

**LISTING PARTICULARS  
DATED JUNE 30, 2016**

**NOT FOR GENERAL CIRCULATION  
IN THE UNITED STATES OR ISRAEL**



**\$2,750,000,000 7.50% Senior Secured Notes due 2026**

**issued by  
ALTICE FINANCING S.A.**

Altice Financing S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of the Grand Duchy of Luxembourg (the "Issuer") and a wholly owned direct subsidiary of Altice Finco S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy Luxembourg ("Holdco"), which is in turn a wholly owned direct subsidiary of Altice International S.à r.l. ("Altice International"), offered \$2,750 million aggregate principal amount of its 7.50% senior secured notes due 2026 (the "Notes") in connection with the Refinancing Transactions (as defined herein). The Notes will mature on May 15, 2026. The Issuer will pay interest on the Notes semi-annually in cash in arrears on each January 15 and July 15 commencing on January 15, 2017. Please refer to "Definitions" for the meaning of certain capitalized terms used herein.

At any time prior to May 15, 2021, the Issuer 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, 2021, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein plus accrued and unpaid interest, if any, to (but excluding) the redemption date. In addition, at any time prior to May 15, 2019, the Issuer may redeem up to 40% of the Notes at the redemption price set forth herein with the net proceeds from one or more specified equity offerings plus accrued and unpaid interest, if any, to (but excluding) the redemption date. Further, the Issuer may redeem all of the Notes at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date, upon the occurrence of certain changes in tax law. If Altice International and its restricted subsidiaries sell certain of their assets, upon the occurrence of certain events constituting a change of control triggering event, as defined in the Indenture (as defined herein), the Issuer may be required to make an offer to repurchase the Notes at the prices set forth herein.

The Notes are senior secured obligations of the Issuer and are guaranteed on a senior secured basis (the "Guarantees") by Altice International, Altice Caribbean S.à r.l. ("Altice Caribbean"), Cool Holding Ltd. ("Cool Holding"), H. Hadaros 2012 Ltd. ("Hadaros"), Altice Holdings S.à r.l. ("Altice Holdings"), Altice West Europe S.à r.l. ("Altice West Europe"), green.ch AG ("Green"), Altice Portugal, S.A. ("Altice Portugal"), Altice Bahamas S.à r.l. ("Altice Bahamas"), Tricom S.A. ("Tricom"), Global Interlink Ltd. ("Global Interlink"), Altice Hispaniola S.A. ("Altice Hispaniola"), PT Portugal SGPS, S.A. ("PT Portugal") and MEO—Serviços de Comunicações e Multimédia, S.A. ("PT OpCo") (collectively, the "Guarantors"). The Notes further benefit from the Collateral as described under "Summary—Simplified Corporate and Financing Structure—Notes". The Collateral securing the Notes and the Guarantees also secure, on a first ranking basis, the obligations of the Issuer and the Guarantors under the Senior Secured Debt (as defined herein). In the event that the Issuer or the relevant grantor of security is required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, such Security Documents were entered into within 20 Business Days after the Issue Date. Under the terms of the Intercreditor Agreement, in the event of an enforcement of the Collateral securing the Notes, the holders of the Notes will receive proceeds from such Collateral only after the lenders under the 2012 Revolving Credit Facility, 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and counterparties to certain hedging agreements have been repaid in full. In addition, the security interests in the Collateral may be released under certain circumstances. See "General Description of our Business and the Offering—The Offering", "Corporate and Financing Structure" and "Risk Factors—Risks Relating to the Notes and the Structure".

See "Risk Factors" beginning on page 52 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

**The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Issuer is offering the Notes only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act. You are hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act. For a description of certain restrictions on the transfer of the Notes, see "Plan of Distribution" and "Transfer Restrictions".**

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, which is not a regulated market (pursuant to the provisions of Directive 2004/39/EC).

The Notes are in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 above \$200,000. As of May 3, 2016 (the "Issue Date"), the Notes are being represented by one or more global notes that were delivered through The Depository Trust Company ("DTC"). Interests in each global note will be exchangeable for definitive notes only in certain limited circumstances. See "Book -Entry, Delivery and Form".

**Notes price: 100.000% plus accrued interest from the Issue Date.**

*Joint Lead Bookrunners*

**Goldman Sachs International  
and  
Citigroup**

**BofA Merrill Lynch  
Crédit Agricole CIB**

**Barclays  
Credit Suisse**

**BNP PARIBAS  
Deutsche Bank  
Securities**

**HSBC  
RBC Capital Markets**

**ING**

**Morgan Stanley  
UBS Investment Bank**

**NATIXIS**

**THIS DOCUMENT CONSISTS OF THE LISTING PARTICULARS (THE “LISTING PARTICULARS”) IN CONNECTION WITH THE APPLICATION TO HAVE THE NEW NOTES LISTED ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMITTED FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE (THE “LISTING”) . THESE LISTING PARTICULARS ARE PROVIDED ONLY FOR THE PURPOSE OF OBTAINING APPROVAL OF ADMISSION OF THE NOTES TO THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMISSION FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE AND SHALL NOT BE USED FOR OR DISTRIBUTED FOR ANY OTHER PURPOSE. THESE LISTING PARTICULARS DO NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE NEW NOTES AND THESE LISTING PARTICULARS HAVE NOT BEEN FILED WITH, OR REVIEWED BY, ANY NATIONAL OR LOCAL SECURITIES COMMISSION OR REGULATORY AUTHORITY OF ISRAEL, THE UNITED STATES, THE UNITED KINGDOM, FRANCE, GERMANY, BELGIUM, THE NETHERLANDS, OR ANY OTHER JURISDICTION, NOR HAS ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE MERITS, ACCURACY OR ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY MAY BE UNLAWFUL AND MAY BE A CRIMINAL OFFENSE.**

These Listing Particulars are provided only for the purpose of obtaining approval of admission for trading on the Euro MTF Market of the Luxembourg Stock Exchange and shall not be used for or distributed for any other purpose and these Listing Particulars do not constitute an offer to buy, any of the Notes. Neither Altice International nor any of its subsidiaries or affiliates has authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in these Listing Particulars. You must not rely on unauthorized information or representations.

These Listing Particulars do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in these Listing Particulars is current only as of the date on the cover page of the Listing Particulars, and may have changed after that date. For any time after the date of these Listing Particulars, the Issuer does not represent that its affairs or the affairs of the Group (as defined herein) are the same as described or that the information in these Listing Particulars are correct, nor do they imply those things by delivering these Listing Particulars or selling securities to you.

The Issuer and the Initial Purchasers (as defined herein) are offering to sell the Notes only in places where offers and sales are permitted.

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**IN CONNECTION WITH THE OFFERING OF NOTES, GOLDMAN SACHS INTERNATIONAL (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.**

The Issuer offered the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”) or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of these Listing Particulars. Any representation to the contrary is a criminal offense in the United States.

These Listing Particulars are being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that the Issuer reasonably believes to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. Its use for any other purpose is not authorized.

These Listing Particulars are directed only to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth

companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relate is available only to relevant persons and will be engaged in only with relevant persons.

These Listing Particulars have been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC as amended (the “EU Prospectus Directive”), as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers has authorized, nor do any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in these Listing Particulars.

These Listing Particulars constitute a prospectus for the purpose of part IV of the Luxembourg act dated 10 July 2005 on prospectuses for securities, as amended (the “Prospectus Act”) and for the purpose of the Rules and Regulations of the Luxembourg Stock Exchange.

The Issuer and Altice International have prepared these Listing Particulars solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

You are not to construe the contents of these Listing Particulars as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of the Issuer and the Group and your own assessment of the merits and risks of investing in the Notes. The Issuer and the Initial Purchasers, the Trustee and their respective agents are not making any representation to you regarding the legality of an investment in the Notes by you.

