognized in respect of the costs of acquisition of subscribers (including additional sales commissions). The amortization expenses are linked to the length of the average commitment of the subscribers.

6-Property, Plant & Equipment

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
				(in millions of euros)			
Land	2.9	0.2	-	0.2	-	-	3.3
Buildings	68.6	8.7	-	5.6	1.4	2.5	86.8
Cable networks(1)	661.8	58.8	(0.2)	0.7	31.8	1.1	754.0
Call center (primarily electronic equipment)(2)	94.9	16.1	(0.4)	1.0	7.5	0.1	119.1
Converters and modems	230.5	26.3	(1.0)	2.9	14.8	2.0	275.5
Computers and ancillary equipment	39.5	3.1	(0.1)	0.8	2.0	-	45.3
Office furniture and equipment(3)	110.7	17.1	(19.2)	1.0	(0.5)	1.3	110.4
Communication network infrastructure(4)	361.7	41.5	(3.6)	89.2	9.7	25.0	523.5
Other data center equipment	2.0	0.7		-	(0.0)	0.6	3.3
Tangible assets under construction	17.0	19.9	-	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets	3.1	0.3	-	0.7	(0.0)	(4.1)	-
Other tangible assets	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
Total Gross Value	1,602.1	196.7	(24.6)	123.0	67.2	(4.3)	1,961.9
Buildings	(12.9)	(9.0)	-	-	(0.7)	-	(22.6)
Cable networks(1)	(136.4)	(112.1)	0.2	-	(18.5)	-	(266.8)
Call center (primarily electronic equipment)(2)	(26.7)	(25.6)	-	-	(5.5)	-	(57.8)
Converters and modems	(50.5)	(50.3)	0.6	-	(9.3)	0.2	(109.3)
Computers and ancillary equipment	(27.6)	(5.4)	0.1	-	(1.8)	-	(34.7)
Office furniture and equipment(3)	(37.0)	(14.1)	15.2	-	0.1	-	(35.8)
Communication network infrastructure(4)	(235.0)	(46.2)	3.6	-	(5.9)	(0.5)	(284.0)
Other data center equipment	(1.4)	(0.4)	-	-	-		(1.8)
Tangible assets under construction	(0.3)	-	-	-	-	0.3	(0.1)
Other tangible assets	(6.4)	(8.0)	-	-	(0.5)	0.1	(14.8)
Total Cumulative amortization and depreciation	(534.3)	(271.1)	19.7	-	(42.1)	0.1	(827.7)
Land	2.9	0.2	-	0.2	-	-	3.3
Buildings	55.7	(0.3)	-	5.6	0.7	2.5	64.2
Cable networks(1)	525.4	(53.3)	-	0.7	13.3	1.1	487.2
Call center (primarily electronic equipment)(2)	68.1	(9.5)	(0.4)	1.0	2.0	0.1	61.3
Converters and modems	180.0	(24.0)	(0.4)	2.9	5.5	2.2	166.2
Computers and ancillary equipment	11.9	(2.3)	-	0.8	0.2	-	10.6
Office furniture and equipment(3)	73.7	3.0	(4.0)	1.0	(0.4)	1.3	74.6
Communication network infrastructure(4)	126.7	(4.7)	-	89.2	3.8	24.5	239.5
Other data center equipment	0.6	0.3	-	-	-	0.6	1.5
Tangible assets under construction	16.6	19.9	-	19.9	-	(31.3)	25.1
Prepayments on tangible assets	3.1	0.3	-	0.7	-	(4.1)	0.0
Other tangible assets	3.1	(4.0)	(0.1)	1.0	-	0.7	(0.7)
Total Net book value	1,067.8	(74.4)	(4.9)	123.0	25.1	(2.4)	1,134.2

	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	-	94.8
Converters and modems	161.8	70.4	(3.2)	-	1.5	-	230.5
Computers and ancillary equipment	29.1	6.4	-	0.1	0.2	3.7	39.5
Office furniture and equipment[3]	97.7	12.2	(0.5)	0.7	0.2	0.4	110.7
Communication network infrastructure[4]	301.9	58	(2.3)	3.1	1.0	-	361.7
Other data center equipment	3.0	-	(2.8)	-	-	1.8	2.0
Tangible assets under construction	7.2	19.8	(1.8)	8.4	-	(16.6)	17.0
Prepayments on tangible assets	0.1	3.0	-	-	-	-	3.1
Other tangible assets	6.2	3.2	-	0.1	-	-	9.5
Total Gross Value	1,213.7	269.4	(11.5)	123.6	6.9	0.0	1,602.1
Buildings	(8.7)	(4)	-	-	(0.2)	-	(12.9)
Cable networks[1]	(24.7)	(110.6)	0.8	-	(1.9)	-	(136.4)
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)	-	(50.5)
Computers and ancillary equipment	(20.4)	(5.0)	(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)	-	(235.0)
Other data center equipment	(1.1)	(0.3)	-	-	-	-	(1.4)
Tangible assets under construction	(0.1)	(0.3)	-	-	-	-	(0.3)
Prepayments on tangible assets	-	-	-	-	-	-	
Other tangible assets	(4.1)	(2.9)	0.6	-	-	-	(6.4)
Total Cumulative amortization and depreciation	(311.9)	(231.1)	12.8	-	(4.3)	-	(534.3)
Land	2.6	-	-	0.3	-	-	2.9
Buildings	46.8	8.3	-	0.5	0.1	-	55.7
Cable networks[1]	455.6	(52.2)	(0.1)	110.4	1.1	10.7	525.4
Call center (primarily electronic equipment)[2]	62.6	6.2	(0.8)	-	0.2	-	68.1
Converters and modems	150.8	25.5	3.1	-	0.6	-	180.0
Computers and ancillary equipment	8.7	1.4	(2.0)	0.1	-	3.7	11.9
Office furniture and equipment[3]	74	(3.0)	1.4	0.7	0.2	0.4	73.7
Communication network infrastructure[4]	89.6	29.8	3.7	3.1	0.5	-	126.7
Other data center equipment	1.9	(0.3)	(2.8)	-	-	1.8	0.6
Tangible assets under construction	7.1	19.5	(1.8)	8.4	-	(16.6)	16.6
Prepayments on tangible assets	0.1	3.0	-	-	-	-	3.1
Other tangible assets	2.0	0.3	0.6	0.1	-	-	3.1
Total Net book value	901.8	38.4	1.3	123.6	2.7	0.0	1,067.8

(1) Cable network: the Consolidated Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

(3) Office furniture and equipment refers to furnishings and IT equipment.

(4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

The increase in the intangible and tangible assets of the Consolidated Group can mainly be attributed to the acquisition of Outremer Telecom and ONI Telecom during the course of 2013. These increases were slightly offset by the disposal of the Company's interests in Valvision.

7—Investment in associates

The breakdown of the investments in associates is detailed as follows:

(in millions of euros)	December 31, 2013 Consolidated Group's share of profits of associates	 Consolidated Group's investments in associates
Numericable Group S.A.	15.5	679.1
Total	15.5	679.1

(in millions of euros)	December 31, 2012 Consolidated Group's share of profits of associates	 Consolidated Group's investments in associates
Numericable Group S.A. (*)	20.4	81.3
Total	20.4	81.3

Variation in the statement of financial position of investment in associates is shown below:

(in millions of euros)	Balance on December 31, 2012	Share in profit of associates	Loan conversions/ (Disposals)	Balance on December 31, 2013
Numericable Group S.A. (*)	81.3	15.5	582.3	679.1
Total	81.3	15.5	582.3	679.1

(*): The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

The Numericable Group S.A. figures are detailed as follows:

(in millions of euros)	December 31, 2013	December 31, 2012 (*)
Current assets	561.3	430,6
Non-current assets	3,398.6	3,199.2
Current liabilities	828.1	1,008.4
Non-current liabilities	2,878.1	3,141.5
Total Equity	253.5	(320,1)
% of interest = 27.4% (24.06%)	69.4	(77,0)
Revenue for the year	1,314.2	-
Profit and loss for the year	64.6	-
Total other comprehensive income	(0.5)	-
Total comprehensive income	64.1	-
% of interest = 27.4%	15.5	-

(*): The comparatives are for Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l.. 2013 shows the Numericable Group S.A. figures which is the successor entity of Ypso Holding S.à r.l. and Altice B2B Lux Holding S.à r.l..

On November 7, 2013, the newly formed Numericable Group S.A. completed its initial public offering. The Numericable Group is considered to be the successor entity of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l.

Effective upon initial public offering of Numericable Group, a restructuring of the capital structure of Ypso Holding S.à r.l and Altice B2B Lux Holding S.à r.l. was undertaken, as a result of which, all shares and loans held by Altice Six S.A. against these entities were converted into common shares of the new entity, Numericable Group S.A..

Altice Six holds 33.9 million of shares of Numericable Group as at December 31, 2013. Based on the share price as of December 31, 2013 (EUR 26.4), the fair value of the investment amounted to EUR 895.9 million. Based on this valuation, it is concluded that the fair value is greater than the carrying value of the investment and therefore no impairment shall be recorded in the consolidated financial statements for the year ended December 31, 2013.

8-Financial assets

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Investments held as available for sale(1)	40.3	6.1
Loans and receivables(2)	3.0	144.8
Other financial assets	5.5	-
Restricted cash(3)	1.8	9.6
Total	50.6	160.5

---

(1) Investment in available for sale financial assets are composed of:
Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Directors considers the investment in Wananchi to be available for sale invesment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Directors considers that the nominal value of its invesment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Directors is of the opinion that it has no significant influence on the Board of Wananchi.

(2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to EUR 3.0 million ($4 million equivalent). The decrease compared to December 31, 2012 is explained by :

- the conversion of loans and receivables due from Wananchi to equity

- the conversion of loans and receivables against Ypso Holdings S.à r.l. and Altice B2B Lux Holding S.à r.l..See note 7 for more information.

(3) Restricted cash (see Note 2.21)
As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green.ch held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Espirito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

9-Non-current trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Prepaid expenses	0.6	0.8
Other receivables[1]	22.2	23.7
Total	22.8	24.6

---

(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, 2013	December 31, 2012
	(in millions of euros)	
Work in progress	0.1	0.1
Finished/semi-finished goods	12.4	7.1
Total Gross Value	12.5	7.2
Work in progress	-	(0.1)
Finished/semi-finished goods	(1.5)	(1.0)
Total Depreciation	(1.5)	(1.1)
Work in progress	0.1	-
Finished/semi-finished goods	10.9	6.2
Total Net book value	11.0	6.1

Inventories are almost exclusively comprised finished goods corresponding to customer premises equipment (modems, decoders, mobile handsets etc.), which is used in the daily business activity of the Consolidated Group. Management considers that inventory will be fully renewed in the next twelve months.

Movement for allowance for obsolescence of inventory or slow moving inventory:

	December 31, 2012	Business Combinations	Variation	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)		
Work in progress (goods)	(0.1)	-	0.1	-	-
Finished/semi-finished goods	(1.0)	-	(0.5)	-	(1.5)
Total Cumulative amortization and depreciation	(1.1)	-	(0.4)	-	(1.5)

	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)

The cost of inventories recognised as an expense consists of EUR 0.4 million (2012: EUR 0.1 million) in respect of write-downs of inventory to net realisable value. This write down mainly concerns the write off of mobile handsets and accessories at OMT to reflect their net recoverable value.

11-Trade and other receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade receivables	194.0	150.8
Other receivables	38.2	42.5
Total current trade and other receivables	232.2	193.3
Trade receivables		
Other receivables	22.8	24.6
Total non-current trade and other receivables	22.8	24.6
Total	255.0	223.9

11.1 Trade receivables

	December 31, 2012	Business Combinations	Net increase/(decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
		(in millions of euros)				
Trade receivables	175.6	50.0	(6.8)	-	5.5	224.3
Allowance for doubtful debts	(24.8)	-	(10.1)	7.0	(2.4)	(30.3)
Trade receivable, net	150.8	50.0	(16.9)	6.9	3.1	194.0

	December 31, 2011	Business Combinations	Net increase/(decrease)	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
		(in millions of euros)				
Trade receivables	129.1	5.9	40.4	-	0.1	175.6
Allowance for doubtful debts	(26.4)	-	(3.0)	4.4	0.2	(24.8)
Trade receivable, net	102.7	5.9	37.4	4.4	0.3	150.8

The increase in trade receivables in the year ended December 31, 2013, as compared to the year ended December 31, 2012 is mainly explained by the acquisition of OMT, ONI as well as the integration of MCS and SportV during the course of the year.

11.2 Age of trade receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Not yet due	137.1	116.7
30-90 days	22.1	14.0
91-121 days	34.8	20.2
Total	194.0	150.8

11.3 Other current receivables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Loans to related party	0.1	13.1
Bank guarantee(1)	-	14.0
Prepaid expenses(2)	20.9	6.3
Other current receivables	17.2	9.1
Total	38.2	42.5

(1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 32 for details on guarantees given by HOT and HOT mobile.

(2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Consolidated Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

The Consolidated Group provides services on credit for an average of 16 days, 24 days and 96 days in average to its customers in the cable television field, the in-country fixed line communications field and the mobile communication field, respectively. The Consolidated 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 Consolidated 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 and current restricted cash

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Term deposits	1.4	5.2
Bank balances	60.2	124.5
Cash and cash equivalents presented in the consolidated statement of cash flows	61.6	129.8
Restricted cash (1)	1,242.8	-
Restricted cash	1,242.8	-

(1) Current restricted cash refers to cash held in escrow accounts on behalf of Altice Finco and Altice Financing S.A., related to the acquisition of Orange Dominicana and Tricom. The Board of Directors expects the transactions to close in the first quarter of 2014, thus ensuring utilization of the cash in less than twelve months following December 31, 2013. As of the date of signing of these accounts, the Tricom acquisition had been successfully closed (See note 35).

13-Invested equity

As of December 31, 2013, the invested equity consists of the sum of the net equity of the Altice Six and Altice VII sub-groups. On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers.

13.1 Earnings per share:

In the context of these consolidated financial statements, it is not meaningful to present earnings per share in accordance with IAS 33 since the Reporting Entity does not have a legal share capital. Upon completion of its initial public offering, the Company had 202,787,193 shares in issue. The earnings for the year ended December 31, 2013 divided by the number of shares in issue immediately following the initial public offering are equivalent to EUR 0.35 (2012 – EUR (0.69))

14-Provisions

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
			(in millions of euros)			
Litigations[1]	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses	1.8	4.7	0.5	(0.7)	(1.0)	5.3
TOTAL	25.7	8.2	5.5	(7.7)	(0.4)	31.1

	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
			(in millions of euros)			
Litigations(1)	38.8	-	1.9	(24.0)	(0.9)	15.8
Other risks	1.7	5.0	1.4	(0.1)	(0.1)	8.0
Provisions for other expenses	-	-	1.8	-	-	1.8
TOTAL	40.5	5.0	5.1	(24.1)	(1.0)	25.7

---

(1) Provisions for litigations : For the year ended December 31, 2013, Hot made payments to Tali, AGICOA and ESHKOLOT copyright owners. Total payments amounted to EUR 5.4 million. HOT also recorded additional provisions for litigation based on a class action lawsuit for a total of EUR 2.9 million.

Provisions for litigations are mainly relating to, (i) claims made by associations representing the owners of certain copyrights in Israel, (ii) class action suits filed by certain consumers in Israel and (iii) lawsuits pertaining to the take-private operation performed in December 2012.

More information on these provisions is provided in note 32.. Management considers that all potential risks of cash-outs on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2013.

15-Employee benefits

Breakdown of the employee benefits by entity :

	Notes	December 31, 2013	December 31, 2012
		(in millions of euros)	
Coditel Brabant		0.5	0.5
Hot Telecom	15.1	3.8	6.5
Green.ch	15.1	1.8	1.8
OMT Invest	15.1	2.2	-
Total		8.2	9.1

15.1 Description of employee benefits by entity

15.1.1 HOT Telecom

(a) Defined Benefit Plans

Employee benefit liabilities

HOT Telecom has several employee benefit plans:

- Short-term employee benefits

Short-term employee benefits are benefits that are forecast to be cleared in full within 12 months of the end of the annual reporting period in which the employees provide the related services. These benefits include salaries, paid annual leave, paid sick leave, recuperation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Consolidated Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

- Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

Since 2011, the Consolidated Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Consolidated Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

In addition, the Consolidated Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. The liability for termination of employment is measured in accordance with an actuarial evaluation of the projected unit credit. The actuarial calculation takes into account the future salary costs and the rate at which employees leave the Consolidated Group, which is done on the basis of an evaluation of the timing of the payment. The amounts are presented based on discounted expected future cash flows using a discount rate determined by reference to yields on Government bonds with a term that matches the estimated term of the obligation relating to severance pay.

In respect of its severance pay obligation to certain of its employees, the Consolidated Group makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Consolidated Group's own creditors and cannot be returned directly to the Consolidated Group.

The employee benefit liabilities, which are presented in the statement of financial position, represents the present value of the defined benefit liabilities less the fair value of the plan assets.

Re-measurements of the net liability are reflected under other comprehensive income as they arise.

Actuarial gains and losses are reflected in other comprehensive income.

- Other long-term employee benefits

The Consolidated Group's net obligation in respect of other long-term employee benefits is calculated on the basis of an actuarial valuation and is in respect of the future benefit amount due to employees for services rendered in current and prior periods, taking the rate of expected salary increases into account. This amount of benefits is discounted to its present value. The discount rate is determined by reference to the yields on Government bonds whose currency and term are consistent with the currency and term of the Consolidated Group's obligation.

Re-measurements of the net liabilities are reflected in profit or loss in the period in which they arise.

- Termination benefits:

Employee termination benefits are recognized as an expense at the earlier of such time at which the Consolidated Group has committed to terminate employees before the normal retirement date and it is unable to cancel the proposal or where the Consolidated Group recognized costs in respect of a structural change that includes the payment of termination benefits.

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with section 14 of the Israeli Severance Pay Law, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	3.5	4.7
Interest expenses in respect of the benefit liabilities	0.8	1.0
Expected yield in the plan assets	(0.6)	(0.8)
Net actuarial gain which has been recognized in the year	0.1	0.6
Total expenses in respect of employee benefit	3.8	5.5

(c) *The plan assets (liabilities)*

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(19.3)	(26.8)
Fair value of the plan assets	15.5	20.3
Total net assets/(liabilities)	**(3.8)**	**(6.5)**

(d) *Changes in the present value of the liabilities in respect of a defined plan*

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	**27.6**	**25.4**
Interest expenses	0.8	1.0
Current service cost	3.6	4.6
Benefits paid	(10.6)	(3.2)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss (profit)	0.0	0.6
Closing balance	19.3	26.8

(e) *Changes in the present value of the assets in respect of a defined plan*

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	20.9	20.7
Expected yield	0.6	0.8
Deposits by the employer into the plan	3.8	4.1
Benefits paid	(8.3)	(3.7)
Transfer of employees to section 14	(2.1)	(1.6)
Net actuarial loss	0.6	-
Closing balance	15.4	20.3

(f) *The principal assumptions:*

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.61	3.54
Expected yield on the plan assets	3.74	3.84
Expected yield of salary increases	2-5	2-4

15.1.2 Green.ch

(a) Defined Benefit Plans

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) Expenses reflected in the statement of comprehensive income

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.4	-
Net actuarial gain which has been recognized in the year	(0.3)	-
Total expenses in respect of employee benefit	0.2	-

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Liabilities in respect of a defined benefit plan	(7.5)	-
Fair value of the plan assets	5.7	-
Total net assets/(liabilities)	(1.8)	-

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	6.6	-
Interest expenses	0.1	-
Current service cost	0.4	-
Participant contribution	0.3	-
Benefits received	0.4	-
Net actuarial loss (profit)	(0.4)	-
Closing balance	7.5	-

(e) *Changes in the present value of the assets in respect of a defined plan*

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	4.6	-
Expected yield	0.1	-
Deposits by the employer into the plan	0.3	-
Participant contribution	0.3	
Benefits received	0.4	-
Net actuarial loss	(0.1)	-
Closing balance	5.7	-

(f) *The principal assumptions:*

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	2.5	-
Expected yield on the plan assets	-	-
Expected yield of salary increases	1.0	-

15.1.3 OMT Invest

(a) *Defined Benefit Plans*

The portion of the severance pay payments that is not covered by deposits, is treated by the Consolidated Group as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits, and the Consolidated Group deposits amounts in central severance pay funds and in appropriate insurance policies in respect of it.

The Consolidated Group has defined contribution plans, in accordance with which the Consolidated Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's employment in the current period and in previous periods.

Deposits in a defined contribution plan in respect of severance pay or in respect of emoluments are recognized as expense at the time of the deposit in the plan, in parallel to the receipt of the labor services from the employee and no additional provision is required in the financial statements.

(b) *Expenses reflected in the statement of comprehensive income*

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current service cost	0.1	-
Interest expenses in respect of the benefit liabilities	-	-
Expected yield in the plan assets	-	-
Net actuarial loss which has been recognized in the year	0.1	-
Total expenses in respect of employee benefit	0.2	-

(c) The plan assets (liabilities)

	December 31, 2013	December 31, 2012
	(In millions of euros)	
Liabilities in respect of a defined benefit plan	2.2	-
Fair value of the plan assets	-	-
Total net assets/(liabilities)	2.2	-

(d) Changes in the present value of the liability in respect of a defined plan

	December 31, 2013 (*)	December 31, 2012
	(in millions of euros)	
Opening balance	2.1	-
Interest expenses	0.0	-
Current service cost	0.2	-
Participant contribution	-	
Benefits paid	(0.0)	-
Net actuarial loss (profit)	(0.1)	-
Closing balance	2.2	-

(e) Changes in the present value of the assets in respect of a defined plan

The plan assets include assets that are held by a long-term employee benefit fund as well as in appropriate insurance policies.

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Opening balance	-	-
Expected yield	-	-
Deposits by the employer into the plan	-	-
Participant contribution		
Net actuarial loss	-	-
Closing balance	-	-

() The principal assumptions:

	December 31, 2013	December 31, 2012
	(in %)	
Discount rate	3.15	-
Expected yield on the plan assets	-	-
Expected yield of salary increases	1.5-2.0	-

16-Variations in non-controlling interests

	December 31, 2013	December 31, 2012
Balance at beginning of year	5.2	349.2
Share in loss for the year	(22.1)	(40.9)
Acquisition of non-controlling interests on Hot Telecom Ltd	-	(298.4)
Dividends paid to non-controlling interests	-	(26.0)
Acquisition of non-controlling interests in Altice Portugal S.A.	(9.1)	21.6
Acquisition of non-controlling interests in OMT Invest S.A.S	1.3	-
Acquisition of non-controlling interests in Winreason S.A.	0.4	-
Acquisition of non-controlling interests in Coditel Holding Lux II S.à r.l.	23.6	-
Effect of foreign exchange translation	0.2	(1.3)
Other variations	-	1.0
Balance at end of year	**(0.5)**	5.2

17-Borrowings and other financial liabilities

Total financial liabilities are broken down as follows:

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Bonds	2,527.0	1,108.5
Related party bonds(5)	100.7	322.4
Borrowings from financial institutions(1)	1,214.0	257.2
Finance leases(2)	23.4	29.3
Other financial liabilities	105.9	89.4
Financial instruments	142.3	62.5
Non-current liabilities(3)	4,113.3	1,869.4
Bonds	26.4	25.4
Borrowings from financial institutions	-	86.5
Finance leases(2)	11.4	8.7
Other financial liabilities	4.5	-
Loan from related party	-	14.3
Accrued interest	33.3	-
Current liabilities(4)	75.6	134.9
Total	4,188.9	2,004.3

(1) Borrowings from financial institutions mainly comprised of (i) EUR 764.8 million corresponding to the Altice Financing term loan facility, (ii) the Coditel Mezzanine facility for EUR 104.0 million, (iii) Green data center debt for a total of EUR 23.7 million, (iv) EUR 319.7 million Altice Six margin loan

(2) Liabilities related to finance leases were included in the line item 'other financial liabilities' for the year ended December 31, 2012 and have been reclassified for comparative purposes for the year ended December 31, 2013.

(3) Non-current liabilities shown here correspond to the total of the line items, 'borrowings from banking corporations and debentures', 'long term loans from related parties' and 'other financial liabilities' as presented in the consolidated statement of financial position.

(4) Current liabilities shown above correspond to the total of the line items, 'borrowings from banking corporations and debentures','other current liabilities' and 'related party bonds', as presented in the consolidated statement of financial position.

(5) As part of the proposed initial public offering of the newly incorporated Altice S.A., it was decided to redeem the related party preferred equity certificates issued by Altice VII. The redemption proceeds will be contributed by Altice S.A. to Altice VII against shares in Altice VII and related premium.

17.1 Bonds

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Hot Telecom						
- Debentures	310.1	Between 3.9% and 6.9% + Consumer Price Index	2018	280.1	282.5	269.2
Altice Financing						
- Senior Secured Notes USD 460 M	346.1	7.875%	2019	305.1	333.9	348.4
- Senior Secured Notes EUR 210M	219.1	8.00%	2019	201.8	210.5	210.5
- New Senior Secured Notes EUR 300M (1)	300.0	6.5%	2022	292.8	300.0	-
- New Senior Secured Notes USD 900M (1)	652.7	6.5%	2022	637.3	652.7	
Altice Finco						
- Senior Notes USD 425M	309.6	9.875%	2020	309.1	309.1	322.7
- Senior Notes EUR 250M	272.2	9.00%	2023	245.3	250.0	-
- New Senior Notes USD 400M (1)	351.6	8.125%	2024	282.5	290.1	-
Nominal value of bonds	2,761.3			2,554.0	2,628.8	1,150.8
Of which due within one year	26.8			26.8	26.8	-
Of which due after one year	2,734.6			2,527.0	2,602.0	1,150.8

(1) New notes issued by Altice Finco S.A. and Altice Financing S.A. are held in escrow and are not used as of December 31, 2013 (See note 11).

During the year ended December 31, 2013, Debentures issued by the Company included:

The Hot Telecom Debentures:

The Series A' debentures-EUR 167 million, linked to the Consumer Prices Index for Tel Aviv, bear yearly interest at a rate of 3,9%. Series A' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

The Series B' debentures-EUR 137 million bear yearly interest at a fixed rate of 6,9%. Series B' debentures are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018.

Altice Financing Senior Secured Notes:

Altice Financing S.A. has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- $ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.
- EUR 210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.
- $ 900.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.
- EUR 300.0 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6.5% and maturing in 2022. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

Altice Finco Senior Notes:

Altice Finco S.A. has issued Senior Notes in December 2012, June 2013 and December 2013 to finance various acquisitions:

- $ 425.0 million senior notes issued in December 2012, bearing a semi-annual coupon of 9.875% and maturing on December 15, 2020.
- EUR 250.0 million senior notes, issued in June 2013, bearing a semi-annual coupon of 9.0% and maturing on June 15, 2023.
- $ 400.0 million senior notes issued in December 2013, bearing a semi-annual coupon of 8.125% and maturing in 2024. These notes were issued in relation with the Orange Dominicana acquisition and are currently in an escrow account and will be released upon closing of the Orange Dominicana acquisition.

The Senior and Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market of the Luxembourg Stock Exchange.

17.2 Covenants

17.2.1 Hot Telecom

The unsecured debentures issued on the Tel Aviv Stock Exchange by the Consolidated Group's subsidiary Hot Telecom include financial covenants measured on Hot Telecom performance, which mainly include:

- A debt to EBITDA ratio, which is not to exceed 6 for a period that exceeds two consecutive quarters;
- No distribution of a dividend when Hot Telecom exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2013, Hot Telecom was in compliance with all of the required financial covenants.

17.2.2 Altice Blue One

As of December 31, 2012, Altice Blue One was in default of financial covenants, though it was not in default of any scheduled payments due to the lenders. As per the debt agreements, one consequence of this default could be early or accelerated repayment of the debts, if and only if such repayments are unanimously reclaimed by all of the lending agencies.

Altice Blue One debt was refinanced its external debt on July 2, 2013 and Altice Blue One is no longer subject to any debt covenants.

17.2.3 Coditel Holding

Financial covenants have been set for Coditel Holding, in the framework of the financing agreement entered into with a pool of financial institutions on December 2, 2011, based on the consolidated accounts of Coditel Holding S.A. On June 2, 2013, the senior facilities (A and B) were refinanced and repaid by anticipation, thus releasing Coditel Holding S.A. from any covenant requirements on the senior debt facility.

As of December 31, 2013, Coditel Holding S.A. was in compliance with all of the required financial covenants on the Coditel Mezzanine debt.

17.2.4 Altice Finco and Altice Financing

Altice Finco and Altice Financing, the Senior and Senior Secured Notes issuers are subject to covenants that only come into effect every time new debts are issued with the following requirements:

- Secured net debt to EBITDA ratio: < 3:1
- Unsecured net debt to EBITDA ratio: <4:1

The Consolidated Group is allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined under the indenture. In addition, the Consolidated Group is allowed to use a general debt basket adjustment amounting to 4% of the total assets of the group, against the gross debt of the Group.

In case the Consolidated Group exceeds any of the two conditions mentioned above, it cannot incur any new debt, till such time as the ratios are met again. The Consolidated Group also has access to two super senior revolvers provided under the indenture, in case of any financing needs the Consolidated Group may face (for a total EUR equivalent amount of EUR 118.0 million).

17.2.5 Altice Six

Altice Six has pledged the shares it holds in the Numericable Group as collateral for a margin loan. Under the provision of the loan agreement, Altice Six must respect a certain ratio, the 'Collateral LTV ratio', failure to comply with which would entail certain penalties, which are enumerated below.

- The collateral LTV ratio is defined as the ratio between the aggregated outstanding loan amount (including accrued interests), less any cash present in the pledge account, divided by the market value of the shares provided as collateral by Altice Six.
- If the Collateral LTV ratio is greater or equal to 60%, then Altice Six is required to make a cash infusion into the collateral cash account, for an amount that represents the shortfall between the aggregate amount of outstanding debt (including accrued interest) and the amount of the aggregated amount of outstanding debt representing a collateral LTV ratio of 50%. The latter value is calculated using the share price of the collateral shares at closing on the day of default.

As of December 31, 2013, Altice Six was not in breach of the covenant, with a collateral LTV ratio of 36.4%.

17.3 *Borrowings from financial institutions*

In addition to the bonds described above, the Consolidated Group has issued the following debts:

- A mezzanine debt issued by Coditel Holding S.A. in 2011 with a principal amount of EUR 100.0 million, bearing cash interest at 8.5% and a PIK interest at 5.25% which is capitalized annually. This debt matures in 2016.
- A covenant lite term loan issued by Altice Financing S.A for a total amount of USD 1,034 million (EUR 795 million), bearing interest at Prime FFER, Libor + 4.5%) and maturing in June 2019.
- A margin loan facility at Altice Six, with a principal amount of EUR 323.9 million, bearing interest at a variable rate of 12 months Euribor + 4.25% for the first period, then 6 months Euribor +4.25% and maturing in October 2016

17.4 *Related party bonds*

Issuer	Fair value in millions of euros December 31, 2013	Effective interest rate	Year of maturity	Carrying amount December 31, 2013	Carrying amount (excluding transaction costs) December 31, 2013	Carrying amount December 31, 2012 (excluding transaction costs)
Related party bonds						
Altice VII						
-Alpecs	94.3	Variable	2057 to 2061	94.3	94.3	104.6
-Yfpecs	4.8	4.76%	2058 to 2061	4.8	4.8	4.4
-IFL	0.2	4.76%	2061	0.2	0.2	-
Altice Six						
-PECs		7.3786%	2058 to 2061	-	-	57.6
-Super PECs		Variable	2058 to 2061	-	-	43.8
-Super PECs		20.0%	2058 to 2061	-	-	14.9
-IFPECs		6.38%	2058 to 2061	-	-	86.5
-IFPECs		6.38%	2058 to 2061	-	-	4.2
-Tracking IFPECs		6.38%	2058 to 2061	-	-	5.7
-YFPECs		6.38%	2058 to 2061	-	-	0.7
- New YFPECs	1.5	5.263%	2058 to 2061	1.5	1.5	-
Nominal value of bonds	100.7			100.7	100.7	322.4
Of which due after one year	100.7			100.7	100.7	322.4

Subordinated financial instruments have been issued by Altice VII and Altice Six.

(a) *Altice VII*

Subordinated financial instruments have been issued by Altice VII consists of:

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

Conversely, according to our appreciation, and upon application of IAS 32/39, following instruments have to be classified as debt instruments:

ALPECs instruments (about EUR 94.3 Million as at the end of 2013; 2012 amount: EUR 104.6 million)

YFPECs instruments (about EUR 4.8 Million as at the end of 2013; 2012 amount: EUR 4.4 million)

IFL instruments (about EUR 0.2 million at the end of 2013; 2012 amount: EUR 0.2 million)

The YFPECs have been valued using a discount rate of 4.76% given its preferred interest rate which therefore values the liabilities at EUR 4.8 million as at December 31, 2013.

(b) *Altice Six*

All debt instruments previously issued by Altice Six have been reimbursed in exchange for capital increase of Altice Six or cash payments made by Altice Six. New YFPECs were issued by Altice Six on November 12, 2013 and subscribed by Next L.P. The New YFPECs are yield free instruments and hence under IAS 32/39, a fair value evaluation of such instruments is mandated.

The fair value of the new instruments was EUR 1.5 million as at December 31, 2013. The discounting rate used corresponds to the effective interest rate for Altice Six S.A. and is indexed to the external debt issued by the Company (5.3% as at December 31, 2013).

All such debt instruments issued by Altice Six were converted into common shares of Altice S.A. on January 31, 2014.

17.5 Other financial liabilities

Other financial liabilities mainly consist of:

(i) Preferred equity certificates (PECs): These instruments bear a yield and shall have a maturity of 49 years.