The information contained in these Listing Particulars has been furnished by the Issuer, Altice International and other sources they believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers, the Trustee and their respective agents as to the accuracy or completeness of any of the information set out in these Listing Particulars, and nothing contained in these Listing Particulars is or shall be relied upon as a promise or representation by the Initial Purchasers, the Trustee and their respective agents whether as to the past or the future. These Listing Particulars contain summaries, believed by the Issuer and Altice International to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by the Issuer upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection upon request at the specified offices of the Issuer. All summaries of the documents contained herein are qualified in their entirety by this reference.

The Issuer and Altice International accept responsibility for the information contained in these Listing Particulars. The Issuer and Altice International have made all reasonable inquiries and confirmed to the best of each of their knowledge, information and belief that the information contained in these Listing Particulars with regard to them, each of its subsidiaries and affiliates, and the Notes are true and accurate in all material respects, that the opinions and intentions expressed in these Listing Particulars are honestly held, and that they are not aware of any other facts the omission of which would make these Listing Particulars or any statement contained herein misleading in any material respect.

No person is authorized in connection with any offering made pursuant to these Listing Particulars to give any information or to make any representation not contained in these Listing Particulars, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, Altice International, any other member of the Group the Initial Purchasers, the Trustee and their respective agents. The information contained in these Listing Particulars is current at the date hereof. Neither the delivery of these Listing Particulars at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set out in these Listing Particulars or in the Issuer’s or the Group’s affairs since the date of these Listing Particulars.

The Issuer reserves the right to withdraw this offering of the Notes at any time, and the Issuer and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you.

The distribution of these Listing Particulars and the offer and sale of the Notes may be restricted by law in some jurisdictions. Persons into whose possession these Listing Particulars or any of the Notes come must inform themselves about, and observe, any restrictions on the transfer and exchange of the Notes. See “*Plan of Distribution*” and “*Transfer Restrictions*”.

These Listing Particulars do not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess these Listing Particulars. You must also obtain any consents or approvals that you need in order to purchase any Notes. The Issuer and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The Notes are subject to restrictions on resale and transfer except as permitted under the U.S. Securities Act and all other applicable securities laws as described under “*Plan of Distribution*” and “*Transfer Restrictions*”. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of these Listing Particulars. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

### **NOTICE TO U.S. INVESTORS**

Each purchaser of the Notes is deemed to have made the representations, warranties and acknowledgments that are described in these Listing Particulars under “*Transfer Restrictions*”. The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see “*Transfer Restrictions*”. The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

### **NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS**

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by these Listing Particulars to the public in that Relevant Member State other than: (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/33/EU), and includes any relevant implementing measure in the Relevant Member State.

Each subscriber for or purchaser of the Notes in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

**Austria** These Listing Particulars have not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither these Listing Particulars nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither these Listing Particulars nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

**Luxembourg** These Listing Particulars have not been approved by and will not be submitted for approval to the Luxembourg Supervision Commission of the Financial Sector (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither these Listing Particulars nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Prospectus Act and implementing the EU Prospectus Directive. "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each member state of the EEA which has implemented the EU Prospectus Directive (a "Relevant Member State")) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**Germany** The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. These Listing Particulars have not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the Notes may not be offered publicly in Germany.

**France** These Listing Particulars have not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* (the "AMF") and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*), and offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2, D. 411-1, D744-1, D 754-1 and D 764-1 of the *Code of Monétaire et Financier*. Neither these Listing Particulars nor any other offering material may be distributed to the public in France.

**Italy** No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy within the meaning of Article 1, paragraph 1, letter t) of Legislative Decree No. 58 of February 24, 1998, as subsequently amended (the "Italian Financial Act"). Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither these Listing Particulars nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold in the Republic of Italy either on the primary or on the secondary market to any natural persons or to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Italian Financial Act and Article 34-ter, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999 as amended (the "Issuers Regulation") issued by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") or unless in circumstances which are exempt from the rules on public offers pursuant to the Italian Financial Act and the implementing CONSOB regulations, including the Issuers Regulation.

The Notes may not be offered, sold or delivered and neither these Listing Particulars, and no other material relating to the Notes may be distributed or made available in the Republic of Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of these Listing Particulars or any other material relating to the Notes in Italy is made as follows: (a) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No 385 of September 1, 1993 as amended, the Italian Financial Act, CONSOB Regulation No. 16190 of October 29, 2007 as amended and any other applicable laws and regulations; and (b) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy or other competent

authority. Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

**The Netherlands** The Notes (including the rights representing an interest in the Notes in global form) which are the subject of these Listing Particulars, have been and shall be offered, sold, transferred or delivered exclusively to qualified investors (within the meaning of the EU Prospectus Directive) in the Netherlands.

For the purposes of the abovementioned paragraphs, the expression an “offer of notes to the public” in relation to any Notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “EU Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

**Spain** This offering has not been registered with the Comisión Nacional del Mercado de Valores and therefore the Notes may not be offered, sold or distributed in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act (“*Ley 24/1988, de 28 de julio del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”).

**Switzerland** The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. These Listing Particulars, as well as any other material relating to the Notes which are the subject of the offering contemplated by these Listing Particulars, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations (SR 220) and does not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers’ Association. The Notes will not be listed on the SIX Swiss Exchange Ltd or any other Swiss stock exchange or regulated trading facility and, therefore, the documents relating to the Notes, including, but not limited to, these Listing Particulars, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or the listing rules of any other Swiss stock exchange or regulated trading facility. Neither these Listing Particulars nor any other material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected, hand picked investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. These Listing Particulars, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

**United Kingdom** These Listing Particulars are for distribution only to, and is only directed at persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”) (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FMSA) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relate is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on these Listing Particulars or any of its contents.

**Portugal** Neither this offering, nor the Notes have been approved by the Portuguese Securities Commission (*Comissão do Mercado de Valores Mobiliários*, the “CMVM”) or by any other competent authority of another member state of the European Union and notified to the CMVM.

Neither the Issuer nor the Initial Purchasers have, directly or indirectly, offered or sold any Notes or distributed or published these Listing Particulars, any prospectus, form of application, advertisement or other document or information in Portugal relating to the Notes and will not take any such actions in the future, except under circumstances that will not be considered as a public offering under article 109 of the Portuguese Securities Code (*Código dos Valores Mobiliários*, the “Cód.VM”) approved by Decree Law 486/99 of 13 November 1999, as last amended by Law no. 148/2015, 9 September 2015.

As a result, this offering and any material relating to the Notes are addressed solely to, and may only be accepted by, any person or legal entity that is resident in Portugal or that will hold the notes through a

permanent establishment in Portugal (each a “Portuguese Investor”) to the extent that such Portuguese Investor (i) is deemed a qualified investor (*investidor qualificado*) pursuant to paragraph 1 of article 30 of the Cód.VM, (ii) is not treated by the relevant financial intermediary as a non-qualified investor (*investidor não qualificado*) pursuant to article 317 of the Cód.VM and (iii) does not request the relevant financial intermediary to be treated as a non-qualified investor (*investidor não qualificado*) pursuant to article 317-A of the Cód.VM.

#### **NOTICE TO ISRAELI INVESTORS**

The Notes may not be offered or sold to any Israeli investor unless such investor (i) is a “Qualified Investor” within the meaning of the first Appendix to the Israeli Securities Law, who is not an individual (a “Qualified Israeli Investor”), (ii) has completed and signed a questionnaire regarding its qualifications as a Qualified Israeli Investor and delivered it to Goldman Sachs International and (iii) has certified that it has an exemption from Israeli withholding taxes on interest and delivered a copy of such certification to Goldman Sachs International.