On November 29, 2013, Altice Holding S.à r.l. acquired the PECs held by Codilink S.à r.l. (40% of the total amount). Following this transaction, all remaining PECs issued by Coditel Holding Lux II have been subscribed by Deficom Telecom, of which 26.2% is detained by Deficom Group S.A

Name	Issuing date	Maturity date	Number of instruments	Nominal value per instrument in euro	Interest rate	Convertible	Amount as at the end of 2012	Amount as at the end of 2013
			(in millions)	(in euro)			(in millions of euros) including interests	
PECs C................................	30/06/2011	30/06/2060	16.90	1	12.98%	No	51.4	14.9
PECs C................................	02/12/2011	02/12/2060	3.86	1	12.98%	No	10.5	2.8
Total....................................			*20.76*				*61.9*	*17.7*

(ii) Debt related to Altice Caribbean put: Altice Caribbean, the sole shareholder of Altice Blue Two S.A.S, has the option to repurchase the minority stake in Altice Blue Two S.A.S, valued at EUR 52.7 million for the year ended December 31, 2013.

(iii) EUR 20.2 million in vendor notes owed by Altice VII S.à r.l. to the previous shareholders of MCS S.A.S. and SportV S.A., payable in 2014. Of the total purchase price of EUR 23.0 million for MCS and EUR 12.0 million for SportV S.A. cash payments were made for an amount of EUR 14.9 million in the year ended December 31, 2013. These vendor notes were settled after year end.

17.5 Maturity of financial liabilities

	December 31, 2013	< 1 year	Between 1 and 5 years	> 5 years
	(in millions of euros)			
Bonds	2,554.0	26.8	253.7	2,273.3
Related party bonds	100.7	-	-	100.7
Borrowings from financial institutions	1,213.2	-	319.8	893.4
Finance leases	34.8	11.4	23.4	-
Accrued interest	33.3	33.3	-	-
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	0.0	142.3	-
Nominal value of borrowings	**4,188.6**	**73.5**	**798.5**	**3,316.5**

	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
Borrowings from financial institutions	343.7	86.5	27.5	229.7
Finance leases	38.0	8.7	3.4	25.9
Accrued interest	14.3	14.3	-	-
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**

17.6 Currency of borrowings

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
	(in millions of euros)				
Bonds	2,554.0	739,4	1534.0	280.6	-
Related party bonds	100.7	100.7			
Borrowings from financial institutions	1,213.2	1,189.7	-	-	23.4
Finance leases	34.8	5.8	-	26.5	2.5
Accrued interest	33.3	27.9	5.4	-	-
Other financial liabilities	110,4	107.1	-	3.0	0.2
Financial instruments	142.3	142.3	-	-	-
TOTAL	4,188.6	2,312.9	1,539.4	310.1	26.1

	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	-	-	-
Borrowings from financial institutions	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	62.5	-	62.5	-	-
Financial instruments	1,133.9	-		-	-
TOTAL	2,004.2	747.4	903.4	326.5	27.0

17.7 Nature of interest rate

	December 31, 2013	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds	2,554.0	2,554.0	-
Related party bonds	100.7	6.5	94.0
Borrowings from financial institutions	1,213.2	129.1	1,084.0
Finance leases	34.8	34.8	-
Accrued interest	33.3	15.4	17.8
Other financial liabilities	110.4	103.3	7.1
Financial instruments	142.3	-	142.3
TOTAL	4,188.6	2,843.1	1,345.5

	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
Borrowings from financial institutions	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	84.9	82.0	2.9
Financial instruments	62.5	62.5	-
TOTAL	2,004.2	1,670.8	333.4

17.8 Derivatives

As of December 31 2013, the Consolidated Group had entered into the following swap transactions:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%

- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%

- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%

- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%

- A coupon only cross-currency swap transaction covering part of the USD 1,034 million Term loan notional (USD 540.5 million), in which Altice pays Euros and receives US Dollars, amounting to EUR 392 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate of between 0.22% and 0.26% and a fixed spread of between 4.5% and 4.8%

As of December 31, 2013, the Consolidated Group has entered into the following forward transactions:

- A forward transaction covering USD 500 million of the total USD nominal due at maturity of the Altice Finco USD Senior Notes and Altice Financing USD Senior Secured Notes (USD 885 million) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.28-4.33 ILS/USD.
- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan at maturity, in which Altice pays Israeli Shekels and Euros to receive US Dollars. As part of the transaction, Altice will pay ILS 1,076 million and receive USD 293 million at a hedged rate of 3.678 ILS/USD and will pay EUR 415 million and receive USD 541 million at a hedged rate of 1.301.
- A coupon only forward transaction covering USD 200 million of the USD 400 million Senior Notes issued by Altice Finco (of which USD 25 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering USD 225 million of the USD 450 million Senior Secured Notes issued by Altice Financing (of which USD 10 million are unhedged), in which Altice pays Israeli Shekels and receives US Dollars, with an average hedged exchange rate of 4.081 ILS/USD.
- A coupon only forward transaction covering EUR 200 million of the EUR 200 million Senior Secured Notes issued by Altice Financing (of which EUR 10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.036 ILS/EUR.

17.9 Non-cash transactions

Non-cash transactions consist of transactions where the Group has made payments to sellers of acquired entities or lenders (in case of debt repayments), with the cash being transferred directly to the third party.

The details of non-cash transactions are given below:

(in millions of euros)	December 31, 2013
Transaction costs related to acquisitions	(40.1)
Transaction with non-controlling interests	(120.9)
Acquisition of shares in associates	(243.7)
Net payments on acquisition of subsidiaries	(559.8)
Repayment of debt	(641.7)
TOTAL	(1,606.2)

In addition to this, Altice Six realized a non-cash gain arising from contribution of financial instruments to Numericable Group S.A. See note 27 for more details.

18 – Obligations under finance leases

18.1 Leasing arrangements

The Consolidated Group leased certain of its office facilities under financial leases. The average lease term is 5 years (2012: 5 years). The Consolidated Group has options to purchase the equipment for a nominal amount at the end of the lease terms. Obligations under finance leases are secured by the lessors' title to the leased assets. Entities with major lease contracts are, (i) HOT and HOT mobile, (ii) Outremer Telecom and (iii) Auberimmo.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2012: 3.75% to 6%) per annum.

18.1.1. Leasing arrangements

	Minimum lease payments	
	31 December 2013	31 December 2012
Less than one year	12.6	12.3
Between one and two years	7.3	7.2
Between two and three years	5.0	4.9
Between three and five years	2.8	2.9
More than five years	7.6	7.6
Less: future finance expenses	(2.9)	(2.6)
Present value of minimum lease payments	**35.3**	34.9

	31 December 2013	31 December 2012
Included in the consolidated financial statements as:		
Current borrowings (note 17)	23.4	27.1
Non-current borrowings (note 17)	11.4	7.8
Total	34.8	34.9

Current leasing obligations for HOT are listed below:

The HOT group (HOT Telecom and HOT mobile) leases equipment under finance leasing agreements. An arrangement exists within the framework of the leases, which does not meet the legal definition of leasing, but which is treated as a leasing agreement, based upon its terms. The leased equipment serves as collateral for the liabilities under the lease contract. As of December 31, 2013 the net carrying value of the leased facilities and equipment is EUR 38.1 million (NIS 182 million) (2012 – EUR 41.7 million/NIS 205 million).

HOT Mobile has finance leasing in an amount of EUR 2.9 million in accordance with its rental contract with the company "Airport City" Ltd., which is for a period of 10 years ending in 2019. As of December 31, 2013, there is no balance recorded in the accounting records in respect of leasehold improvements (as of December 31, 2012, the net carrying value of leasehold improvements was EUR 3.0 million).

The Consolidated Group has recorded finance leasing in respect of the Bezeq agreement. As of December 31, 2013, the finance leasing commitment in respect of the long-term Bezeq rental fees was updated by an amount of EUR 0.4 million (NIS 2 million), as a result of additional payments made in respect of the leasing in the reporting period (as of December 31, 2012 – EUR 0.4 million/NIS 2 million).

Other leasing contracts exist at Auberimmo, a datacenter owned by the Consolidated Group and operating in France. The facility was purchased under a finance lease agreement for an initial amount of EUR 5.6 million. A second tranche was issued to carry out renovations and leasehold improvements, amounting to a total of EUR 3.0 million.

19-Financial risk factors

In the course of its business, the Consolidated Group is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and interest rate risk) and other risks (including equity price risk and settlement risk). This note presents the Consolidated Group's objectives, policies and processes for managing its financial risk and capital.

Financial risk management is an integral part of the way the Consolidated Group is managed. The Board of Directors establishes the Consolidated Group's financial policies and the Chief Executive Officer establishes objectives in line with these policies.

The Consolidated Group is not subject to any externally imposed capital requirements.

19.1 Credit risk

The Consolidated Group does not have significant concentrations of credit risk. The credit risk may arise from the exposures of commitments under a number of financial instruments with one body or as the result of commitments with a number of groups of debtors with similar economic characteristics, whose ability to meet their commitments could be similarly affected by economic or other changes.

The Consolidated Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Consolidated Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt.

The Consolidated Group does not have significant concentration of credit risk, as a result of the Consolidated Group's policy, which ensures that the sales are mostly made under standing orders or via credit cards.

19.2 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which manages liquidity risk by maintaining adequate reserves, banking facilities and reserves borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

19.3 Market risks

The Consolidated Group is exposed to risk from movements in foreign currency exchange rates, interest rates and market prices that affect its assets, liabilities and anticipated future transactions.

19.3.1 Interest rate risk

Interest rate risk comprises the interest price risk that results from borrowings at fixed rates and the interest cash flow risk that results from borrowings at variable rates.

The Consolidated Group has an exposure to changes of interest rate in the market, deriving from long-term loans that have been received and which bear variable rate interest.

Interest structure of non-current financial debt (including interest effects of derivatives):

	December 31, 2013	**December 31, 2012**
	(in millions of euros)	
Financial debt at fixed rates	2,843.1	1,670.8
Financial debt at variable rates	1,345.5	333.4
TOTAL	4,188.6	2,004.2

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
31 December 2013						
Non- interest bearing	-	-	-	4.9	4.9	4.9
Variable interest rate instruments(1)	5.9%	73.9	1,309.7	481.1	1,864.7	1,345.5
Fixed interest rate instruments	7.7%	272.6	1,942.4	1,712.6	3,927.7	2,838.2

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
31 December 2012						
Non- interest bearing	-	-	-	4.4	4.4	4.4
Variable interest rate instruments	5.1%	-	5.6	326.3	842.2	333.4
Fixed interest rate instruments	7.4%	-	-	839.4	839.4	1,666.4

(1) The carrying amount of variable interest rate instruments excludes the following items included in note 17.6, 'accrued interest. Other financial liabilities and financial instruments'

19.3.2 Israeli CPI risk

The Consolidated Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Consolidated 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 Consolidated Group is exposed to changes in the Israeli CPI amounted to approximately EUR 187.0 million (NIS 895 million) as of December 31, 2013.

19.3.3 Foreign currency management

1. Foreign currency sensitivity analysis

The Consolidated 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 Consolidated 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 Consolidated Group's objective is to manage its foreign currency exposure through the use of currency forwards, futures and swaps.

	December 31, 2013		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
Profit for the year			
Increase of 10% in exchange rate	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate	12.8	0.2	12.9
Equity			
Increase of 10% in exchange rate	5.6	2.1	7.6
Decrease of 10% in exchange rate	(5.6)	(2.1)	(7.6)

	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
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)

Exchange differences recorded in the income statement represented a profit of EUR 66.5 million in 2013 (2012: loss of EUR 22.5 million). They are allocated to the appropriate headings of expenses by nature.

The Consolidated Group estimates that a 10% variation of foreign currencies against euro parity is a relevant change of variables and reasonably possible risk in a year and the presented above allows to assess the impact of a 10% increase of foreign currencies against euro on net result and reserves. A 10% decrease would have a symmetrical impact with the same amounts but in the opposite direction.

2. Foreign currency hedging

It is the policy of the Consolidated Group to enter into hedging foreign exchange contracts to cover specific foreign currency payments and receipts.

The following table details the hedging contracts outstanding at the end of the financial year :

	Average exchange rate	Foreign currency	Notional Value	Fair Value of assets (1)
Outstanding swap contracts (ILS coupons only)	4.34	3,201.8	620.6	(25.0)
Outstanding swap contracts (EUR coupons only)	0.79	415.5	392.0	(12.9)
Outstanding forward contracts (ILS coupons only)	4.31	2,154.3	426.7	(22.7)
Outstanding forward contracts (ILS nominal only)	5.07	2,125.0	362.6	(81.7)

---

(1) Fair value of swap and forward contracts as of December 31. 2012 amounted to EUR 62.5 million

19.3.4 Price risk

The Consolidated 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 Consolidated Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2013, the carrying amount of these investments was EUR 9.4 million (6.1 million as of December 31, 2012).

19.4 Gearing computation

For the year ended December 31, 2013, the Consolidated Group had a net equity position of EUR 95.3 million, thus resulting in a gearing ratio of 43.3

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net Debt	4,188.9	2,004.3
Cash and cash equivalents	(61.6)	(129.8)
Total equity	95.3	278.1
Gearing	43.3	6.7

19.5 Fair value of financial assets and liabilities

19.5.1 Fair value of the Consolidated Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Consolidated Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
	31/12/2013	31/12/2012				
Foreign currency forward contracts (see notes17.8)	(104.9)	(52.6)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
Interest rate swaps (see note 17.8)	(37.9)	(9.8)	Level 2	Zero curve	N/A	N/A
					N/A	N/A
AFS					N/A	N/A
- Wananchi (1)	31.9	-	Level 3	Internal approach using business plans	N/A	N/A
- Partner and Co.	8.4	6.1	Level 1	Quoted price in an active market	N/A	N/A

(1) In April 2012, the Consolidated Group made an investment in the East-African cable operator Wananchi, to gain a foothold in the strategic and fast developing African cable and telecom market. To date the Consolidated Group has invested a total of EUR 34.9 million ($ 48.4million, of which EUR 31.9 million in equity and EUR 3.0 as a convertible note, as of the year ended December 31, 2013) in this venture, alongside other industry peers, and has acquired a total stake of 17.5% in Wananchi. Given the specific geo-economic context of the zone that Wananchi operates in, the high growth rate, infrastructure development needs and volatilities associated with the region, the Board of Directors considers that the carrying amount of its investment reflects the fair value of the investment as of December 31, 2013.

19.5.2 Reconciliation of Level 3 fair value measurements

	Available for sale (unlisted shares)	Others	Total
31 December 2013			
Opening balance	0.0	–	0.0
Total gains or losses:			
– in profit or loss	0.0	–	0.0
– in other comprehensive income		–	
Purchases (*)	31.9		31.9
Issues	–	–	–
Disposals/settlements	-	–	-
Transfers in level 3	-	-	-
Transfers out of level 3	-	-	-
Closing balance	31.9	–	31.9

There were no available for sale instruments classified as level 3 for the year ended December 31, 2012.

(*) As at December 31, 2012 and during the year 2013, the Consolidated Group invested into convertible bonds issued by Wananchi. Such bonds have been converted during the year in exchange for shares of Wananchi.

20-Trade and other payables

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Trade payables	392.9	314.2
Corporate and social security contributions	29.8	24.5
Other payables	94.3	38.9
Amounts due to related parties	0.1	0.2
Deposit and guarantee received	0.4	-
Total current payables	517.4	377.8
Trade payables-acquisition of assets	13.0	5.9
Other payables	16.0	32.9
Total non-current payables	29.0	38.8

The increase in trade payables can mainly be attributed to the acquisitions of Outremer, ONI and integration of MCS and SportV in the scope of consolidation of the Consolidated Group in 2013.

The increase in income tax payables can be attributed to an improvement in the profit before tax at HOT and a concomitant increase in the income tax rate in Israel from 25.0% to 26.5% as compared to FY2012.

21-Deferred revenues

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current deferred revenue	55.9	34.1
Non-current deferred revenue	10.6	10.8
Total deferred revenues	66.5	44.9

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers.

The increase in deferred revenues for the year ended December 31, 2013 was mainly due to an increase in price of certain products for the year ended December 31, 2013 and the subsequent billing and revenue collection of these subscriptions before the year end.