#### **NOTICE TO INVESTORS IN CANADA**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if these Listing Particulars (including any amendment thereto) contain a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## DEFINITIONS

Unless otherwise stated or the context otherwise requires, the terms “Group”, “we”, “us” and “our” as used in these Listing Particulars refer to Altice International and its subsidiaries. See “Corporate and Financing Structure”. 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 “Glossary” on page G-1 of these Listing Particulars.

“2012 Acquisition Note” refers to Hadaros’s NIS 955.5 million aggregate principal amount of notes due 2019 issued to the Issuer on the 2012 Transaction Completion Date as amended, restated, modified, refinanced or replaced, in whole or in part, in connection with the Refinancing Transactions.

“2012 Indentures” refers collectively to the 2012 Senior Notes Indenture and the 2012 Senior Secured Notes Indenture.

“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 between, *inter alios*, the Issuer, as borrower, the lenders from time to time party thereto, Citibank International Limited (previously Citibank International) as facility agent and Citibank, N.A., London Branch as security agent.

“2012 Senior Notes” refers to the \$425 million aggregate principal amount of 9<sup>7</sup>/<sub>8</sub>% senior notes due 2020 issued by Holdco 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*, Holdco, 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 Holdco and the Issuer pursuant to which the proceeds of the 2012 Senior Notes were on-lent by Holdco to the Issuer.

“2012 Senior Secured Notes” collectively refers to the €210 million aggregate principal amount of 8% senior secured notes due 2019 and the \$460 million aggregate principal amount of 7<sup>7</sup>/<sub>8</sub>% senior secured notes due 2019 issued by the Issuer under the 2012 Senior Secured Notes Indenture, which are expected to be redeemed using the proceeds of the offering of the Notes.

“2012 Senior Secured Notes Indenture” refers to the indenture dated as of December 12, 2012, among, *inter alios*, the Issuer, 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 HOT Take Private Transaction, the refinancing of certain indebtedness of Cool Holding and HOT, the entering into of the 2012 Revolving Credit Facility Agreement, the issuance of the HOT Refinancing Notes, the 2012 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” means December 27, 2012, the date on which the 2012 Transaction completed.

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

“2013 Guarantee Facility” refers to the guarantee facility available under the 2013 Guarantee Facility Agreement.

“2013 Guarantee Facility Agreement” refers to the guarantee facility agreement dated July 1, 2013, as amended and restated on December 10, 2014, and as further amended, restated, supplemented or otherwise modified from time to time, between, *inter alios*, the Issuer, 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 Revolving Credit Facility” refers to the revolving credit facility available under the 2013 Revolving Credit Facility Agreement.

“2013 Revolving Credit Facility Agreement” refers to the revolving facility agreement, dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, between, *inter alios*, the Issuer, as borrower, the lenders from time to time party thereto, Citibank International Limited (previously Citibank International PLC) as facility agent and Citibank, N.A., London Branch as security agent.

“2013 Term Loan” refers to the term loan available under the 2013 Term Loan Agreement.



“2013 Term Loan Agreement” refers to the term loan credit agreement dated June 24, 2013, as amended, restated, supplemented or otherwise modified from time to time, between, *inter alios*, the Issuer, as borrower, and the persons listed in Schedule 2.01 thereto as lenders, Goldman Sachs Lending Partners LLC as the Administrative Agent and Citibank, N.A., London Branch as Security Agent.

“2013 December AH Proceeds Loan” refers to the intercompany loan made by the Issuer as lender to Altice Holdings as borrower in connection with the 2013 December Transactions.

“2013 December Dollar Senior Secured Notes” refers to the \$900 million aggregate principal amount of 6 ½% Senior Secured Notes due 2022 issued by the Issuer under the 2013 December Senior Secured Notes Indenture.

“2013 December Euro Senior Secured Notes” refers to the €300 million aggregate principal amount of 6 ½% Senior Secured Notes due 2022 issued by the Issuer under the 2013 December Senior Secured Notes Indenture.

“2013 December Senior Notes” refers to the \$400 million aggregate principal amount of 8 ⅛% Senior Notes due 2022 issued by Holdco under the 2013 December Senior Notes Indenture.

“2013 December Senior Notes Indenture” refers to the indenture dated as of December 12, 2013, as amended, among, *inter alios*, Holdco, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2013 December Senior Notes.

“2013 December Senior Notes Proceeds Loan” refers to the proceeds loan agreement between Holdco and the Issuer pursuant to which the proceeds of the 2013 December Senior Notes were on-lent by Holdco to the Issuer.

“2013 December Senior Secured Notes” collectively refers to the 2013 December Dollar Senior Secured Notes and the 2013 December Euro Senior Secured Notes.

“2013 December Senior Secured Notes Indenture” refers to the indenture dated as of December 12, 2013, as amended, among, *inter alios*, the Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2013 December Senior Secured Notes.

“2013 December Transactions” refers to the acquisition of Altice Hispaniola (formerly known as Orange Dominicana S.A.) which was consummated on April 9, 2014, the acquisition of Tricom which was consummated on March 12, 2014, and the related issuance of the 2013 December Senior Notes, 2013 December Dollar Senior Secured Notes, and 2013 December Euro Senior Secured Notes to fund such acquisitions.

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

“2013 June Senior Notes” refers to the €250 million aggregate principal amount of 9% senior notes due 2023 issued by Holdco under the 2013 June Senior Notes Indenture.

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

“2013 June Senior Notes Proceeds Loan” refers to the intercompany loan made with the proceeds of the offering of the 2013 June Senior Notes by Holdco as lender to the Issuer as borrower in connection with the 2013 June Transactions.

“2013 June Transactions” refers collectively to the Fold-in, the Cabovisão Refinancing, the Coditel Refinancing, the ONI Acquisition, the ONI Refinancing, the Outremer Transaction, the 2013 Coditel Acquisition, the issuance of the 2013 June Senior Notes and the entry into the 2013 Revolving Credit Facility, 2013 Term Loan and the 2013 Guarantee Facility.

“2014 Pari Passu Revolving Credit Facility” refers to the revolving credit facility available under the 2014 Pari Passu Revolving Credit Facility Agreement.

“2014 Pari Passu Revolving Credit Facility Agreement” refers to the revolving facility agreement, dated December 9, 2014, as amended, restated, supplemented or otherwise modified from time to time between, *inter alios*, the Issuer, as original borrower and guarantor, the lenders from time to time party thereto, Citibank International Limited as facility agent and Citibank, N.A., London Branch as security agent.

“2014 SFR Acquisition” refers to the acquisition by the Altice France Group of all the shares of SFR and certain of its subsidiaries from Vivendi, which was consummated on November 27, 2014.

“2015 AH Proceeds Loan” refers to the intercompany loans made by the Issuer as lender to Altice Holdings, and any successor entity, as borrower, in connection with the PT Portugal Acquisition.

“2015 Senior Notes” refers to \$385 million aggregate principal amount of 7.625% senior notes due 2025 issued by Holdco under the 2015 Senior Notes Indenture.

“2015 Senior Notes Indenture” refers to the indenture dated as of February 4, 2015, as amended, among, *inter alios*, Holdco, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2015 Senior Notes.

“2015 Senior Notes Proceeds Loan” refers to the proceeds loan agreement between Holdco and the Issuer pursuant to which the proceeds of the 2015 Senior Notes were on-lent by Holdco to the Issuer on the date of completion of the PT Portugal Acquisition.

“2015 Senior Secured Notes” refers collectively to the \$2,060 million aggregate principal amount of 6.625% dollar senior secured notes and the €500 million aggregate principal amount of 5.250% Euro senior secured notes issued by the Issuer under the 2015 Senior Secured Notes Indenture.

“2015 Senior Secured Notes Indenture” refers to the indenture dated as of February 4, 2015, as amended, among, *inter alios*, the Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the 2015 Senior Secured Notes.

“2015 Super Senior Revolving Credit Facility” refers to the super senior revolving credit facility available under the 2015 Super Senior Revolving Credit Facility Agreement.

“2015 Super Senior Revolving Credit Facility Agreement” refers to the revolving facility agreement, dated January 30, 2015, as amended, restated, supplemented or otherwise modified from time to time between, *inter alios*, the Issuer, as original borrower and guarantor, the lenders from time to time party thereto, Citibank International Limited as facility agent and Citibank, N.A., London Branch as security agent.

“2015 Term Loan” refers to the term loan available under the 2015 Term Loan Agreement.

“2015 Term Loan Agreement” or “2015 Senior Credit Facility Agreement” refers to the term loan credit agreement dated January 30, 2015, among, *inter alios*, the Issuer as borrower, the lenders from time to time party thereto and Deutsche Bank, A.G., London Branch and Deutsche Bank A.G., New York Branch as administrative agents and Citibank, N.A., London Branch as security agent.

“Aggregate Portuguese Security and Guarantee Limit” refers to, as applicable, (1) €95 million, representing the maximum aggregate amount of obligations guaranteed by Altice Portugal, which limitation applies to all indebtedness so guaranteed and/or secured on an aggregate basis; and (2) (i) up to €4,634.4 million for PT Portugal and (ii) €968.4 million for PT OpCo, representing the maximum aggregate amount of obligations secured by PT Portugal and PT OpCo, respectively, and guaranteed by PT Portugal and PT OpCo, respectively, which limitation applies to all indebtedness so secured and/or guaranteed on an aggregate basis.

“AH Proceeds Loans” collectively refers to the 2013 June AH Proceeds Loan, the 2013 December AH Proceeds Loan and the 2015 AH Proceeds Loan.

“Altice” refers to Altice N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands, as successor by merger with Altice S.A. consummated on 9 August, 2015.

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

“Altice France Group” refers to Altice France S.A. and its subsidiaries.

“Altice Group” refers collectively to Altice and its subsidiaries and includes the Group and the NSFR Group, unless the context otherwise requires.

“Altice Hispaniola” refers to Altice Hispaniola S.A., formerly named Orange Dominicana S.A.

“Altice Hispaniola Acquisition” refers to the acquisition by Altice Dominican Republic II S.A.S. of Altice Hispaniola (formerly known as Orange Dominicana S.A.) which was completed on April 9, 2014.

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

“Altice International” refers to Altice International S.à r.l., a private limited liability company (*société à responsabilité limitée*), formerly known as Altice VII S.à r.l., incorporated under the laws of Luxembourg.

“Altice Luxembourg” refers to Altice Luxembourg S.A., a (*société anonyme*) organized and existing under the laws of Luxembourg.

“Altice Portugal” refers to Altice Portugal, S.A. (formerly known as Rightproposal—Telecomunicações, S.A.), a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“Altice 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 Luxembourg.

“AP Proceeds Loan” refers to the intercompany loan made by Altice West Europe as lender to Altice Portugal, and any successor entity, as borrower, in connection with the PT Portugal Acquisition.

“ASA Notes Proceeds Contribution” refers to the €2,055 million (equivalent), equal to the proceeds of the ASA Senior Notes, to be contributed by Altice S.A. to Altice International in exchange for mandatory convertible notes of €2,055 million aggregate value (in €100,000 nominal value each) issued by Altice International and subscribed by Altice Luxembourg, and Altice International in turn will contribute such proceeds to Altice Holdings.

“Auberimmo” refers to Auberimmo S.A.S., a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France.

“AWE Proceeds Loan” refers to the intercompany loan made by Altice Holdings as lender to Altice West Europe, and any successor entity, as borrower, in connection with the PT Portugal Acquisition.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Luxembourg or New York, New York, United States are authorized or required by law to close.

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

“Cabovisão Disposal” refers to the disposal, by the Group, of Cabovisão and its subsidiaries (including the ONI Group) on January 20, 2016 in compliance with the conditions imposed, on the Group, by the European Commission in connection with the approval of the PT Portugal Acquisition.

“Cabovisão Group” refers to Cabovisão and its subsidiaries, including the ONI Group.

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

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

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

“Coditel 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” means the collateral securing the Notes under “*Summary—Simplified Corporate and Financing Structure—Notes*”.

“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 Issuer on the 2012 Transaction Completion Date as amended, restated, modified, refinanced or replaced, in whole or in part, in connection with the Refinancing Transactions.

“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.

“Covenant Party Pledged Proceeds Loans” has the meaning ascribed to it under “*Corporate and Financing Structure*”.

“DTC” refers to The Depository Trust Company.

“Euroclear” refers to Euroclear Bank SA/NV.

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

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

“Existing Indentures” collectively refers to the 2015 Senior Secured Notes Indenture, the 2015 Senior Notes Indenture, the 2013 December Senior Secured Notes Indenture, the 2013 December Senior Notes Indenture, the 2013 June Senior Notes Indenture, the 2012 Senior Secured Notes Indenture and the 2012 Senior Notes Indenture.

“Existing Revolving Credit Facility Agreements” collectively refers to the 2015 Super Senior Revolving Credit Facility Agreement, the 2014 Pari Passu Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement and the 2012 Revolving Credit Facility Agreement.

“Existing Senior Notes” collectively refers to the 2015 Senior Notes, the 2013 December Senior Notes, the 2013 June Senior Notes and the 2012 Senior Notes.

“Existing Senior Notes Proceeds Loans” collectively refers to the 2015 Senior Notes Proceeds Loan, the 2013 December Senior Notes Proceeds Loans, the 2013 June Senior Notes Proceeds Loan and the 2012 Senior Notes Proceeds Loan.

“Existing Senior Secured Notes” collectively refers to the 2015 Senior Secured Notes, the 2013 December Senior Secured Notes and the 2012 Senior Secured Notes.

“Fold-in” refers to the designation of Altice Holdings as a covenant party under the 2012 Indentures and the transfer by Altice International of all of the share capital of Altice Holdings and certain of its subsidiaries, including Altice Portugal, Coditel Holding, Green and Le Cable into the Restricted Group in connection with the 2013 June Transactions.

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

“Global Interlink” refers to Global Interlink Ltd., a corporation organized under the laws of The Bahamas.

“Green” refers to green.ch AG (company registration no. CHE- 113.574.742), a company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland, a non-wholly owned subsidiary of Altice International (the minority shareholders having a participation in Green of approximately 0.23%, see “*Simplified Corporate and Financing Structure*” below).

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

“Group” refers to Altice International and its subsidiaries, unless the context otherwise requires.

“Guarantees” has the meaning ascribed to it under “*The Offering—Guarantees*”.

“Guarantors” has the meaning ascribed to it under “*The Offering—Guarantees*”.

“Hadaros” refers to H. Hadaros 2012 Ltd.

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

“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., a company incorporated and existing under the laws of Israel, formerly known as MIRS Communications Ltd.

“HOT Net” refers to HOT Net Internet Services Ltd.

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

“HOT Proceeds Term Note” refers to HOT’s NIS 1,900 million aggregate principal amount of notes issued to the Issuer on the 2012 Transaction Completion Date as amended, restated, modified, refinanced or replaced, in whole or in part, in connection with the Refinancing Transactions.

“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.

“HOT Refinancing Note Guarantors” refers to HOT Net, HOT Telecom Limited Partnership.

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

“HOT Take Private Transaction” refers to the acquisition by Cool Holding and Hadaros 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.

“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 as of the Issue Date, among, *inter alios*, the Issuer, as issuer, the Guarantors and the trustee and the security agent party thereto, governing the Notes.