22-Classification and fair value of financial assets and liabilities

On December 31, 2013 and 2012, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2013			
			Fair Value	
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
		(in millions of euros)		
Current assets				
Cash and cash equivalents	61.6	61.6	-	-
Restricted cash	1242.7	1242.7	-	-
Trade receivables	194.0	194.0	-	-
Other receivables	38.4	38.4	-	-
Non-current assets			-	-
Restricted cash	1.8	1.8	-	-
Loans and receivables	3.0	3.0		
Available for Sale	40.3	-	-	40.3
Long term trade receivables	5.5	5.5	-	-
Other long-term trade receivables	22.8	22.8	-	-
	1,610.1	1,569.8	0.0	40.3

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	59.7	59.7	-
Loans from related parties	-	-	-
Trade payables	383.4	383.4	-
Others payables	246.8	246.8	-
Other current liabilities	15.9	15.9	-
Non-current liabilities			-
Loans from banking corporations and debentures	3,840.2	3,840.2	-
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	-
	4,857.2	4,714.9	142.3

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
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	24.2	24.2	-	-
	377.0	370.9	-	6.1

	Book value	Amortized cost	Fair value
Current liabilities			
Credit from banking corporations and debentures	111.9	111.9	-
Trade payables	311.3	311.3	-
Others payables	111.4	111.4	-
Short-term loans from related parties	14.3	14.3	-
Other current liabilities	8.7	8.7	
Non-current liabilities			
Loans from banking corporations and debentures	1,365.7	1,365.7	-
Long-term loans from related parties	322.4	322.4	-
Other financial liabilities	181.2	118.70	62.5
Other non-current liabilities	49.5	49.5	-
	2,476.4	2,413.9	62.5

23-Taxes on income

23.1 Income tax (expense)/benefit

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current income tax	(38.0)	4.2
Deferred taxes on deductible temporary differences	30.6	21.8
TOTAL	(7.4)	26.0

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Current tax assets	14.6	5.5
Current tax liabilities	(57.1)	(10.7)
TOTAL	(42.5)	(5.2)

23.2 Deferred tax assets and liabilities

	December 31, 2012	Reclassifications	Business combination	From equity	From profit and loss	December 31, 2013
				(in millions of euros)		
Other	0.4	0.2	-	-	-	0/4
IAS 19R Employee Benefits	-	(0.2)	-	0.7	0.3	0.8
IAS 36, Depreciable fixed assets	(0.6)	0.6	-	-	-	-
IAS 38, Intangible assets	-	-	1.3	-	0.1	1.4
IAS 39, Financial Instruments	19.0	-	-	(1.5)	26.2	43.7
Compensation DTA/DTL	-	(6.6)	-	-	-	(6.6)
Other	0.4	0.4	-	4.9	2.1	7.7
Total deferred taxes assets	19.3	(6.1)	1.3	4.1	28.7	47.4

	December 31, 2012	Reclassi-fication	Business combination	From equity	From profit and loss	December 31, 2013
				(in millions of euros)		
Customer relationships	51.3	(.3)	15.1	-	(4.1)	62.0
Brand	16.7	.3	13.7	-	-	30.8
Other Intangible assets	21.3	14.1	2.0	2.3	17.6	57.3
Reevaluation of Tangible assets	30.1	(8.8)	.2	.0	(4.1)	17.4
IAS 23, Borrowing Costs	3.1	-	-	-	-	3.1
IAS 36, Depreciable fixed assets	(8.8)	(4.9)	-	(.4)	32.0	17.8
Present value of YFPECS financial instrument	9.3	-	-	-	.4	9.7
Present value of IFL financial instrument	-	-	-	1.1	-	1.1
Capitalisation of transaction costs	-	-	-	-	7.8	7.8
Temporary differences	22.3	(22.3)	-	-	-	-
Other	3.1	22.5	-	6.6	(49.4)	(17.2)
Compensation DTA/DTL	-	(6.6)	-	-	-	(6.6)
Total deferred taxes liabilities	148.2	(6.0)	31.0	9.6	.2	183.1

	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

	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
		(in millions of euros)			
Customer relationships	52.0	3.6	-	(2.8)	51.3
Brand	9.3	7.4	-	-	16.7
Other Intangible assets	23.9	-	(4.7)	2.1	21.3
Reevaluation of Tangible assets	11.0	23.2	-	(4.1)	30.1
IAS 23, Borrowing Costs	3.6	-	-	(0.4)	3.1
IAS 36, Depreciable fixed assets	(11.1)	-	(1.4)	3.6	(8.8)
Present value of YFPECS financial instrument	9.0	-	-	0.2	9.3
Temporary differences	22.8	-	-	(0.5)	22.3
Other	3.1	-	0.1	(0.1)	3.1
Total deferred taxes liabilities	123.7	32.7	(6.0)	(2.0)	148.2

23.3 Reconciliation between the effective tax rate and the theoretical tax rate

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Net income	49.6	(180.2)
Share of net income-associates	15.5	20.4
Share of net income-equity holders	65.1	(159.8)
Tax charge [(–) expenses/(+) income]	(7.4)	26.0
Earnings/(Loss) before tax	72.5	(185.7)
Theoretical tax rate	29.22%	28.80%
Income tax calculated on theorical tax	21.2	53.5
Impact of:		
Effect of different tax rates of subsidiaries depending in other jurisdictions	(6.5)	(5.8)
Permanent differences	28.0	(47.3)
Restatements without tax impact	(2.9)	18.7
Utilization of previously non capitalized tax credit	13.9	20.0
Carry-back	0.0	0.1
Tax loss carry forwards of the periods non activated	(61.2)	(13.2)
Effect of unused tax losses not recognized as Deferred tax asset	-	1.0
Effective Tax	(7.4)	25.9
Effective tax rate	10%	14%

Permanent differences present in different Consolidated Group companies are summarized below:

	Altice VII	ABO	Altice Financing	Cool Holding	Hot Mobile	Altice Six	Others	December 31, 2013
Permanent differences	(1.5)	(3.9)	22.7	(0.5)	(2.5)	37.5	(0.6)	51.2
Tax adjustments	-	-	-	0.4	1.1	-	-	1.5
Regularization of deferred tax from prior periods	-	-	-	(8.3)	-		-	(8.3)
Regularization of local tax from prior periods	-	-	-	3.5	-	-	-	3.5
Others	-	0.3	-	-	-	-	0.3	0.6
Earn out adjustment	-	-	(13.4)	-	-	-	(0.1)	(13.5)
Tax provisions	-	-	(6.8)	-	-	-	-	(6.8)
Total	(1.5)	(3.6)	2.5	(4.9)	(1.4)	37.5	(0.4)	28.2

23.4 Tax assessments

23.4.1 Hot Telecom

On December 22, 2013, an agreement was signed between Cool Holdings Ltd and all of its subsidiary companies (except for HOT Mobile Ltd.) (hereinafter in this section – the companies) and the Israeli Income Tax Authority for the closure of disputes that had arisen in the assessment discussions for the years 2006 – 2011 and in continuation of the tax assessments that had been received in December 2009 and during the course of 2010 for the 2006 – 2008 tax years. Pursuant to the compromise agreements the companies will be required to pay an additional amount of tax in respect of the said tax years, primarily in respect of timing differences in respect of the depreciation of the infrastructure and the cables network and the amortization of intangible assets. The implementation of the compromise agreements will result in the Company having chargeable income in 2012 and 2013 as well.

HOT Telecom's management has recorded the provision relating to the assessments in its financial statements in the past.

The impact of such assessment agreement in HOT's financial statements, including in respect of the updating of the HOT's deferred tax balances, is a net income of EUR 5.0 million.

Most of the companies have been issued with final tax assessments up to and including the 2011 tax year. HOT Mobile has been issued with tax assessments up to and including the 2009 tax year, which are deemed to be final.

23.4.2 Cabovisao

For the years 2012 and 2013, Cabovisao is subject to corporate income tax ("IRC – Imposto sobre o Rendimento das Pessoas Colectivas") at a rate of 25%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax ("Derrama""); and (ii) by a 3% and 5% state tax ("Derrama Estadual") applicable on taxable income between 1,5 million Euros and EUR 10 million (EUR 7.5 million as from January 1, 2013, following a change in Portuguese tax legislation occurred in December 2012) and on taxable income in excess of EUR 10 million (EUR 7.5 million as from January 1, 2013), respectively, in accordance with the article 87- A of the Portuguese Corporate Income Tax code, resulting in a maximum aggregate tax rate of approximately 31.5%.

In accordance with article 88° of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

As at December 31, 2013, the Company's tax returns, for the fiscal periods of 2006 until 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2013, the Company already received a tax notification, adjusting the Company's tax losses obtained in the fiscal year ended 2006, in the amount of approximately EUR 16.5 million. However, as of December 31, 2013, any carrying forward tax losses obtained in the fiscal year ended 2006 already expired, and therefore cannot be used to reduce future taxable profits.

The Company was subject to an inspection from the Portuguese tax authorities for the fiscal years 2003 to 2006, and the outcome was the following:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of EUR 17.2 million, as well as an additional tax payment in the amount of EUR 4.1 million for withholding tax and stamp tax. The Company paid EUR 2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, EUR 1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.

- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately EUR 5.2 million (excluding related late payment interests). Cabovisao doesn't agree with this assessment, having filed a gracious complaint and submitted a bank guarantee in the amount of approximately EUR 6.8 million. As of December 31, 2013, the administrative and tax court of Almada didn't pronounce itself on that claim. The Board of Directors understands that the final outcome of this matter will be favorable to the Company.

23.4.3 Other entities

The Board of Directors has not identified any other material tax assessments in other group entities.

23.5 Unrecognized deferred tax assets

As at December 31, 2013, unrecognized deferred tax assets amount to EUR 253.0 million and are mainly split as follows:

	December 31, 2013	**December 31, 2012**
	(in million Euros)	
Cool Holding and HOT Telecom	(13.9)	-
HOT Mobile	(118.9)	(10.8)
Altice Financing	(3.9)	-
Altice Six	(342.6)	(342.6)
Cabovisao	(56.0)	(51.3)
Altice Finco	(1.8)	-
Altice Holdings	(36.9)	-
Altice Caribbean	(1.5)	-
Altice Blue Two	(6.4)	-
ONI	(11.8)	-
Others	(2.0)	-
Total	(595.7)	(404.8)

24-Segment analysis

24.1 Definitions of segments

Given the geographic spread of the various Group entities, it logically follows that an analysis and control by geography is inalienable to the Group strategy of managing its different businesses. It has thus been decided by the central management team to analyse the business across geographies and then by activity. The following geographies have been identified:

- Israel,
- Belgium and Luxembourg (Western Europe),
- Portugal (Western Europe)
- France (Western Europe)
- French Overseas Territories (Antilles and Indian Ocean),
- Others (Switzerland, Africa, France etc.).

Activities have been split as follows:

- Cable,
- Mobile,
- B2B and Others (Content/etc.).

Following the signature of agreements to acquire Tricom and Orange Dominicana in the Dominican Republic in October and November 2013 respectively, a new segment, "Dominican Republic", will be defined. Given the nature of the activities of the two firms, there will be no changes to the activities segment.

24.1.1 Operational KPIs

It has also been decided by Management that operating subsidiaries shall report operational KPIs every week together with financial KPIs every month, using a standard reporting format.

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

Subscriber base evolution (both cable and mobile),

ARPU (Average Revenue per Unit) (cable and mobile),

Other relevant cost drivers.

These KPIs are benchmark indicators followed throughout the industry and allow for a thorough and accurate analysis of the business and strategic decision making.

24.1.2 Financial KPIs

Each local operational company will also report on a monthly basis the following financial KPIs by segment:

Revenues (Cable/Mobile/B2B and Others),

Cost of Sales (Cable/Mobile/B2B and Others),

Capex (Cable/Mobile/B2B and Others).

The central team believes that given the uniformity in the accounting and nature of operating expenses and given the experience and competence of the Consolidated Group in managing operating costs, the main indicator that can vary between business units is the gross margin.

Capital expenditure (Capex) is an important indicator to follow, as the profile varies greatly between the two activities:

The cable business has fixed Capex requirements that are mainly discretionary (network, platforms, general), and variable Capex requirements related to the connection of new customers and the purchase of Customer Premise Equipment (TV decoder, modem, etc).

Mobile Capex are mainly driven by investment in new mobile sites, upgrade to new mobile technology and licences to operate. Once Capex are engaged and operational, there are limited Capex requirement.

Management believes that operations in Switzerland are currently not substantial enough to require a separate reporting segment, and will be reported under 'B2B and Others'. However, as these activities grow, it is intended that they are also reported under a separate segment with relevant operating KPIs specific to the activity.

24.2 Regional specificities

24.2.1 Israel

Israel is currently an important contributor to the Consolidated Group revenues and EBITDA and has particularities that differentiate it. For this reason, it is classified as a separate region.

It is characterised by a high broadband and cable penetration and a very technology-savy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. Management is factoring expectations for price pressure and increasing competition in its strategic plan.

Triple play penetration is low and represents a valuable growth driver.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which Management need to consider when setting up integration plans and operational synergies. The prevailing political environment in the region can also have adverse impacts on the development of the business, as a deterioration of the situation may have serious repercussions on the market environment and may even lead to physical damage of the infrastructure.

24.2.2 Belgium and Luxembourg

Even though Belgium/Luxembourg and Portugal can be considered to be the same sub-region, the challenges posed by these two regions are quite different.

The Belgian and Luxembourg territories have a high standard of living and well developed economies, which translates into higher prices for services. The markets are quite mature, with high broadband penetration. Customers are willing to pay more for premium services and hence price pressure appears limited.

These regions are marked by the presence of many well established local cable operators with no overlap thou. Customer retention is a key factor in maintaining strong profit margins.

Given the density and presence of mobile operators, the mobile strategy has been driven by Mobile Virtual Network operations, through the deployment of quadruple play packages.

24.2.3 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.

24.2.4 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, makes it difficult to achieve revenue growth. This market is marked by high subscriber attrition and downward migration from high to low ARPU offers.

The challenge in Portugal is to maintain a subscriber base and migrate the customer base from double play to triple play offers.

24.2.5 French Overseas Territories

The French Overseas Territories present growth opportunities with relatively limited competition and room to attract more subscribers on our cable infrastructure. Additional growth potential exists notably through the deployment of multiple-play services and efficiency gains in distribution network, , as multiple-play packages penetration remains low. Price pressure is low in these regions and customers are willing to pay more for value added services.

Additional opportunities have been identified and pursued in the e-banking sector.

24.3 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

		December 31, 2013					
	Total	**Belgium & Luxembourg**	**France**	**Israel**	**French Overseas Territories**	**Portugal**	**Others**
				(in millions of euros)			
Cable							
Revenue	891.8	61.8	-	694.2	27.1	108.7	-
Costs of sales	(179.3)	(10.6)	-	(129.6)	(5.0)	(34.1)	-
Gross Profit	**712.5**	**51.2**	-	**564.6**	**22.1**	**74.6**	-
Mobile							
Revenue	256.2	1.2	-	187.6	67.3	-	-
Costs of sales	(129.9)	(0.9)	-	(107.8)	(21.2)	-	-
Gross Profit	**126.2**	**0.3**	-	**79.8**	**46.1**	-	-
B2B and others							
Revenue	138.5	8.9	-	-	32.5	41.8	55.3
Costs of sales	(58.2)	(1.0)	-	-	(10.9)	(24.3)	(22.1)
Gross Profit	**80.2**	7.9	-	-	**21.6**	**17.5**	**33.2**
Total							
Total Revenue	**1,286.8**	71.9	-	881.8	126.9	**150.5**	**55.3**
Total Costs of sales	(367.8)	(12.9)	-	(237.4)	(36.9)	(58.4)	(22.1)
Total Gross Profit	918.9	59.0	-	644.4	**89.8**	**92.1**	**33.2**
Operating expenses	(400.9)	(12.9)	(0.7)	(281.7)	(40.5)	(43.0)	(22.0)
Depreciation and amortisation	(399.6)	(18.1)	-	(274.9)	(26.6)	(65.1)	(14.8)
Other operating income & expenses	(76.9)	(4.2)	-	(57.4)	(9.5)	(10.7)	5.0
Operating income	41.5	24.2	(0.7)	30.4	13.3	(26.8)	1.5

	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
Costs of sales	(212.9)	(10.3)	-	(159.0)	(4.1)	(39.1)	(0.5)
Gross Profit	660.4	60.0	-	518.9	20.4	59.1	2.0
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	-	-	-
B2B and others							
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	1.092.4	71.3	-	850.4	24.4	98.2	48.1
Total Costs of sales	(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

25-Operating expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Technical and maintenance costs	(149.7)	(141.9)
Customer services	(32.9)	(18.3)
Taxes	(3.6)	(2.4)
Total	(186.2)	(162.5)

26-Depreciation, amortization and goodwill impairment.

It consists in (i) amortization of intangible assets for a total of EUR 133.4 million (2012: EUR 245.7 million including EUR 121.9 million of goodwill impairment), (ii) depreciation of tangible assets for a total of EUR 251.4 (2012: EUR: 219.6 million) and (iii) other additions and reversals for a total of EUR 14.8 million (mainly representing additional depreciation on inventories and receivables) (2012: EUR 77.10 million, representing a net reversal for the year).

27- Gain on settlement of financial instruments

The gain on settlement of financial instruments recorded in the financial statements of Altice Six S.A. in the year ended December 31, 2013, corresponds to the difference between the carrying amount of the loans and receivables contributed by Altice Six in exchange for shares in Numericable Group S.A. and the fair value of these instruments as recorded in the IFRS financial statements of Altice Six at the time of the contribution.

The carrying amount of the loans at the time of the contribution was EUR 418.3 million and the fair value recorded in the IFRS accounts of Altice Six amounted to EUR 162.6 million, thus leading to a gain of EUR 255.7 million.

28-Other operating incomes and expenses

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Other incomes and expenses	(17.0)	(24.9)
Other revenues	0.9	-
Disposal of tangible assets	1.0	(4.8)
Other expenses, net	**(15.1)**	**(29.8)**
Non-recurring costs(1)	(58.3)	(22.4)
Restructuring costs(2)	(2.9)	(6.7)
Restructuring and other non-recurring costs	**(61.2)**	**(20.8)**
Total	(76.3)	(50.5)

(1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone's network during the transition phase. In addition, Altice financing incurred costs related to consultants' fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.

(2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

29-Net finance costs

	December 31, 2013	December 31, 2012
	(in millions of euros)	
Gain arising on fair value of financial instruments(1)	2.6	1.2
Foreign exchange gains	91.0	24.7
Interest income	27.3	10.3
Other financial income	2.5	4.5
Finance income	120.9	40.7
Interest charges on borrowings and overdrafts (2)	(201.5)	(118.5)
Loss arising on fair value of financial instruments	(99.4)	(72.0)
Interest on subordinated debt	(37.6)	(11.5)
Foreign exchange losses	(24.5)	(2.1)
Net book-value of disposal/financial assets	(13.6)	(21.2)
Finance costs	(376.6)	(225.4)
Total	(255.6)	(184.7)

(1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.

(2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (EUR 12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (EUR 47.45 million in 2013).

30-Transactions with non-controlling interests

On April 23, 2013, the company repurchased the 40% minority interests held by Apax in its Portuguese subsidiary, Cabovisao for a total consideration of EUR 105.0 million, of which EUR 90.0 million was paid as consideration for equity acquired and EUR 15.0 million used in the repayment of a shareholder loan. The total amount of equity acquired was valued at EUR 13.1 million and the impact on the net equity of the Consolidated Group was EUR 77.0 million following the consummation of the deal.

On November 29, 2013, the company repurchased the 40% minority interests held by Apax though its holding company Codilink S.à r.l. in Coditel Holding Lux and Coditel Management. The total consideration paid was EUR 82.5 million, of which EUR 30.6 million was paid to acquire shares in Coditel Holding Lux II and EUR 51.9 paid to reimburse subordinated debt instruments (CPECs) held by the minority shareholder. The amount of equity acquired by the Consolidated Group was valued at EUR 1.7 million, with a total impact of EUR 28.9 on the Consolidated Group net equity following the consummation of the deal.

31-Average workforce

	December 31, 2013	December 31, 2012
Managers	352	268
Technicians	857	660
Employees	3,011	4,719
	4,220	5,647

32-Transaction with related parties

32.1 Trading and financial transaction

Transactions with related parties mainly related to transactions with Numericable Group, Next L.P. or Altice Six S.A.. Such transactions are limited to (i) re-invoicing of certain operational services granted by Numericable Group to certain subsidiaries of Altice VII, or (ii) shareholder preferred equity certificates or loan issued by Altice VII and held by Next L.P.

Transaction with related parties that directly impact the reserves of the Consolidated Group are summarized in note 13.

Other related parties include consulting firms specialized in the management and operations of telecom companies and executive managers of Altice VII. The fees paid to the consulting companies include recurring fees paid based on service level agreements established with Altice VII, one-off success fees for the successful completion of acquisitions or negotiations with banks on debt contracts/bond issuance and reimbursement of any outlays and expenditures incurred by the employees of these companies when working on behalf of Altice VII. Transactions with executive managers include loans provided to them by the Company.

	Revenue		Operating expenses		Financial expenses	
Consolidated income and expenses	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
			(In millions of euros)			
Equity holders	0.2	0.1	12.1	0.2	-	0.6
Executive managers	-		-	-	-	-
Remuneration and benefits in kind	-		2.5	-	-	-
Associate companies	-	0.1	-	0.7	-	-
TOTAL	0.2	0.2	14.6	0.9	-	0.6

	Loans and receivables		Trade accounts receivable and other		Current accounts	
Assets	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
			(In millions of euros)			
Equity holders	-	-	-	0.2	-	-
Executive managers	2.7	-	-	-	-	-
Associate companies	126.1	-	9.3	0.8	-	-
TOTAL	2.7	0.0	-	1.0	-	-

	Other financial liabilities		Trade accounts payable and other		Current accounts	
Liabilities	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013
			(In millions of euros)			
Equity holders	322.4	100.7	1.6	-	0.6	-
Executive managers	-	-	-	-	-	-
Associate companies	-	-	-	6.6	-	-
TOTAL	322.4	100.7	1.6	6.6	0.6	-

32.2 Compensation of key management personnel

The compensation given to the managers, in respect of their duties as Chairman of the Executive Board or member of the Executive Board of Altice S.A. for the financial year 2013, is EUR 2.3 million compared to EUR 1.7 million for the financial year 2012.

The remuneration of directors and other members of key management personnel during the year was as follows:

	December 31, 2013	December 31, 2012
Short-term benefits	2.3	1.7
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Termination benefits	-	-
TOTAL	2.3	1.7

33-Contractual obligations and commercial commitments

The Consolidated Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below.

	December 31, 2013					
Unrecognised contractual commitments	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	Total
Good and service purchase commitments	101.3	70.0	36.0	1.4	21.9	230.6
Investment commitments	38.9	1.2	.6	-	-	40.7
Guarantees given to suppliers/customers	5.8	2.7	2.3	2.3	1.2	14.3
Guarantees given to government agencies	14.1	7.5	.5	4.0	22.3	48.3
Commitments to buy shares	340.9					340.9
Other commitments	-	51.5	-	-	-	51.5
Total	501.0	132.9	39.3	7.7	45.4	726.3

33.1 Hot Telecom Commitments

33.1.1 Commitments

A. Contingent liabilities

1. Within the framework of the merger of the cable companies on December 31, 2006, the Company assumed responsibility for the existing claims in the field of activity of the acquired companies (the cable companies in their former format), furthermore, it was determined that the Company would assume responsibility for any claim that might be filed in the interim period by any of the acquired companies after the time of the completion of the merger of the cable companies.

In addition, the Company has entered into a commitment under an indemnification agreement with each of the three previous holders of the rights in the HOT Gold Partnership (the Tevel Group, the Yedioth Communications and the Fishman Group) in accordance with which the Company has undertaken to fully indemnify the partners in the HOT Gold Partnership, prior to the completion of the merger transaction, so that they will be released from all responsibility, commitment or debt of any sort whatsoever that HOT Gold had on December 31, 2006 or that HOT Gold might have had after that date, and which relate to the period prior to the completion of the merger, including in respect of claims and legal proceedings.

2. Lawsuits have been filed and are pending against companies in the Consolidated Group in the routine course of business and various legal proceedings are outstanding against it (hereinafter - Lawsuits).

In the opinion of the managements of the Consolidated Group companies, based, inter alia, on legal opinions in respect of the chances of the lawsuits, appropriate provisions have been recorded in the financial statements as of December 31, 2013 in an amount of EUR 11.1 million, were provisions are required, to cover the exposure in respect of the said lawsuits.

In the opinion of the management of the Consolidated Group companies the additional exposure in an amount of approximately EUR 565 million (over and above the provisions that have been recorded in these financial statements), as of December 31, 2013 in respect of lawsuits that have been filed against companies in the Consolidated Group on various issues is as follows:

a) An amount of approximately EUR 377 Million in respect of claims, the chances of which, in the assessment of the Company's management, in reliance on opinions from its legal advisors, do not exceed 50%.

b) An amount of approximately EUR 105 Million in respect of claims, which it is not possible to evaluate at this stage, and which consist primarily of applications for approval as class actions that were filed shortly before the date of the financial statements.

c) An amount of approximately EUR 84 Million in respect of claims, where the chances of there being accepted in the assessment of the Company's management, in reliance on the opinion of its legal advisers, exceed 50%.

The following table is an abbreviated summary of the Consolidated Group's contingent liabilities, which are outstanding as of December 31, 2013, according to groupings having similar characteristics:

The subject matter of the lawsuit	Amount of the additional exposure over and above the provision as of December 31, 2013	Amount of the lawsuits that it is not possible to assess, which were presented shortly before the date of the financial statements (primarily applications for approval as class actions)	Provision recorded in the financial statements as of December 31, 2013	Provision recorded in the financial statements as of December 31, 2012	Updating of the expense (income) in the reporting period
	EUR in Millions				
Customers [1]	490.0	82.0	4.2	2.1	2.1
Copyright	-	-	6.3	11.3	0.4
Suppliers [2]	22.6	11.3	0.4	0.6	-
Employees	1.0	-	0.2	0.2	-
The merger transaction	50.2	-	-	-	-
Total	563.8	93.3	11.1	14.2	2.5

(1) The amount includes EUR 10.5 million in respect of claims after the balance sheet date.
(2) The amount includes EUR 9.4 million in respect of claims after the balance sheet date.

B. Commitments

1. Royalties to the Ministry of Communications and other payments to the government

a) Hot Telecom used to be committed to pay annual royalties in accordance with the Telecommunications Regulations (Concessions) - 1987. In accordance with the Telecommunications Regulations (Telecommunications and Broadcasting) (Royalties) - 2001, HOT Telecom is required to pay annual royalties in respect of its income from in country operator services and HOT Mobile is required to pay annual royalties in respect of its radio telephone services (less payments to another license holder in respect of reciprocal connection or roaming services). The royalties rates that HOT Telecom and HOT Mobile have each been charged to pay stood at 1.75% in 2012 and decreased to 0% from 2013 onwards.

b) In July 2001, the cables companies, including Hot Telecom, entered into a commitment under an agreement with the State of Israel on the subject of a solution to the disputes between the cable companies and the State in respect of the right of each company to operate the existing cables infrastructure in each of the concession areas after the end of the period of the concessions. It was stipulated in the agreement that the State undertakes to waive all of its claims and its rights in respect of the cables infrastructure such that each cables company would be the owner of all of the rights, including property rights, in the cables infrastructure that it held in the area of its concession and that it would have available to it the right to continue to operate it even at the end of the concession period. In consideration for this, it was stipulated that each company was to pay to the State, on an annual basis and for a period of 12 years (commencing on January 1, 2003), its relative share, as determined in the agreement, of an amount that is equivalent to the multiple of certain incomes (as determined in the agreement) of each of the cable companies on a graduated scale (in accordance with the level of income, as aforesaid) at a rate of from 0% to 4%. The relative share of each company can be altered by agreement between the cables companies.

In addition, it was stipulated that each company is to pay approximately 12% of the overall consideration from the sale of operations that are executed through the cables infrastructure for a period of 12 years. It was also stipulated in the agreement that in so far as Hot has received any amount whatsoever in consideration for the issuance of its shares to the public or to an external investor or in consideration for the sale of shares of another company from among the cables companies, part of the consideration from the issue or the sale, as aforesaid, is to serve as an advance payment for the payment of the relevant portion of the consideration that remains to be paid under the agreement, in accordance with a formula that will be determined by the parties by agreement. It is further stipulated in the agreement that it shall apply to the cables companies or to any company that is split or merged even if structural changes are made of any sort whatsoever, and accordingly, with the completion of the merger, the agreement applies to Hot as a merged company.

c) In accordance with the Wireless Telegraph Regulations (Licensing, Certification and Levies) -1978, HOT Mobile is required to pay a fixed annual payment for each frequency that it uses. HOT Mobile paid amounts of NIS 29 million and NIS 26 million in respect of the years 2013 and 2012 respectively.

2. Other royalties

a) Within the framework of the Consolidated Group's routine operations in the broadcasting field, the Consolidated Group enters into commitments under arrangements and agreements under which the Consolidated Group pays royalties to various authors' organizations. The amounts of the royalties that have been reflected by the Consolidated Group within this context in the years 2013 and 2012 amounted to NIS 45 million and NIS 42 million respectively.

b) On January 30, 2012 a draft of the Authors and Performers Law (Judgment on Royalties Issues) 2012 (hereinafter, in this section - "The draft law") was placed before the Knesset. The draft law was intended to create a royalties court by empowering one of the District Court Judges to hear cases on royalties issues, royalty rates and disputes in royalty issues (in other words, a dispute on the issue of royalty rates between a collective management entity and a user or users of a repertoire).

This draft, if it is accepted, may have an implication for the issue of the payment of royalties to various organizations. As of the date of this report, Hot is unable to assess what the impact of the said legislation will be on its business results, if it is passed.

3. A commitment to invest in original productions

In accordance with the provisions of the Communications Law, the principles of communications and decisions by the Council, Hot is required, inter alia, to invest amounts in original productions at a rate of 8% of its annual income from subscription fees. During the course of the years 2012 and 2013 Hot complied with the investment rate that is required, as aforesaid.

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not fall below 8% of the annual income from subscriber fees. In this connection, in October 2011 the Council informed Hot that as from the year 2012 its income from subscriber fees, which form the basis for the calculation for the requirement to invest in original productions, will be deemed to include all of the payments that are paid by its subscribers in order to receive broadcasts and to receive services, including income from users' terminal equipment and the installation thereof, whereas in accordance with the policy adopted by the Council up to them regarding the inclusion of income from terminal equipment for the purpose of the calculation of the requirement for original productions was made conditional upon a mechanism that was based on the profitability of this income, and in past years the income from users' terminal equipment and the installation thereof was not included in the basis for the calculation for original productions. On January 12, 2012, the Council determined that Hot will be entitled to complete the amount of the additional investment for the year 2012 over three investment years.

4. Agreement to deploy and maintain a cables network

On January 1, 1990 and on May 1, 1989, Tevel International Transmission for Israel Ltd. and HOT Gold & Co. (hereinafter together - The cable companies) entered into commitments under agreements for the provision of planning, installation and maintenance services of the cables network with the Bezeq company (the provisions of both of the two said agreements are similar, and they will hereinafter in this section be called - the agreement). This agreement was endorsed to HOT Telecom as part of the merger agreement.

In accordance with the agreement, Bezeq, Tevel and HOT Gold planned the cables network, inter alia, based on the Bezeq company's available infrastructure, which was deployed in the areas of the concession at the time of the signing of the agreement. Tevel and HOT Gold supplied the Bezeq company with the base equipment (as defined in the agreement) that comprises the cables network whereas the Bezeq company supplied the additional equipment (as defined in the agreement) that is used for setting up the cables network.

In accordance with the agreement, a cables network was set up and deployed in a number of major cities across Israel, and the Bezeq company conducts the routine maintenance of the cables network and also provides malfunction repair services. The provisions of the agreement also relate, inter alia, to the possibility of the expansion of the cables network to additional facilities, the connection of new houses and of new neighborhoods.

It is determined in the agreement that it will remain in force for the length of the period of the concession, and that it will continue to be in force if the concession or the rights in the concession are transferred or afforded to another, in whole or in part and directly or indirectly, during the course of the original concession period and during the extension of that period or after the end of it. The Bezeq company is only entitled to cancel the agreement in respect of a breach for which notice has been given in writing.

The total of the expenses recorded in Hot's accounting records for the network services payable to the Bezeq company in the years 2013 and 2012 amounted to NIS 47 million and NIS 48 million, respectively.

It should be noted that from time to time, during the routine course of business, disputes arise in connection with the implementation of the agreement, inter alia in respect of the division of the costs that are involved in the performance of some of the services that are supplied by the Bezeq company under the agreement, however the parties are continuing to operate in accordance with the agreement. It is further noted that over the course of the years additions have been signed to the agreement, primarily in connection with enhancement and upgrading work on the cables network.

5. Commitments to lease assets

The Consolidated Group has commitments under agreements for the leasing of buildings and motor vehicles for various periods up to the end of the year 2020. The minimal future rental fees in respect of the rental contracts as of December 31, 2013, exclusive of the option period, are as follows:

	EUR Million	EUR Million
	December 31, 2013	December 31, 2012
2014	37.3	37.8
2015	30.2	30.0
2016	19.7	24.4
2017	10.1	17.5
2018 and thereafter	7.3	61.7
	104.6	**171.3**

6. On July 19, 2011, Hot's Board of Directors approved a commitment under agreements for the execution of the upgrading of the fiber optic infrastructure (FTTX). In accordance with the said commitment, HOT Telecom will purchase advanced optic equipment, work and services from third parties, in order to upgrade the infrastructures, including maintenance services, in accordance with the deployment and the timetables that will be agreed upon between the parties from time to time. The upgrading of the infrastructure, as aforesaid, will enable the expansion of the traffic capacity on the network, in favor of the supply of enhanced VOD services, the increasing of the number of channels that the Consolidated Group can offer to its subscribers, faster internet services and it will also enable Hot to deal with increased demand for traffic capacity on the network in the future, which is expected to arise as a result of increased uses and applications that require a considerable band width.

7. On May 27, 2010, a facility agreement was signed between HOT Mobile and Motorola for the purchase, licensing and installation of the infrastructure equipment (hardware and software) which is required in order to operate HOT Mobile's iDEN network. The agreement is in force for a period of five years from the time that it was signed (hereinafter -the initial period) and it will be renewed for additional periods of one year each (or for a longer period that is agreed between the parties), unless a party to the agreement gives notice to the other party, 90 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment. The agreement arranged the commitment between the parties for the purpose of the execution of the work orders that will be presented to Motorola, from time to time, by HOT Mobile for the purpose of the supply of equipment or software for the iDEN network.

Within the framework of the agreement, Motorola has undertaken that during the initial period it will hold an inventory of equipment that will enable it to immediately supply the components that are required for the proper functioning of HOT Mobile's iDEN network, and so that it will be capable of supplying HOT Mobile with the maintenance services for the infrastructure equipment and the software that are required to operate the network for a period of seven years from the signing of the agreement, subject to the purchase of the said maintenance services by HOT Mobile.

In consideration for Motorola's commitment to sell the equipment and the licenses to HOT Mobile at the prices that are denoted in the agreement, HOT Mobile has made a commitment to purchase the infrastructure equipment and the software that is required to operate the iDEN network from Motorola alone during the period of the agreement.