“Initial Purchasers” refers to Goldman Sachs International, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank Securities Inc., HSBC Bank plc, ING Bank N.V., London Branch, Merrill Lynch International, Morgan Stanley & Co. LLC, Natixis, RBC Capital Markets, LLC and UBS Securities LLC.

“Intercreditor Agreement” refers to the intercreditor agreement dated December 12, 2012, as amended and restated on July 1, 2013 and as further amended and restated on July 1, 2013 and as further amended from time to time, among, *inter alios*, Holdco, the Issuer, Cool Holding, and Citibank, N.A., London Branch, as the Security Agent.

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

“Issuer Pledged Proceeds Notes” collectively refers to the 2015 AH Proceeds Loans, the 2013 December AH Proceeds Loans, the 2013 June AH Proceeds Loan, the HOT Refinancing Notes, the 2012 Acquisition Note, the Cool Proceeds Note and the New Issuer Proceeds Notes (if any).

“Le Cable” collectively refers to Le Cable Martinique and Le Cable Guadeloupe.

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

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

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

“Luxembourg” refers to the Grand Duchy of Luxembourg.

“Meo S.A.” refers to Meo S.A. a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with registration number 502 600 268, which was merged into the former PT Comunicações, S.A. on December 29, 2014 and is now known as MEO Serviços de Comunicações e Multimedia, S.A.

“Mobius” or “Mobius Group” means the group headed by Mobius S.A.S., a private limited liability company (*société par actions simplifiée*) incorporated under the laws of France.

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

“New Issuer Proceeds Notes” refers collectively to one or more proceeds loans (in the form of loans or notes) by the Issuer with the proceeds of the Notes used to refinance or replace, in whole or in part, the 2012 Acquisition Note, the Cool Proceeds Notes and the Hot Proceeds Term Note.

“Noteholder” refers to a holder of the Notes.

“Notes” refers to the \$2,750 million aggregate principal amount of 7.50% senior secured notes due 2026 offered hereby.

“NSFR Group” refers to Numericable-SFR S.A. (formerly known as Numericable Group S.A.) and its subsidiaries.

“Offering Memorandum” means the offering memorandum in relation to the Notes issued on the Issue Date.

“OMT” refers to OMT Invest S.A.S., a private limited liability company (*Société par actions simplifiée*), incorporated under the laws of France.

“ONI” means ONI S.G.P.S., S.A. a holding company (*sociedade gestora de participações sociais*) incorporated under the laws of Portugal.

“ONI Acquisition” refers to the purchase by Cabovisão of all of the outstanding shares of Winreason—S.A and Winreason—S.A shareholders’ credits, which was consummated on August 8, 2013.

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

“ONI Group” refers to Winreason—S.A, ONI, Onitelecom, Knewon S.A., and/or their subsidiaries as the context requires.

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

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

“Onitelecom” means Onitelecom—Infocomunicações, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“Outremer” refers to Groupe Outremer Telecom S.A., a public limited liability company (*société anonyme*) incorporated under the laws of France, and its subsidiaries.

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

“Outremer Minority Shareholders” has the meaning ascribed to it under “*Description of our Business—Material Contracts—Certain Shareholder Arrangements—French Overseas Territories*”.

“Outremer Mobile Disposal” refers to the disposal, by the Group, of Outremer’s mobile business based in Mayotte and La Réunion on July 31, 2015 in compliance with the conditions imposed on the Altice France Group, a subsidiary of Altice in a separate restricted group, by the European Commission for the approval of the 2014 SFR Acquisition.

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

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

“Outremer Transaction” refers collectively to the following transactions: (i) the purchase by Altice (through Altice Blue Two) of all of the outstanding share capital of OMT Invest other than shares that were contributed separately by the Outremer Minority Shareholders 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 substantially 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.

“Overseas Territories” refers to the French Overseas Territories and the Dominican Republic.

“Pledged Proceeds Notes” collectively refers to the Covenant Party Pledged Proceeds Loans and the Issuer Pledged Proceeds Notes.

“PT Cloud” means PT Cloud e Data Centers, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“PT OpCo” refers to MEO—Serviços de Comunicações e Multimédia, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with registration number 504 615 947, which was formerly known as PT Comunicações, S.A. and is the surviving entity from the merger of Meo, S.A. into PT Comunicações, S.A. on December 29, 2014.

“PTC” means PT Comunicações S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal and registered with the Commercial Registry Office of Lisbon under the registration number 504 615 947.

“PT Group Loans” refers to the intercompany loans made by (i) Altice Portugal as lender to PT Portugal as borrower, (ii) PT Portugal as lender to PT Opco as borrower, (iii) PT Opco as lender to PT Móveis as borrower and (iv) PT Móveis as lender to SIRESP as borrower, in each case, in connection with the PT Portugal Acquisition.

“PT Móveis” means PT—Móveis—Serviços de Telecomunicações, SGPS, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“PT Portugal” means PT Portugal SGPS, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“PT Portugal Acquisition” refers to the acquisition by Altice International, through one of its subsidiaries, of 100% of the issued share capital of PT Portugal.

“PT Portugal Acquisition Agreement” refers to the agreement entered into between Altice S.A. and Altice Portugal with Oi S.A. relating to 100% of the issued share capital of PT Portugal.

“PT Portugal Group” refers to the entities that were acquired pursuant to the PT Portugal Acquisition.

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

“Refinancing Transactions” has the meaning ascribed to it under “*General Description of Our Business and the Offering—The Refinancing Transactions*”.

“Relevant Member State” refers to each member state of the European Economic Area which has implemented Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “Prospectus Directive”).

“Restricted Group” refers to Altice International and its subsidiaries, other than Green Datacenter and Auberimmo.

“Security Agent” refers to Citibank N.A., London Branch.

“Senior Notes Guarantors” collectively refers to the Guarantors and the Issuer.

“Senior Secured Debt” refers to the Notes, the 2015 Super Senior Revolving Credit Facility, the 2015 Term Loan, the 2015 Senior Secured Notes, the 2014 Pari Passu Revolving Credit Facility, the 2013 December Senior Secured Notes, the 2014 Guarantee Facility, the 2013 Revolving Credit Facility, the 2013 Term Loan, the 2012 Revolving Credit Facility and the 2012 Senior Secured Notes.

“SIRESP” means SIRESP—Gestão de Redes Digitais de Segurança e Emergência, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

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

“Tricom Acquisition” refers to the acquisition by Altice (through one of its subsidiaries) of Tricom which was consummated on March 12, 2014.

“Trustee” refers to Deutsche Bank Trust Company Americas.

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

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

## 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

#### **Historical Consolidated Financial Information**

These Listing Particulars include historical consolidated financial statements of Altice International, namely the audited consolidated financial statements of Altice International as of and for the years ended December 31, 2013, 2014 (including comparative information as of and for the year ended December 31, 2013) and 2015, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l..

The above-mentioned historical consolidated financial information of Altice International, and information directly derived therefrom, are referred to herein as the “Historical Consolidated Financial Information”.

The following financial statements of Altice International are incorporated by reference into these Listing Particulars: the unaudited condensed consolidated financial statements of Altice International as of and for the three months ended March 31, 2016 prepared in accordance with IFRS as adopted in the European Union.

The above referenced financial statements are available on the websites of each of Altice and the Luxembourg Stock Exchange.

#### **Pro Forma Financial Information and Illustrative Aggregated Selected Financial Information**

Altice International is a holding company which, since its formation in 2008, has from time to time made significant equity investments in a number of cable, media and telecommunication businesses in various jurisdictions. The following is a summary of the key investments and disposals made by Altice International since 2013, which have had a significant impact on the Historical Consolidated Financial Information.

Prior to 2013, Altice acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. as well as an indirect controlling interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium, and Coditel Holding S.A. Altice International also sold a 5% equity interest in MIRS Communications Limited during the course of 2011.

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 Outremer, a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International 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 the Portuguese telecommunications holding company ONI and its subsidiaries (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International 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 S.A.S. (“Valvision”) and acquired Ma Chaîne Sport S.A.S. (“Ma Chaîne Sport”) and Altice Entertainment News & Sport S.A. (“Altice Entertainment News & Sport”, formerly known as SportV). During 2013 Altice International also initiated its equity investment in Wananchi (“Wananchi”), a Kenyan cable operator.

In 2014, Altice International consummated the acquisitions of (i) Mobius, a telecommunications operator in the French Overseas Territory of La Réunion (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014), (ii) Tricom, a cable, fixed-line and mobile services provider in the Dominican Republic (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014) and (iii) Altice Hispaniola, a mobile and wireless broadband services provider in the Dominican Republic (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 9, 2014). On March 11, 2014, we entered into arrangements pursuant to which Altice Caribbean, acquired a substantial proportion of the minority interests in Altice Blue Two.

In 2015, Altice International acquired PT Portugal, the incumbent telecommunication services provider in the Portuguese market (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from June 2, 2015). As part of the regulatory conditions relating to the PT Portugal Acquisition, Altice International completed the Cabovisão Disposal on January 22, 2016. The disposed assets in aggregate contributed €182.9 million and €140.3 million to our revenues and €57.8 million and €52.0 million to Adjusted EBITDA for the fiscal years ended 2014 and 2015, respectively.



In addition, on July 31, 2015 and in connection with the acquisition of SFR by the NSFR Group (which is indirectly controlled by our parent, Altice, and therefore an affiliate of the Group), we disposed of the mobile network assets of Outremer in Mayotte and La Réunion which were part of our Group's business in the French Overseas Territories and which in aggregate contributed €50.8 million and €21.6 million to our revenues and €12.9 million and €9.9 million to Adjusted EBITDA for the fiscal years ended 2014 and 2015, respectively.

As a result of the series of significant acquisitions that have been consummated by Altice International since 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 currently exists for all 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 these Listing Particulars we have included (A) the Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2015 (as described below) and (B) certain unaudited illustrative aggregated selected financial information as of and for the year ended December 31, 2014, as we believe this will aid comparability of the results of operations of the Group for these periods. The illustrative aggregated selected financial information for the year ended December 31, 2014, and information directly derived therefrom, is referred to herein as the "Illustrative Aggregated Selected Financial Information".

The Pro Forma Financial Information consists of the unaudited pro forma consolidated financial information of Altice International as of and for the year ended December 31, 2015, after giving effect to the PT Portugal Acquisition, the Outremer Mobile Disposal and the Cabovisão Disposal, in each case as if such transactions had occurred on January 1, 2015 (collectively, the "Pro Forma Financial Information").

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

The Pro Forma Financial Information included in these Listing Particulars and their respective pro forma adjustments, among other things:

- are limited to certain income statement and balance sheet items;
- 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 Pro Forma Financial Information includes the results of operations and financial condition of PT Portugal for the period presented even though we may not have owned or controlled such acquired businesses for all or any of the duration of the period presented and would not have been permitted under IFRS to consolidate the results of such acquired businesses in any historical financial statements.

The Illustrative Aggregated Selected Financial Information has been compiled by aggregating or subtracting, as applicable, selected aggregated financial information extracted from (i) the audited Historical Consolidated Financial Information of Altice International for the year ended December 31, 2014 and (ii) the historical financial information of PT Portugal, Altice Hispaniola, Tricom, Outremer's mobile business in Le Réunion and Mayotte, Cabovisão and ONI for the year ended December 31, 2014 (or, in the case of Altice Hispaniola and Tricom, for such shorter period during the year ended December 31, 2014 for which the results of operations of such acquired business undertaking are not included in the audited Historical Consolidated Financial Information of Altice International). 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 these Listing Particulars.

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 Altice International'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 these Listing Particulars has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited or reviewed in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information has been prepared only for the year ended December 31, 2014 and no similar financial information has been prepared by Altice International for any other periods for which Historical Consolidated Financial Information or Pro Forma Financial Information has been included in these Listing Particulars.

The Illustrative Aggregated Selected Financial Information and Pro Forma Financial Information includes results of operations data of the acquired businesses 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.

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 S.A.S. ("Auberimmo"), which are subsidiaries of Altice International but are unrestricted subsidiaries under the terms governing our existing indebtedness and did not constitute Restricted Subsidiaries on the Issue Date. In each of the years ended December 31, 2014 and 2015, Green Datacenter contributed €12.1 million and €17.1 million, respectively, to aggregated and pro forma revenues and €10.3 million and €14.7 million, respectively, to aggregated and pro forma Adjusted EBITDA and Auberimmo's contribution to our revenue and Adjusted EBITDA was not material. As of December 31, 2015, Green Datacenter had €42.4 million of third-party debt outstanding.

### ***PT Portugal Financial Information***

Historically, the results of the former Portugal Telecom group were consolidated at the level of Portugal Telecom, SGPS, S.A., which was the holding entity and the listed company for such group and which consolidated the results of the PT Portugal Group as well as the results of certain entities that are not a part of the PT Portugal Group as it currently exists within the Group. On December 29, 2014, PTC and Meo, S.A. merged with retroactive effect as of January 1, 2014 with PTC as the surviving entity (the "Meo Merger"). Following the merger, PTC changed its name to Meo, Serviços de Comunicações e Multimédia, S.A. These Listing Particulars include the audited stand alone financial statements prepared under Portuguese GAAP and PT OpCo, (the successor company following the Meo Merger) for the year ended December 31, 2014 which is the most significant subsidiaries of the PT Portugal Group, as of and for the year ended December 2014 (the "PT Historical Financial Information"). The PT Historical Financial Information does not consolidate the results of operations of the entire business undertaking of the PT Portugal Group as it currently exists and the Historical Consolidated Financial Information only consolidates the results of operations of the PT Portugal Group with effect from June 2, 2015. Consequently, in addition to the PT Historical Financial Information, certain unaudited illustrative aggregated selected financial information of the PT Portugal Group for the year ended December 31, 2014 and the five months ended May 31, 2015 have been included in these Listing Particulars. The illustrative aggregated selected financial information of the PT Portugal Group for the year ended December 31, 2014 and the five months ended May 31, 2015, and information directly derived therefrom, are referred to herein as the "PT Portugal Combined Selected Financial Information". For details

regarding the basis of preparation of the PT Portugal Combined Selected Financial Information, please see Note 1 thereto. The PT Portugal Combined Selected Financial Information is subject to significant limitations similar to those described under “—Pro Forma Financial Information and Illustrative Aggregated Selected Financial Information” above and under “—Non-IFRS Measures” below.

### **Certain Adjusted Financial Information**

These Listing Particulars also include certain financial information on an as adjusted basis to give effect to the Refinancing Transactions, including this offering and the application of the proceeds therefrom, including financial data as adjusted to reflect the effect of the Refinancing Transactions on the Group’s indebtedness as if the Refinancing Transactions had occurred on December 31, 2015 and the Group’s finance costs as if the Refinancing Transactions occurred on January 1, 2015. The as adjusted financial information has been prepared for illustrative purposes only and does not represent what the Group’s indebtedness would have been had the Refinancing Transactions occurred on such dates; 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**

These Listing Particulars contain measures and ratios (the “Non-IFRS Measures”), including, for example, Adjusted EBITDA, Pro Forma Adjusted EBITDA 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 Adjusted EBITDA are not measurements of our or any of our subsidiaries’, performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider 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’ or any of their subsidiaries, operating performance, (b) cash flows from operating, investing and financing activities as a measure of our, or any of our subsidiaries’ ability to meet its cash needs or (c) any other measures of performance under IFRS or other generally accepted accounting standards. Adjusted EBITDA has 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:

- it does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, working capital needs;
- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments;
- although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will generally need to be replaced in the future and Adjusted EBITDA does 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 Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

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. All references to “U.S. \$” or “\$” are to U.S. dollars. All references to DOP refer to the Dominican Peso. All references to “€” and EUR are to Euro. All references to CHF refer to Swiss Francs.