8. As part of the commitment with Motorola in respect of the infrastructure for the iDEN network, HOT Mobile has signed on a system maintenance agreement with Motorola as well as on an agreement for the maintenance of the system's hardware, which arrange the repair of malfunctions and the provision of support by Motorola for HOT Mobile's iDEN network.

In December 2011, the system maintenance agreement was extended for an additional period of three years, until the end of 2014.

9. On May 26, 2010, as part of the sale of the control in HOT Mobile to Altice, HOT Mobile entered into a commitment under an agreement with Mobility for the purchase of terminal equipment that supports the iDEN technology.

The agreement is in force for a period of 5 years and it will be renewed for additional periods of one year each time unless a party to the agreement gives notice to the other party, 60 days before the end of the initial period, or one of the extension periods, as the case may be, of its desire to terminate the commitment.

The agreement arranged a mechanism for the ordering and supply of the terminal equipment (including quarterly forecasts by HOT Mobile) with HOT Mobile being responsible for the importing of the terminal equipment from abroad.

The supplier has received an option and the right of first refusal for the repurchase from HOT Mobile of all of the terminal equipment that it may be holding at the time of the termination of the agreement, in accordance with a mechanism that was set in the agreement.

10. On June 16, 2011, HOT Mobile entered into a commitment with Nokia Siemens Networks Israel Ltd. (hereinafter - the supplier) for the setting up of the infrastructure for HOT Mobile's new network.

In accordance with the terms of the agreement, the supplier will plan and set up the new network for HOT Mobile as a turnkey contractor. In the first stage, which was completed in May 2012, the supplier completed the setting up of the systems that are required for the purpose of operating the new system with a coverage of approximately 30%, which is in excess of the extent of the coverage which HOT Mobile is required to provide (20%) in accordance with the terms of the tender within two years from the time of the receipt of the new radio telephone license. After the completion of the first stage, HOT Mobile has expanded and is expanding the new network, both from the perspective of the coverage and also from the perspective of the LTE capability.

The agreement is in force for 15 years, and it contains warranties for the proper functioning of the components of the system for a period of two years from the time of the handing over of each component in accordance with the agreement, as well as warranties for the entire period of the agreement that the system will operate in accordance with the system requirements that HOT Mobile placed (in terms of availability, functioning and capacity), subject to their being a maintenance agreement in force between the parties.

In consideration for the completion of the first, second and third stages in accordance with the agreement and the performance of all of the supplier's commitments by the year 2013, the Consolidated Group will pay the supplier an amount of 52 million Dollars, which amount does not include the expansion of the coverage and the capacity over and beyond what is stipulated in the agreement.

11. In 2013 and at the beginning of 2014, a number of additions to the agreement were signed, within the framework of which the payments that were supposed to be paid under the agreement have been deferred to a later date, subject to HOT Mobile's signing on debt notes, with Hot acting as guarantor. Within this framework, HOT Mobile has signed on confirmation for the final receipt of significant portions of the said project.

12. On October 27, 2011, an agreement was signed between HOT Mobile and Comverse Ltd. (hereinafter - Comverse), in accordance with which Comverse will supply Hot with a BSS system (a billing system that is integrated with the customer relations management (CRM) system) (hereinafter - The system) and Comverse will also supply Hot with hardware, software and services, including the operation and maintenance of the system The agreement is for a period of five years. In consideration for Comverse's services, HOT Mobile will pay an amount of approximately 12.5 million US Dollars. In January 2012, the parties signed on an addendum to this agreement, in accordance with which Comverse is committed to allocate seven additional employees to be available for the project (instead of the manpower that Hot had to make available for the project), for a payment of 500,000 US Dollars.

13. On May 30, 2012, HOT Mobile International Communications Ltd (hereinafter - HOT International), a wholly owned subsidiary of HOT Mobile's, received an operator's license for the provision of international telecommunications services (hereinafter - The international license). On January 6, 2013 HOT International received operational approval for starting to provide international telecommunications services in accordance with the international license and on January 8, 2013, notification of the opening of the services was sent to all of the operators.

14. On November 11, 2013, Hot's Audit Committee approved Hot's commitment under a sub-leasing agreement with the Middle East Company Ltd. (hereinafter – the lessor) for the sub-leasing of a plot of land in the Jaffa Port, which Hot is leasing (hereinafter – the leased property), retroactively, as from July 2013.

The leased property will be used by the tenant, which is a company that produces broadcasts for a foreign news company, which is 85% owned by Mr. Patrick Drahi, the ultimate controlling interest in Hot.

The lease fees that will be paid to Hot in respect of the leased property have been set in accordance with the rental fees that Hot pays in respect of the property and under the same payment terms (back to back), with the addition of a monthly amount in respect of: (1) the tenant's relative share of the municipal taxes, electricity, water, security and cleaning expenses (back to back terms to those paid by Hot) and (2) adaptations to the leased property that Hot has executed at its own expense.

It is determined in the rental agreement that in any case in which the agreement ends before the end of the rental period, the tenant shall pay Hot the balance of the payments in respect of the adaptations that Hot made in the leased property, as discounted using a real annual interest rate that has been set in the agreement.

15. On November 8, 2013, HOT Mobile signed on agreements with Partner Communications Ltd. (hereinafter – Partner), which are subject to the receipt of all of the approvals that are required, as detailed below: HOT Mobile and Partner will set up a limited partnership, which will hold, develop and operate a single advanced cellular communications network, for both of the companies, each of which will hold half of the rights in it. In accordance with the agreement, each of the parties will continue to hold and to operate its core of the network separately and provide cellular communications services, including the marketing and the selling of such services, to its customers alone.

The agreement arranges the management of the joint network and its development, the manner of the management of the partnership, including a mechanism for the appointment of a board of directors, the resolution of disagreements, the bearing of the costs of upgrading the network and so on.

The agreement will be in force for a period up to December 31, 2028, and thereafter, the agreement will be extended automatically for additional periods of 5 years each, unless either of the parties gives notice of its desire to terminate the agreement by giving notice in advance of 24 months before each automatic renewal. Despite the aforesaid, as from the end of a period of 8 years from the entry of the agreement into force, it may be cancelled by either of the parties, in accordance with their own judgment and by giving two years notice in advance from that time. The agreement also sets a mechanism for the separating of the parties in the event of the termination of the agreement.

In consideration for the agreement, HOT Mobile will pay a non-recurring amount, which is to be paid by the beginning of 2017, and thereafter, each party will bear half of the capital investments that are required to set up and to upgrade the joint network and the bearing of the operating expenses for the joint network will be in accordance with a mechanism that is set in the agreement and which is based, inter alia, on the volume of the data traffic that each party consumes from the joint network.

As an interim stage and until the receipt of the approvals that are required under the law, Partner will extend to HOT Mobile the right to use its cellular communications network for the purposes of the provision of brad national cover to its customers. The services under the agreement will apply after the completion of the preparations and in accordance with any agreement or regulation.

In the light of the commitment with Partner in connection with the in-country roaming services, HOT Mobile and Pelephone Telecommunications Ltd. (with which HOT Mobile had entered into an exclusive agreement in the past for in-country roaming services up to December 31, 2014) reached agreement regarding the cancellation of the exclusivity clause.

16. In the reporting period, the management of HOT Mobile Ltd. (hereinafter – HOT Mobile), made a decision regarding the vacation of its offices at Airport City, in respect of which there is a long-term rental contract with Airport City, for the period up to and including 2019. As a result of this decision, Hot has recognized losses of NIS 34 million (EUR 7.1 million) in the reporting period, which have been recorded under other expenses, reflecting the rental expenses, taxes and amortization of leasehold improvements, which in HOT Mobile's assessment are irrecoverable, and which meet the definition of anonerous contract.

17. Capitalized leasing rights on land from the Israel Lands Authority

Capitalized leasing rights on land from the Israel Lands Authority over an area of 20,713 square meters on which the Consolidated Group's buildings are located. The amount that is attributed to the capitalized rights is presented as a prepaid expenses in respect of operating leases in the balance sheet and is amortized over the period of the leases. See also Note 2K. The lease periods end in the years 2021-2045.

C. Guarantees and liens

1. As collateral for Hot's commitments vis-à-vis the parent company under the credit agreement with it, the following charges have been placed

a) A floating charge on Hot's assets.

b) A fixed charge on the shares in the subsidiary companies.

c) HOT Telecom has given a charge on some of its assets.

The said charges are in an unlimited amount, vis-à-vis Hot, the investee partnership - HOT Telecom and the subsidiary company - HOT Net, jointly and severally.

2. As collateral for the commitments of Hot, the investee partnership HOT Telecom and the subsidiary company HOT Net, first ranking floating charges have been placed in unlimited amounts in favor of the borrowers, on all of the assets and the rights belonging to debtors of companies in the Consolidated Group and a fixed charge on the goodwill and the unpaid share capital of the Companies in the Consolidated Group.

3. As collateral for Hot's commitments in respect of the royalties agreement, as set forth in section B(1) above, a second ranking floating charge has been placed in favor of the State.

4. As collateral for the Consolidated Group's commitments, as determined in the Consolidated Group's licenses and in the decisions by the Director and the Council, the Consolidated Group has issued a number of guarantees, as follows:

a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.

b) Guarantees in an amount of NIS 34 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

5. HOT has given a number of bank guarantees to various bodies in an overall amount of NIS 32 million.

6. Guarantees for HOT Telecom and HOT Mobile

a) The Consolidated Group has extended guarantees in a cumulative amount of 22 million Dollars as collateral for payments by HOT Telecom to the Cisco company.

b) The Consolidated Group has extended a guarantee in an amount of NIS 246 million (index-linked) as collateral for HOT Telecom's commitments vis-à-vis an interested party with which it has signed a rental agreement.

c) The Consolidated Group has extended a guarantee in an amount of 36 million Dollars as collateral for HOT Mobile's commitments to Bank Crédit Agricole in connection with transactions with suppliers of equipment.

d) The Consolidated Group has extended a guarantee in an amount of NIS 11 million as collateral for the commitments of HOT Telecom to various bodies.

7. On May 23, 2013, Hot signed on a credit agreement with Bank Discount Le'Israel Ltd., the First International Bank Le'Israel Ltd. and HSBC Bank PLC (hereinafter – the banks and the credit agreement, respectively).

The amounts of the credit are divided into a number of facilities: A working capital facility, which may be exploited by the drawing down of loans in an amount of up to NIS 200 million and a credit facility for guarantees in an amount of up to NIS 105 million.

The collateral that exists under the financing agreement that Hot signed with Altice Financing S.A., which is a related party of Hot, will serve as collateral, together with the creation of new, additional liens on Hot's holdings in subsidiary companies and partnerships, except for HOT Mobile. As of the balance sheet date, Hot has taken up a guarantee in an amount of NIS 84 million from these facilities, however it has not taken up credit for working capital from these facilities.

33.2 Cabovisao commitments

33.2.1 Contingent assets

During the year ended December 31, 2013 and the analysis of the Decree-Law n ° 123/2009 of 21 May, Cabovisao made the decision not to pay any fees charged by municipalities, in addition to TMDP (Fees due for rights and charges related to the deployment of, passage within or crossing of systems, equipment and other resources of providers of publicly available electronic communications networks and services at a fixed location, of a public or private municipal domain). On December 31, 2013, Cabovisao had outstanding claims against several municipalities, totaling EUR 2.6 million. To present date, the Company received EUR 0.4 million from sixteen municipalities, and executed receivable plan of EUR 1.7 million for the next three years.

33.2.2 Contingent liabilities

a) Bank guarantees

	December 31, 2013
	In millions of euros
Tax Authority	9.6
City Council	0.9
Third Parties	0.1
Total	10.6

b) Commitments with third parties to add services to be provided in future years:

On December 31, 2013, the commitments with third parties to tangible assets and services to be provided in future years with an amount to approximately EUR 2.7 million Euros and EUR 65.7 million respectively.

c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

d) Other contingent liabilities:

As a result of the Cabovisao's decision to do not pay any taxes charged by municipalities (since September 2010), the municipality of Almada initiated a litigation process, regarding the municipality taxes charged for the period between 2006 and 2009, in the amount of 595.000 Euros. Until the present date, there are no subsequent deliberations. The Board of Directors understands that the final outcome will be favorable to Cabovisao, based on the legal counsels' opinion.

In addition, there are several legal proceedings, initiated by third parties, in particular claims by several suppliers, related to the supply of services and equipment, in the amount of approximately 174.000 Euros. Until the present date, Cabovisao has not recognized any provision, since it is Board of Directors understanding that the final outcome will be favorable to the company, based on the legal counsels' opinion.

33.3 Coditel Holding commitments

As of December 31, 2013, off balance sheet commitments include:

The shares, bank accounts and receivables of Coditel Brabant S.p.r.l. and Coditel S.à r.l. have been pledged in the framework of the Coditel facility. Coditel Holding is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

33.4 Altice Six

Altice Six has an outstanding commitment to buy an additional 10% stake in the Numericable Group S.A. from other major shareholders. This commitment, signed on November 7, 2013, amounted to a total of EUR 317 million for the year ended December 31, 2013. An additional price is due to be paid in the second quarter of 2014, which is based on the evolution of the share price of Numericable Group S.A. between the offering price at IPO and the price on the date of the transaction.; as of March 17, 2014 the additional price amounts to EUR 23.9 million.

33.5 Others

The shares, bank accounts and receivables of Altice VII and its following subsidiaries Altice Finco S.A., Altice Financing S.A., Altice Holdings S.à r.l., Altice West Europe S.à r.l., Altice Portugal S.A., Altice Carribean S. à r.l., Cool Holdings LTD S.A., H.Hadaros 2012 LTD., Hot Telecommunications System LTD, Cabovisao S.A., Altice Blue Two S.A.S. and its subsidiaries, Coditel Holding S.A., Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice financing term loan. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Altice Financing S.A. has access to two super senior secured revolving credit facilities amounting to a total of USD 80 million and EUR 60 million respectively. In addition to these facilities, it also has access to a guarantee facility of EUR 75 million. As of December 31, 2013 the revolving credit facilities remain undrawn. EUR 8.4 million were drawn down on the guarantee facility, and recorded in the accounts of Cabovisao. All pledges applicable for the senior secured notes and the term loan are also applicable to these facilities.

34-Statutory Auditors' fees

In 2013, an amount of EUR 3.8 million was paid to various networks affiliates of the Consolidated Group's auditors, split mainly between EUR 1.4 million for audit services, EUR 2.0 million for assurance services and EUR 0.4 million for non-audit services (tax and consultancy).

35-Going concern

During the year ended December 31, 2013, the company had a net current asset position of EUR 854.2 million (mainly due to current restricted cash of EUR 1,242.7 million), a net profit of EUR 49.6 million (down from a net loss of EUR 180.2 million in FY12), positive cash flow from operations of EUR 438.9 million and negative working capital of EUR 198.4 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.4 million is mainly driven by trade receivables and payables. The net profit recorded in FY13 was mainly driven by the recognition of a gain on the de-recognition of assets in the accounts of Altice Six related to the public offering of Numericable Group (See note 27). The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.4 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013. Despite the net current liability position, Management is of the view that the company will continue to act as a going concern for 12 months from the date of approval of these financial statements based on the following:

The Consolidated Group has a strong track record of generating positive operating income before amortisation and depreciation and generated strong positive operating cash flows in 2013 (EUR 438.9 million). Operating income before D&A amounted to EUR 518.0 million, an increase of 28.5% compared to FY12, thus reaffirming management's ability to drive profits in the different operating companies.

The Consolidated Group had healthy unrestricted cash reserves at the end of 2013 (EUR 61.6 million vs. EUR 129.7 million in 2012), which would allow it to cover any urgent cash needs. Additionally, the Consolidated Group had access to a revolving credit facility ("RCF") of up to USD 80.0 million and EUR 63.8 million (EUR 124 million equivalent), as well as access to a guarantee facility of up to EUR 75 million (of which EUR 8.4 million were drawn in FY2013 in order to unblock restricted cash at Cabovisao).

The Consolidated Group had a net equity position of EUR 95.3 million as of December 31, 2013, a decrease of 66.0% compared to EUR 280.0 million for the year ended December 31, 2012. The decrease in the equity position was mainly driven by accounting adjustments related to losses made on the acquisition of minority interests from non-controlling shareholders recorded at Altice VII. It is management's view that these acquisitions have a strategic founding and will allow the Group to better integrate, absorb and utilize the cash generated by the concerned entities. In addition, Altice Six had enough reserves to absorb such non-cash losses and maintain a positive net equity position.

In addition to the points enumerated above, the Group has implemented a new budgeting exercise, with monthly account reviews with CFOs of operating companies to track budget accuracy. This exercise is complemented by a mid-year reforecast based on real first semester numbers.

Management also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows management and local CEOs to ensure proper alignment with budget targets and respond with speed and flexibility to counter any unexpected events and ensure that the budgeted targets are met.

In the view of the initial public offering of the newly formed company Altice S.A., the new direct controlling shareholder of Altice VII Sà r.l., it was decided to convert all existing subordinated debt instruments issued by Altice VII and Altice Six and subscribed by Next L.P.., into share capital, before the contribution of Altice VII and Altice Six to Altice S.A. Thus, YPFECs and ALPECs issued by Altice VII, and YFPECs issued by Altice Six were converted into equity at their nominal value, totalling EUR 181.5 million (EUR133.3 million at Altice VII and EUR 48.2 million at Altice Six).

35-Events after the reporting period

Acquisition of the Mobius Group

On October 19, 2013, Altice Blue Two (a subsidiary of Altice VII) entered into an agreement pursuant to which Altice Blue Two will acquire the Mobius Group (the "Mobius Acquisition"). The Mobius Group is a telecommunications operator in the Overseas Territory of La Reunion, providing Internet access to professional clients under the "Mobius Technology" brand and double and triple play services based on xDSL technology to residential customers under the "IZI" brand. The consummation of the Mobius Acquisition occured on January 15, 2014 and was financed via the super senior revolving credit facility that the company has access to. A total of EUR 20.5 million was drawn from the RCF to finance the acquisition. Pursuant to an investment agreement dated October 19, 2013, certain managers of the Mobius Group (the "Mobius Managers") have agreed to reinvest a portion of the proceeds received from the Mobius Acquisition (approximately EUR 4.6 million) in Altice Blue Two. As a consequence of such reinvestment, the equity interest held by Altice Caribbean in Altice Blue Two would be reduced to approximately 77%. as of the date of this report, an agreement had been reached with the Managers of Altice Blue Two to transfer their minority holdings in Altice Blue Two into shares of Altice S.A. (please see below for more details).

Conversion of Altice VII and Altice Six subordinated debts

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, and Altice Six S.A. before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding YFPECs and ALPECs issued by Altice VII were converted at their nominal value of EUR 133.2 million, which was directly attributed to the net equity of the company. All outstanding YFPECs issued by Altice Six were converted into common shares of Altice Six S.A. at their nominal value of EUR 48.2 million.

Initial public offering

On January 31, 2014, Altice S.A. listed its shares in an initial public offering on Euronext Amsterdam. The company raised capital in two steps, first through a primary offering of new shares of the listed company, for EUR 750 million and a secondary offering, consisting of the sale of shares held by Next L.P. in Altice S.A., for a total amount of EUR 555 million. The shares were traded at opening at an offer price of EUR 28.25. Additionally, an over-allotment option, for the maximum authorised amount (upto 15% of the total shares offered), was exercised by Altice S.A. Following the IPO, 25.6% of the share capital of the company is publicly traded, with the rest held by Next L.P and certain Managers. The shares are traded on Euronext Amsterdam with the ticker ATC:NA.

Change in minority interests of Altice Blue Two

In January 2014, the Company entered into discussion with the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and MTVC, to exchange their existing shares in Altice Blue Two S.A.S against shares in the newly floated mother company of Altice VII, Altice S.A.

As per the agreement, which was completed and signed on March 13, 2014, the OMT Managers contributed all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

Acquisition of the Tricom Group

On March 12, 2014 the Group obtained control of Tricom S.A. and Global Interlink Ltd. (together, "Tricom"), a leading telecommunications operator in the Dominican Republic, providing (i) cable and xDSL-based multiple-play services and stand-alone pay television, broadband Internet and fixed-line telephony services and (ii) 3G and 4G mobile telephony services relying on its mobile network. This acquisition enables the Group to expand its footprint in the Carribean and more especially in the Dominican Republic. Control was obtained upon approval from Indotel, the Dominican Republic antitrust authority. As of the date of the transfer of the shares, the Group acquired 96% of the total equity in Tricom S.A. and 92% of the outstanding interests in Global Interlinks.

For the year ended December 31, 2013, Tricom would have contributed EUR 158.3 million to revenue and EUR 19.9 million to operating profit to the Group's results, if it had been purchased on January 1, 2013 (these figures are based on unaudited US GAAP figures).

The following summarises certain of the major classes of consideration transferred and the provisionally determined amounts of identifiable assets and liabilities assumed at the acquisition date:

Total consideration paid to the vendors for the shares of Tricom amounted to €291.3 million, using the proceeds raised in December 2013.

The total value of assets transferred in consideration for the values mentioned above amounted to EUR 145.7 million, comprising mainly of intangible assets for a net value of EUR 21.0 million, property, plant and equipment for a total value of EUR 133.8 million and trade receivables for a total amount of EUR 16.5 million. Total liabilities amounted to €97.9 million, comprising of EUR 45.1 of non-current liabilities and EUR 52.8 million of current liabilities. The residual value of EUR 145.6 million was recognised provisionally as goodwill (these figures are based on unaudited US GAAP figures).

The values of the assets and liabilities assumed have been determined on a provisional basis until the Group finalizes its assessment of the fair valuation of the identifiable assets and liabilities assumed and shall complete this exercise within twelve months from the acquisition date.

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	EUR	291.3 million
Fair value of identifiable assets and liabilities	EUR	(145.7) million
Goodwill	EUR	145.6 million

Acquisition of additional shares in Numericable

On November 18, 2013, Altice Six entered into an agreement with other major shareholders in the Numericable group to purchase an additional 10% stake, thus increasing its shareholding to 40% (inclusive of the 2.6% option provided to other shareholders and described elsewhere in this report). This acquisition triggered a change in control of the Numericable Group. The transaction was consummated on February 4, 2014, with the primary proceeds from Altice S.A.'s IPO and thus Altice S.A. became the controlling shareholder of Numericable S.A.

Stock Options provided to Senior Management and Executive Directors

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.

Contribution in kind by Valemi Corp S.A.

On October 4, 2013, Altice VII S.à r.l., a direct subsidiary of Altice S.A., acquired a controlling stake in two content companies, MCS S.A.S and SportV S.à r.l. from Altice IV and Valemi Corp S.A. This transaction gave rise to a vendor loan, held by Valemi Corp. S.A. against Altice VII S.à r.l. As part of the pre-IPO restructuring, Altice S.A. and Valemi Corp reached an agreement under which Valemi contributed to the Company a vendor loan payable by Altice VII against the issue of Ordinary Shares. The total amount of the vendor loan held by Valemi was EUR 6.7 million at the time of admission.

Acquisition of SFR

On March 14, 2014, Altice S.A. and Vivendi S.A, the sole shareholder of SFR, France's second largest mobile operator, entered into exclusive talks to negotiate a potential business combination between Numericable and SFR.

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

Deloitte.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

To the Board of Directors of
Altice S.A.
3, boulevard Royal
L-2449 Luxembourg

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.

Société à responsabilité limitée au capital de 35.000 €
RCS Luxembourg B 67.895
Autorisation d'établissement: 10022179

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

(in millions of euros)	Note	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
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 & 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

(in millions of euros)	Notes	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
(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

(in millions of euros)	Notes	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

(in millions of euros)	**Total equity attributable to shareholders of the parent**	**Non-controlling Interests**	**Total equity**
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

(in millions of euros)	Notes	December 31. 2012	December 31. 2011	December 31. 2010
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 consolidated 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.

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 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 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.

2.4 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.

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.

2.8.2 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.

2.9 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 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.

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 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 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.

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 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.

2.23.1.2 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.

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.

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%

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
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.

3.2.2 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 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..

The major classes of assets acquired and liabilities assumed at the acquisition date are:

(in millions of euros)	Total Business Combinations	Cabovisao	Hot Telecom	Coditel Brabant S.p.r.l.	Coditel S.à r.l.
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.

The main figures of the acquired businesses, since the beginning of the year, and until the business combination, are presented as follows:

(in millions of euros)	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**
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

(in millions of euros)	December 31, 2011	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2012
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**

(in millions of euros)	December 31, 2010	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2011
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**

(in millions of euros)	January 1, 2010 (unaudited)	Business combinations	Impairment losses	Changes in foreign currency translation	December 31, 2010
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
- 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

(in millions of euros)	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
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

The majority of the intangible assets movements for the year ended December 31, 2012 are related to the Cabovisao business combination.

(in millions of euros)	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
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

(in millions of euros)	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
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)

(in millions of euros)	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
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

(in millions of euros)	December 31, 2011	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2012
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 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.

(in millions of euros)	December 31, 2010	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2011
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

(in millions of euros)	January 1, 2010 (unaudited)	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2010
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).

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	
(in millions of euros)	**Combined Group's share of profits of associates**	**Combined Group's share of net assets of associates**
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	
(in millions of euros)	**Combined Group's share of profits of associates**	**Combined Group's share of net assets of associates**
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	
(in millions of euros)	**Combined Group's share of profits of associates**	**Combined Group's share of net assets of associates**
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

Variation in the statement of financial position of investment in associates is shown below:

(in millions of euros)	**Balance on December 31, 2012**	**Increase/ (Decrease)**	**Balance on December 31, 2011**	**Increase/ (Decrease)**	**Balance on December 31, 2010**
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:

(in millions of euros - unaudited)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in millions of euros - unaudited)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

The Hot Telecom Ltd figures are detailed as follows:

(in millions of euros)	**December 31, 2010**
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

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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.

Loans to associates as of December 31, 2012, 2011 and 2010 are summarised below:

December 31, 2012
(In €'million)

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
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**

December 31, 2011
(In €'million)

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
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**

December 31, 2010
(In €'million)

Name of related party	Type of Financial instrument subscribed	Date of Maturity	Number of certificates held	Nominal value	Interest Rate	Nominal value	Fair Value
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

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in millions of euros)	December 31, 2011	Business Combinations	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
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)

(in millions of euros)	December 31, 2010	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2011
Finished/semi-finished goods	(0,6)	(1,3)	-	-	-	(1,9)
Total Cumulative amortization and depreciation	(0,6)	(1,3)	-	-	-	(1,9)

(in millions of euros)	January 1, 2010 (unaudited)	Business Combinations	Addition	Reversal	Divestitures, changes in foreign currency translation adjusments and other	December 31, 2010
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

(in millions of euros)	**December 31, 2011**	**Business Combinations**	**Addition**	**Reversal**	**Divestitures, changes in foreign currency translation adjustments and other**	**December 31, 2012**
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

(in millions of euros)	**December 31, 2010**	**Business Combinations**	**Addition**	**Reversal**	**Divestitures, changes in foreign currency translation adjusments and other**	**December 31, 2011**
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

(in millions of euros)	**January 1, 2010 (unaudited)**	**Business Combinations**	**Addition**	**Reversal**	**Divestitures, changes in foreign currency translation adjusments and other**	**December 31, 2010**
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

(in millions of euros)	**December 31, 2012**	**December 31, 2011**
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

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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

(in millions of euros)	**December 31, 2011**	**Business Combinations**	**Addition**	**Utilization**	**Divestitures, changes in foreign currency translation adjustments and other**	**December 31, 2012**
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,t	7,t	(24,9)	0,1	34,7

(in millions of euros)	December 31, 2010	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2011
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

(in millions of euros)	January 1, 2010 (unaudited)	Business Combinations	Addition	Utilization	Reversal	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2010
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:

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010	Notes
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.

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:

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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):

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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.

- The movement in the fair value of the plan assets:

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in %)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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:

(in millions of euros)	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
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.

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.

16.1.3 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

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 In millions of euros	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 EUR
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.

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 (in millions)**	**Nominal value per instrument in euro**	**Interest rate**	**Convertible?**	**Amount as at the end of 2011 (in millions of euros) - Including Interests**	**Amount as at the end of 2012 (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

(in millions of euros)	**December 31, 2012**	**< 1 year**	**Between 1 and 5 years**	**> 5 years**
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

(in millions of euros)	**December 31, 2011**	**< 1 year**	**Between 1 and 5 years**	**> 5 years**
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

(in millions of euros)	**Total December 31, 2010**	**< 1 year**	**Between 1 and 5 years**	**> 5 years**
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

(in millions of euros)	December 31, 2012	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
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

(in millions of euros)	December 31, 2011	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
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

(in millions of euros)	Total December 31, 2010	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
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

(in millions of euros)	December 31, 2012	Fixed interest rate	Floating interest rate
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

(in millions of euros)	December 31, 2011	Fixed interest rate	Floating interest rate
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

(in millions of euros)	December 31, 2010	Fixed interest rate	Floating interest rate
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 eash 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.

Interest structure of non-current financial debt (including interest effects of derivatives):

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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:

(in millions of euros)	**December 31, 2011**	**December 31, 2010**
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 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

(in millions of euros)	Israeli Shekel	Swiss Franc	Total
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 *(in millions of euros)*	Israeli Shekel	Swiss Franc	Total
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 *(in millions of euros)*	Israeli Shekel	Swiss Franc	Total
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.

17.4 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 *(In millions of euros)*	December 31, 2012	December 31, 2011	December 31, 2010
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

(In millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in millions of euros)	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:

				Fair Value		
(In millions of euros) - December 31, 2012	**Book value**	**Amortized cost**	**Fair value through profit/loss**	**Assets available for sale**	**Loans & Receivables**	**Derivative instruments**
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	-

(in millions of euros) - December 31, 2011	**Book value**	**Amortised cost**	**Fair value through profit/loss**	**Fair value Assets available for sale**	**Derivative Instruments**
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	-	-

(in millions of euros) -December 31, 2010	Book value	Amortised cost	Fair value			
			Fair value through profit/loss	Assets available for sale	Loans and receivables	Derivative instruments
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).

As result, as of December 31, 2012, classifications of financial instruments are as follows:

(in millions of euros)	Level 1	Level 2	Level 3	Total
	December 31, 2012			
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)	
Recurring Fair Value Measurements				
Financial assets				
- Partner Communication Co.	5.7	5.7	-	-
Financial liabilities				
- Derivatives financial liabilities at FVTPL	62.5	-	62.5	-

As of December 31, 2011, classification of financial instruments' issue mainly concerns HOT Telecom perimeter:

HOT Telecom As of December 31, 2011, in millions of euros	Level 2	Level 3
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

(In millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(In millions of euros)	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
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

(In millions of euros)	December 31, 2011	Business combination	From equity	From profit and loss	December 31, 2012
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

(in millions of euros)	**December 31, 2010**	**Business combination**	**From equity**	**From profit and loss**	**December 31, 2011**
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

(in millions of euros)	**December 31, 2010**	**Business combination**	**From equity**	**From profit and loss**	**December 31, 2011**
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

21.3 Reconciliation between the effective tax rate and the theoretical tax rate

(in millions of euros)	**December 31, 2012**	**December 31, 2011**
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.

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 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 CSI1 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.).

22.1.1 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.).

22.2 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 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.

22.2.6 Segment information

Details regarding revenues, cost of sales and gross profit for our cable, mobile and other segments are as follows:

December 31, 2012

(In millions of euros)	**Total**	**Belgium & Luxembourg**	**France**	**Israel**	**French Overseas Territories**	**Portugal**	**Others**
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)

Altice Group
Notes to the combined financial statements (Continued)

December 31, 2011 *(in millions of euros)*	**Total**	**Belgium & Luxembourg**	**France**	**Israel**	**French Overseas Territories**	**Others**
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

December 31, 2010

(In millions of euros)	Total	France	Israel	French Overseas Territories	Others
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
(In millions of euros)

	2010	2012
Cable	-	303.0
Mobile	24.1	2.1
Total	24.1	305.2

23 Operating expenses

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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

(in millions of euros)	December 31, 2012	December 31, 2011	December 31, 2010
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.

Consolidated Income and expenses	**Revenue**		**Operating expenses**		**Financial expenses**	
(In millions of euros)	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
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)

Assets	**Loans and receivables**		**Trade accounts receivable and other**		**Current accounts**	
(In millions of euros)	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
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

Liabilities	**Other financial liabilities**		**Trade accounts payable and other**		**Current accounts**	
(In millions of euros)	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**
Equity holders	-	-	4,5	1,6	-	0,6
Executive managers	-	-	-	-	-	-
Associate companies	-	-	-	-	-	-
TOTAL	-	-	4,5	1,6	-	0,6

Consolidated Income and expenses *(in millions of euros)*	**Revenue**		**Operating expenses**		**financial expenses**	
	December 31, 2010	**December 31, 2011**	**December 31, 2010**	**December 31, 2011**	**December 31, 2010**	**December 31, 2011**
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)

Assets *(in millions of euros)*	**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**
Equity holders	-	10,5	-	0,2	-	-
Executive directors	-	2,7	-	-	-	-
Associate companies	112,3	117,0	-	-	-	-
TOTAL	112,3	129,7	-	0,2	-	-

Liabilities *(in millions of euros)*	**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**
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%.

- 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).

- 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 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 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 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.

- 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.

- 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

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 (EUR in millions)	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)
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

In millions of euros	December 31, 2012
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.

28.2.2.3 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.

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 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 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 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.

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.

Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

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 PRO FORMA FINANCIAL INFORMATION

We have completed our assurance engagement to report on the compilation of the Unaudited Pro Forma Financial Information of Altice S.A. (the "Company") by its Board of Directors (the "Board of Directors"). The Unaudited Pro Forma Financial Information consists of an unaudited pro forma statement of financial position as at December 31, 2013 and an unaudited pro forma statement of income for the year ended December 31, 2013 and related notes as set out in the prospectus to be issued by the Company on or around July 21, 2014 (the "Prospectus"). The applicable criteria on the basis of which the Board of Directors has compiled the Unaudited Pro Forma Financial Information are described in Note 2 thereto.

The Unaudited Pro Forma Financial Information has been compiled by the Board of Directors to illustrate the impact of the transactions set out in Note 2 (the "Transactions") as if such Transactions had taken place on January 1, 2013. The Unaudited Pro Forma Financial Information does illustrate the impact of, or give effect to, any other transaction not explicitly described within Note 2 thereto. The financial information pertaining to the entities involved in the Transactions has been extracted by the Board of Directors from the relevant financial statements described in Note 2 to the Unaudited Pro Forma Financial Information.

Board of Director's responsibility for the Unaudited Pro Forma Financial Information

The Board of Directors is responsible for compiling the Unaudited Pro Forma Financial Information in accordance with the basis of preparation described in Note 2.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion, about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by the Board of Directors in accordance with the basis of preparation described in Note 2.

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 Pro Forma Financial Information in accordance with the basis of preparation described in Note 2.

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 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 Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a Prospectus is solely to illustrate the impact of significant events or transactions identified by the Board of Directors 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, nor do we provide any assurance that there are not any events or transactions; other than those identified by the Board of Directors; that may be considered significant for the purposes of the illustration.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the identified 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 Pro Forma 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 Pro Forma Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited 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 Financial Information has been compiled, in all material respects, in accordance with the basis of preparation described in Note 2 thereto.

Emphasis of Matter

We draw attention to the third paragraph of note 1 to the Unaudited Pro Forma Financial Information which describes the reasons for which the Board of Directors has elected to prepare Unaudited Pro Forma Financial Information without illustrating the impact of, or giving effect to the acquisitions of Société Francaise de Radiotéléphonie S.A. ("SFR") and Virgin Mobile S.A. ("Virgin Mobile"). Such transactions have not yet been consummated and are currently pending regulatory approval. The Board of Directors has indicated that it is not in a position to access the appropriate level of financial information pertaining to SFR and Virgin Mobile; including such information required to determine whether any pro-forma adjustments are necessary to align accounting policies and presentation; that would be necessary for their appropriate inclusion within the Unaudited Pro-Forma Financial Information. Our opinion is not qualified in respect of this matter.

Restriction on distribution and use

The Unaudited Pro Forma Financial Information has been prepared for the purposes of inclusion within the Prospectus issued by the Company on or around July 21, 2014. As a result, the Unaudited Pro Forma 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

July 21, 2014

ALTICE S.A.

UNAUDITED PRO-FORMA FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME OF THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2013

	Historical Financial Information	Pre transaction Pro Forma Adjustments										
	Altice S. A. January 1, 2013 December 31, 2013	OMT January 1, 2013 to July 5, 2013	ON1 January 1, 2013 to Aug 8, 2013	Ma Chaîne Sport January 1, 2013 to October 4, 2013	SportV January 1, 2013 to October 4, 2013	Reversal of refinanced debt	Issuance of June 2013 debt	June 2013 RCFs fees	Issuance of margin loan	Buy-out of non-controlling interests	Payment of Initial Public Offering fees	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013
		(Note 3 a)	(Note 3 b)	(Note 3 c)	(Note 3 d)	(Note 3 h)	(Note 3 h)	(Note 3h)	(Note 3h)	(note 3e)	(note 3j)	
Revenue	1,286.8	96.5	59.0	13.8	4.5	—	—	—	—	—	—	1,460.7
Purchases and subcontracting services	(367.8)	(30.1)	(31.2)	(3.4)	(1.1)	—	—	—	—	—	—	(433.6)
Other operating expenses	(401.0)	(33.2)	(18.5)	(3.4)	(0.4)	—	—	—	—	—	—	(456.4)
Operating income before depreciation, amortization, management fees, restructuring, non-recurring costs and other expenses	518.0	33.2	9.2	7.1	3.0	—	—	—	—	—	—	570.7
Depreciation and amortization	(399.6)	(11.4)	(9.9)	(4.7)	(1.1)	—	—	—	—	—	—	(426.7)
Management fees	(0.6)	(.4)	—	(.4)	—	—	—	—	—	—	—	(1.5)
Restructuring, non-recurring costs and other expenses	(76.3)	(2.0)	(2.1)	—	—	—	—	—	—	—	(13.0)	(93.5)
Operating Income/(loss)	41.5	19.4	(2.8)	2.0	1.9	—	—	—	—	—	(13.0)	49.1
Gain on de-recognition of asset	255.7	—	—	—	—	—	—	—	—	—	—	255.7
Financial income	120.9	0.2	—	—	—	—	—	—	—	—	—	121.1
Finance costs	(376.6)	(2.2)	(5.7)	—	—	7.6	(43.2)	(0.9)	(13.3)	7.2	—	(427.2)
Finance costs, net	(255.7)	(2.0)	(5.7)	—	—	7.6	(43.2)	(0.9)	(13.3)	7.2	—	(306.0)
Share in net income of associates	15.5	—	—	—	—	—	—	—	—	—	—	15.5
Profit/(loss) before income tax expense	57.0	17.4	(8.5)	1.9	1.9	7.6	(43.2)	(0.9)	(13.3)	7.2	(13.0)	14.3
Income tax expense	(7.4)	(6.5)	(.3)	(.3)	—	—	—	—	—		—	(14.5)
Net income (loss) from continuing operations	49.6	10.9	(8.8)	1.7	1.9	7.6	(43.2)	(0.9)	(13.3)	7.2	(13.0)	(0.2)
Net income (loss)	49.6	10.9	(8.8)	1.7	1.9	7.6	(43.2)	(0.9)	(13.3)	7.2	(13.0)	(0.2)
Attributable to owners of the entity	*71.8*	*10.9*	*(8.8)*	*1.7*	*1.9*	*7.6*	*(43.2)*	*(0.9)*	*(13.3)*	*(11.6)*	*(13.0)*	*3.3*
Attributable to non-controlling interests	*(22.2)*	—	—	—	—	—	—	—	—	*18.7*	—	*(3.5)*

		Post-Transaction Pro Forma Adjustments							
	Altice S.A. Pre-transaction pro-forma January 1, 2013 to December 31, 2013	Issuance of December 2013 debt (note 3f)	ODO January 1, 2013 to December 31, 2013 (note 3f)	Issuance of New debt (Note 3l)	New RCFs fees (Note 3l)	Reimbursement of margin loan (Note 3h)	NG January 1, 2013 to December 31, 2013 (Note 3g, 3k, 3m)	Cancellation of equity accounting of Numericable Group (Note 3g)	Altice S.A. Post-transaction Pro-forma January 1, 2013 to December 31, 2013
Revenue	1,460.7	—	446.3	—	—	—	1,314.2	—	3,221.2
Purchases and subcontracting services	(433.6)	—	(121.6)	—	—	—	(611.0)	—	(1,166.2)
Other operating income	—	—	—	—	—	—	86.3	—	86.3
Other operating expenses	(456.4)	—	(151.6)	—	—	—	(177.2)	—	(785.2)
Operating income before depreciation, amortization, management fees, restructuring, non-recurring costs and other expenses	570.8	—	173.0	—	—	—	612.3	—	1,356.2
Depreciation and amortization	(426.7)	—	(64.3)	—	—	—	(304.0)	—	(795.0)
Management fees	(1.5)	—	(11.5)	—	—	—	(11.3)	—	(24.2)
Restructuring, non-recurring costs and other expenses	(93.5)	—	—	—	—	—	(41.0)	—	(134.4)
Operating Income/(loss)	49.1	—	97.3	—	—	—	256.0	—	402.5
Gain on de-recognition of asset	255.7	—	—	—	—	—	—	—	255.7
Financial income	121.1	—	0.5	—	—	—	9.7	—	131.3
Finance costs	(427.2)	(127.3)	(1.1)	(314.5)	(3.4)	9.1	(898.5)	—	(1,762.8)
Finance costs, net	(306.0)	(127.3)	(0.6)	(314.5)	(3.4)	9.1	(888.8)	—	(1,631.5)
Share in net income (loss) of associates	15.5	—	—	—	—	—	(0.5)	(15.5)	(0.5)
Profit/(loss) before income tax expense	14.3	(127.3)	96.7	(314.5)	(3.4)	9.1	(633.2)	(15.5)	(973.8)
Income tax expense	(14.5)	—	(25.4)	—	—	—	132.8	—	92.9
Net income (loss) from continuing operations	(0.2)	(127.3)	71.3	(314.5)	(3.4)	9.1	(501.2)	(15.5)	(881.7)
Net income (loss)	(0.2)	(127.3)	71.3	(314.5)	(3.4)	9.1	(501.2)	(15.5)	(881.7)
Attributable to owners of the entity	3.3	*(127.3)*	71.3	*(314.5)*	—	*9.1*	*(373.9)*	*(15.5)*	(751.0)
Attributable to non-controlling interests	(3.5)	—	—	—	—	—	*(127.3)*	—	(130.8)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013 OF THE GROUP

	Historical Financial Information	Pre transaction Pro Forma Adjustments		Post transaction Pro Forma Adjustments						
	Altice S.A. December 31, 2013	Impact of the Initial Public Offering (Note 3j)	Impact of repayment of vendor note and the contributions in kind (Note 3k)	Issuance of December 2013 debt (Note 3f)	ODO December 31, 2013 (Note 3f)	Acquistion of NG December 31, 2013 (Note 3g)	Issuance of Altice S.A. debt (Note 3l)	NG December 31, 2013 (Note 3g, 3k, 3m)	Elimination of I/C transactions	Altice S.A. Post-transaction Pro-forma December 31, 2013
ASSETS										
Current assets										
Cash and cash equivalents	61.6	580.1	(13.9)	(107.1)	17.5	(394.3)	(73.7)	—	—	70.2
Restricted cash	1,242.8	—	—	(968.7)	—	—	546.8	8,983.0	—	9,803.9
Other current assets	—	—	—	—	—	—	—	4.0	—	4.0
Trade and other receivables	232.2	—	—	—	80.7	—	—	402.9	(1.0)	714.9
Inventories	11.0	—	—	—	17.4	—	—	49.6	—	77.9
Current tax assets	14.6	—	—	—	—	—	—	3.4	—	18.0
Total Current assets	1,562.2	580.1	(13.9)	(1,075.8)	115.6	(394.3)	473.1	9,442.9	(1.0)	10,688.9
Non-current assets										
Deferred tax assets	47.4	—	—	—	30.3	—	—	132.7	—	210.4
Investment in associates	679.1	—	—	—	—	(679.1)	—	2.9	—	2.9
Financial assets	50.6	—	—	—	4.3	—	—	—	—	54.9
Trade and other receivables	22.8	—	—	—	0.9	—	—	7.3	—	31.0
Property, Plant & Equipment	1,134.2	—	—	—	230.0	—	—	1,464.8	—	2,829.9
Other Intangible assets	579.6	—	—	—	35.5	—	—	307.4	—	922.5
Goodwill	1,100.7	—	—	750.9	—	1,199.6	—	1,483.6	—	4,534.8
Total non-current assets	3,614.4	—	—	750.9	301.1	520.5	—	3,398.6	—	8,585.4
Total assets	5,176.7	580.1	(13.9)	(324.9)	416.6	126.2	473.1	12,841.5	(1.0)	19,274.4
EQUITY AND LIABILITIES										
Current liabilities										
Borrowings from banking corporations and bonds	59.7	—	—	—	—	—	—	64.2	—	123.9
Deferred revenues	55.9	—	—	—	—	—	—	—	—	55.9
Trade and other payables	517.4	13.0	—	—	54.6	—	3.4	757.4	(1.0)	1,344.9
Other current liabilities	15.9	—	—	—	12.1	—	—	—	—	28.0
Provisions	31.1	—	—	—	—	—	—	6.4	—	37.5
Current tax liabilities	57.1	—	—	—	5.0	—	—	—	—	62.1
Total current liabilities	737.1	13.0	—	—	71.7	—	3.4	828.1	(1.0)	1,652.3
Non-current liabilities										
Bonds	2,527.0	—	—	—	—	163.8	4,391.3	12,170.8	—	19,252.9
Borrowings from financial institutions	1,214.0	—	—	—	—	—	(441.5)	—	—	772.6
Loans from related parties	100.7	—	(100.7)	—	—	—	—	—	—	—
Other financial liabilities	271.6	—	(20.6)	—	10.6	—	—	102.6	—	364.2
Provisions	—	—	—	—	—	—	—	73.6	—	73.6
Deferred revenues	10.6	—	—	—	—	—	—	—	—	10.6
Trade and other payables	29.0	—	—	—	26.8	—	—	0.1	—	55.9
Retirement benefit obligations	8.2	—	—	—	—	—	—	—	—	8.2
Deferred tax liabilities	183.1	—	—	—	—	—	—	—	—	183.1
Total non-current liabilities	4,344.3	—	(121.3)	—	37.5	163.8	3,949.9	12,347.1	—	20,721.1
Equity										
Invested equity	95.8	567.1	108.7	(324.9)	307.4	(107.5)	(3,480.2)	(333.8)	—	(3,167.3)
Non-controlling interests	(0.5)	—	(1.3)	—	—	69.8		0.2	—	68.3
Total equity	95.3	567.1	107.4	(324.9)	307.4	(37.6)	(3,480.2)	(333.6)	—	(3,099.1)
Total equity and liabilities	5,176.7	580.1	(13.9)	(324.9)	416.6	126.2	473.1	12,841.5	(1.0)	19,274.4

ALTICE S.A.

UNAUDITED ILLUSTRATIVE AGGREGATED SELECTED COMBINED FINANCIAL INFORMATION

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2012 AND DECEMBER 31, 2011

Deloitte.

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg
Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

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 July 21, 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 a 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 July 21, 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

July 21, 2014

ALTICE S.A.
UNAUDITED ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

(a) Selected Aggregated Statement of Income Items

		Historical Financial Statements (note 1a)	Pre-Acquisition Financial Information (note 1b)					Adjustments (note 2a)		
For the year ended December 31, 2012	Note	Altice S.A.	Cabovisao 2m–2012	OMT 12m–2012	ONI 12m–2012	Ma Chaine Sport 12m–2012	SportV 12m–2012	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

		Historical Financial Statements (note 1a)	Pre-Acquisition Financial Information (note 1b)							Adjustments (note 2a)		
For the year ended December 31, 2011	Note	Altice S.A.	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	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

		Historical Financial Statements (note 1a)	Pre-Acquisition Financial Information (note 1b)					Adjustments (note 2a)		
For the year ended December 31, 2012	Note	Altice S.A.	Cabovisao 2m–2012	OMT 12m–2012	ONI 12m–2012	Ma Chaine Sport 12m–2012	SportV 12m–2012	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

		Historical Financial Statements (note 1a)	Pre-Acquisition Financial Information (note 1b)							Adjustments (note 2a)		
For the year ended December 31, 2011	Note	Altice S.A.	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	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.

(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 review 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
- 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 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; (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

(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

(c) Operating expenses

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
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	Total BeLux	Oni	Cabovisao S.A.	Total Portugal	French Overseas Territories (Altice VII)	OMT	Total 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
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)

(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

(e) **Purchase of tangibles and intangibles assets (the "Capital expenditures")**

For the year ended December 31, 2012	Israel Jan 1, 2012 to Dec 31, 2012	BeLux Jan 1, 2012 to Dec 31, 2012	Oni Jan 1, 2012 to Dec 31, 2012	Cabovisao S.A. Jan 1, 2012 to Feb 29, 2012	Cabovisao S.A. (Altice VII) Mar 1, 2012 to Dec 31, 2012	Portugal Jan 1, 2012 to Dec 31, 2012	French Overseas Territories (Altice VII) Jan 1, 2012 to Dec 31, 2012	OMT Jan 1, 2012 to Dec 31, 2012	French Overseas Territories Jan 1, 2012 to Dec 31, 2012	Others Jan 1, 2012 to Dec 31, 2012	Aggregated 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 Jan 1, 2011 to Dec 31, 2011	BeLux Jan 1, 2011 to Dec 31, 2011	Oni Jan 1, 2011 to Dec 31, 2011	Cabovisao S.A. Jan 1, 2011 to Dec 31, 2011	Portugal Jan 1, 2011 to Dec 31, 2011	French Overseas Territories (Altice VII) Jan 1, 2011 to Dec 31, 2011	OMT Jan 1, 2011 to Dec 31, 2011	French Overseas Territories Jan 1, 2011 to Dec 31, 2011	Others Jan 1, 2011 to Dec 31, 2011	Aggregated 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

Deloitte.

Deloitte Audit
Société à responsabilité limitée

560, rue de Neudorf
L-2220 Luxembourg
B.P. 1173
L-1011 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 992
www.deloitte.lu

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 illustrae 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 3O)	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)	(7.2)	(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)	(0.9)	(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

(In EUR millions)

	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
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,
  - $9^7/_8$% \$425 million Senior Notes falling due in 2020,
  - $7^7/_8$% \$460 million Senior Secured Notes due in 2019,
  - $6^1/_2$% \$900 million Senior Secured Notes due in 2022, and
  - $8^1/_8$% \$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 $7^7/_8$% 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 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 $9^{7}/_{8}$% 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 thc 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 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 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 6 ½ % 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 8 1/8 % 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, 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 prelimiuary 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..

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 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

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.

(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 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
- 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..

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 2, 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, 2023 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)

(e) Capital expenditures pre acquisition of NG and ODO

	For the nine months 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
For the period ended September 30, 2013										
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

(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