## SUBSCRIBER, MARKET AND INDUSTRY DATA

### Key Operating Measures

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

### 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 these Listing Particulars 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 these Listing Particulars contains independent market research carried out by Euromonitor International Limited, Anacom, Cisco and other third party reports and should not be relied upon in making, or refraining from making, any investment decision.

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 Our 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.

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

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

## EXCHANGE RATE INFORMATION

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

	U.S.\$ per Euro			Period End <sup>(3)</sup>
	Period Average <sup>(1)(2)</sup>	High	Low	
<b>Year</b>				
2012 .....	1.2909	1.3458	1.2061	1.3192
2013 .....	1.3300	1.3804	1.2780	1.3743
2014 .....	1.3207	1.3932	1.2098	1.2098
2015 .....	1.1031	1.2103	1.0497	1.0856
<b>Month</b>				
January 2016 .....	1.0867	1.0940	1.0747	1.0832
February 2016 .....	1.1104	1.1324	1.0873	1.0873
March 2016 .....	1.1142	1.1380	1.0868	1.1380
April 2016 through April 15, 2016 .....	1.1390	1.1392	1.1388	1.1392

- (1) "Average" means the average of the exchange rates on the last business day of each month for the annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages.
- (2) The average rate for each month presented is based on the average Bloomberg Composite Rate for each business day of such month.
- (3) Represents the exchange rate on the business day of the applicable period.

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

As of	€ per NIS	
December 31, 2013 .....	€ 0.2093	NIS1.00
December 31, 2014 .....	€ 0.2116	NIS1.00
December 31, 2015 .....	€ 0.2319	NIS1.00

Average rate for the	€ per NIS	
Year ended December 31, 2013 .....	€ 0.2086	NIS1.00
Year ended December 31, 2014 .....	€ 0.2108	NIS1.00
Year ended December 31, 2015 .....	€ 0.2319	NIS1.00

As of	€ per CHF	
December 31, 2013 .....	€ 0.8161	CHF1.00
December 31, 2014 .....	€ 0.8317	CHF1.00
December 31, 2015 .....	€ 0.9229	CHF1.00

Average rate for the	€ per CHF	
Year ended December 31, 2013 .....	€ 0.8126	CHF1.00
Year ended December 31, 2014 .....	€ 0.8234	CHF1.00
Year ended December 31, 2015 .....	€ 0.9364	CHF1.00

As of	€ per DOP	
December 31, 2013 .....	€ 0.0168	DOP1.00
December 31, 2014 .....	€ 0.0187	DOP1.00
December 31, 2015 .....	€ 0.0202	DOP1.00

As of	€ per NIS	
Average rate for the	€ per DOP	
Year ended December 31, 2013 .....	€ 0.0183	DOP1.00
Year ended December 31, 2014 .....	€ 0.0179	DOP1.00
Year ended December 31, 2015 .....	€ 0.0200	DOP1.00

## FORWARD-LOOKING STATEMENTS

These Listing Particulars contain “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 these Listing Particulars, including, but without limitation, those regarding our future financial condition, results of our operations and business, our products, acquisitions, dispositions and finance strategies, our capital expenditure priorities, regulatory or technological developments in the market, subscriber growth and retention rates, potential synergies and cost savings, competitive and economic factors, the maturity of our markets, anticipated cost increases, 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 these Listing Particulars.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of these Listing Particulars, 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 these Listing Particulars 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, ongoing operations and debt obligations;
- 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 offering, and our other indebtedness;
- the competitive environment in each of our geographic segments and downward price pressure in the broadband internet communications, television sector, fixed line telephony, mobile telephony and business-to-business (“B2B”) sectors in the countries in which we operate;
- 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;
- greater exposure to tax liability;
- changes in consumer demand for cable-based and mobile products as well as the demand for bundled services and offerings;
- 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;
- our ability to introduce new technologies or services and our ability to respond to technological developments;
- deployment of fiber or VDSL2 networks by competitors;

- risks of earthquakes, fire, power outages, floods, and other catastrophic events that can be further intensified due to the developing threat of climate change;
- perceived or actual health risks and other environmental requirements relating to our mobile operations;
- our ability to maintain favorable roaming or network sharing agreements;
- our ability to achieve cost saving from network sharing arrangements for our services;
- reduced interconnection rates in the countries in which we operate, including Portugal;
- the ability of third party suppliers and vendors to timely deliver products, network infrastructure, equipment, software and services;
- the availability of attractive programming for our video services or necessary equipment at reasonable costs;
- risks related to royalties payments and our licenses;
- technical failures, equipment defects, physical or electronic break-ins to the services, computer viruses and similar description problems;
- any negative impact on our reputation, including due to product quality issues;
- our ability to attract and retain customers;
- our ability to integrate acquired businesses and realize planned synergy benefits from past or future acquisitions (including, without limitation, PT Portugal following the PT Portugal Acquisition);
- uncertainty with respect to the amount and the timeframe for synergies and other benefits expected to arise from the PT Portugal Acquisition;
- our ability to maintain adequate managerial controls and procedures as the business grows;
- any negative impact on our business if we are unable to provide high levels of customer service;
- the declining revenue from certain of our services and our ability to offset such declines;
- any disruptions in the credit and equity markets which could affect our credit instruments and cash investments;
- our ability to protect our intellectual property rights and avoid any infringement of any third party's intellectual property rights;
- our ability to maintain subscriber data and comply with data privacy laws;
- the outcome of any pending or threatened litigation, including class action lawsuits in Israel and antitrust proceedings in Portugal;
- uncertainty over the legal framework within which we own and operate our networks;
- post-retirement and healthcare benefit obligations (both funded and unfunded) of companies we have acquired or may acquire in the future;
- changes in laws or treaties relating to taxation in the countries in which we operate, or the interpretation thereof;
- the regulatory environment in the countries in which we operate and changes in, or a failure or an 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 manage our brands;
- our inability to completely control the prices we charge to customers or the programming we provide;
- 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;
- the loss of key employees and the availability of qualified personnel and a deterioration of the relationship with employee representatives;
- our ultimate parent's interest may conflict with our interests;
- the entry of new operators into the telecommunications markets in which we operate;



- 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 these Listing Particulars.

The B2B and B2C fixed- and mobile-based services, broadband internet access, fixed-line telephony and ISP industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in these Listing Particulars are subject to a significant degree of risk.

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 these Listing Particulars.

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

These Listing Particulars contain certain synergy estimates, among others, relating to cost reductions and other benefits expected to arise from the PT Portugal Acquisition as well as related costs to implement such measures. The estimates present the expected future impact of the acquisition and integration of the PT Portugal Group 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 PT Portugal 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.

#### **AVAILABLE INFORMATION**

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

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of Notes—Certain Covenants—Reports*".

#### **TAX CONSIDERATIONS**

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the offering. See "*Tax Considerations*".

#### **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 these Listing Particulars is the property of its respective holder.

## GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

*This general description of our business and the offering highlights selected information contained in these Listing Particulars regarding the Group and the Notes. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire Listing Particulars carefully including the “Risk Factors” and the financial statements and notes thereto included in these Listing Particulars. Please see page G-1 of these Listing Particulars for a glossary of technical terms used in these Listing Particulars.*

*In this section, unless the context otherwise requires, the terms “Group”, “we”, “us” and “our” refers to Altice International and its subsidiaries.*

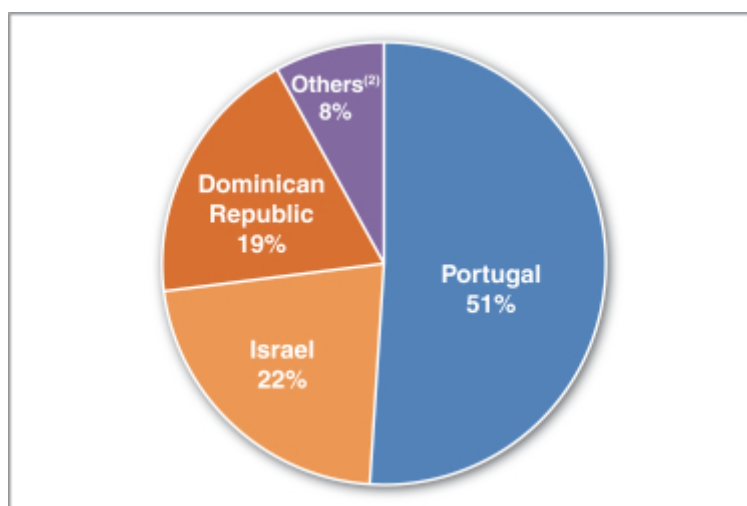
### Overview

We are a multinational cable and telecommunications company operating in Western Europe (comprising Portugal, Belgium, Luxembourg and Switzerland), Israel, the Dominican Republic and the French Overseas Territories. We provide cable and fiber-based services (high quality pay television, broadband internet and fixed-line telephony) and mobile telephony services to residential and corporate customers.

We have expanded internationally through a number of price-disciplined acquisitions of telecommunications businesses, including, but not limited to: PT Portugal in Western Europe; HOT in Israel; and Altice Hispaniola and Tricom in the Dominican Republic. Our acquisition strategy has allowed us to target cable and FTTH operators with what we believe to be high-quality networks in markets we find attractive 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. Furthermore, our acquisition strategy has enabled us to grow the businesses we acquire organically while we continue to focus on cost optimization and increasing economies of scale and operational synergies as our Group develops.

We are the largest or second largest cable/fiber pay television operator and broadband internet services provider, and a leading provider of multi-play services in our service areas. We offer bundled triple-play services, and where possible, quad-play services and focus our marketing on our multi-play offerings. Our service portfolio in each of the regions in which we operate is set forth below. Our Adjusted EBITDA for the year ended December 31, 2015 was €1,920.4 million. The table below shows the Adjusted EBITDA splits by geography for the year ended December 31, 2015.

### Adjusted EBITDA Split for the year ended December 31, 2015<sup>(1)</sup>








(1) Adjusted EBITDA gives effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015.

(2) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter), our datacenter operations in France (Auberimmo), our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport (France)) and other activities that are not related to our cored fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.

We have a high quality cable- and fiber-based network infrastructure. Our fixed-line services are primarily delivered over hybrid fiber coaxial (“HFC”) cable that are among the most technically advanced in the markets in which we operate. Together with FTTH networks in Portugal which offer download speeds of up to 1 Gbps,

this allows us to offer advanced triple-play services in a vast majority of Altice International's service areas. Our cable networks enable us to offer download speeds of at least 100 Mbps to a majority of homes passed in most of 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 will offer significant download speeds with limited network and customer premises equipment upgrades. We believe that our cable networks are well positioned for future technological developments including our ability to upgrade to the upcoming Docsis 3.1 standard while the FTTH networks in Portugal are already set up to provide download speeds of up to 1 Gbps. In Portugal, the Dominican Republic and the French Overseas Territories, we also provide fixed-line services to a portion of our customer base through a DSL network that we continue to upgrade to FTTH and HFC.

## Overview of Service Portfolio

Geographic Area	Western Europe	Israel	Dominican Republic	French Overseas Territories <sup>(1),(2)</sup>	Other <sup>(4)</sup>	
Countries of Operation	 Portugal	 Belgium and Luxembourg <sup>(1)</sup>	 Israel	 Dominican Republic	 French Overseas Territories	Various
Bundling Strategy	4P	4P/3P	3P + Mobile	4P	4P	N/A
Mobile Services Offered	<ul style="list-style-type: none"> <li>■ 2G, 3G, 4G-LTE, 4G-LTE+, B2B Services</li> <li>■ Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>■ 2G, 3G, 4G (MVNO mobile services (Belgium only))</li> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ UMTS 2G, 3G, 4G-LTE</li> <li>■ B2B iDEN mobile services</li> </ul>	<ul style="list-style-type: none"> <li>■ 2G, 3G, 4G-LTE</li> <li>■ B2B Services</li> </ul>	<ul style="list-style-type: none"> <li>■ UMTS 2G, 3G, 4G-LTE<sup>(3)</sup></li> <li>■ B2B Services</li> </ul>	N/A
Fixed (Very High Speed Fixed/FTTH/xDSL) Services Offered	<ul style="list-style-type: none"> <li>■ Pay TV</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ B2B services</li> <li>■ Wholesale services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay TV</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ B2B services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay TV</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ Infrastructure access</li> <li>■ ISP</li> <li>■ B2B services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay TV</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> <li>■ B2B services</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay TV</li> <li>■ Broadband internet</li> <li>■ Fixed line telephony</li> </ul>	<ul style="list-style-type: none"> <li>■ B2B services</li> </ul>
Content <sup>(5)</sup>	<ul style="list-style-type: none"> <li>■ Television content</li> </ul>	<ul style="list-style-type: none"> <li>■ Television content</li> </ul>	<ul style="list-style-type: none"> <li>■ Television content</li> <li>■ Local Israeli content</li> </ul>	<ul style="list-style-type: none"> <li>■ Television content</li> </ul>	<ul style="list-style-type: none"> <li>■ Television content</li> </ul>	N/A

- (1) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the SFR brand licensed from the Altice France Group.
- (2) We provide pay TV, fixed-line telephony and internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories under the SFR brand.
- (3) In the French Overseas Territories, we market our mobile services under the SFR brand. In connection with the 2014 SFR Acquisition, we disposed of mobile network assets in La Réunion and Mayotte on July 31, 2015.
- (4) Includes business and datacenter operations in Switzerland (Green and Green Datacenter) and datacenter operations in France and Portugal.
- (5) Through our content subsidiaries Ma Chaîne Sport and Altice Entertainment News & Sport we produce and broadcast a diverse range of content and offer such content as part of our pay TV packages in several of our geographies.

## Key Performance Measures

	Illustrative Aggregated Selected Financial Information <sup>(2)</sup> for the year ended December 31,	Pro Forma Financial Information <sup>(3)</sup> for the year ended December 31,
	2014	2015
	€ in millions	
<b>Revenue</b>		
Portugal .....	2,533.0	2,346.3
Israel .....	857.3	923.3
Dominican	607.1	694.8

	<b>Illustrative Aggregated Selected Financial Information<sup>(2)</sup> for the year ended December 31,</b>	<b>Pro Forma Financial Information<sup>(3)</sup> for the year ended December 31,</b>
	<b>2014</b>	<b>2015</b>
<b>€ in millions</b>		
Republic.....		
Others <sup>(1)</sup> .....	337.4	357.2
<b>Total Revenue</b> .....	<b>4,334.9</b>	<b>4,321.5</b>
<b>Adjusted EBITDA<sup>(4)</sup></b>		
Portugal.....	934.3	969.1
Israel.....	411.2	429.7
Dominican Republic.....	283.3	360.4
Others <sup>(1)</sup> .....	161.2	161.1
<b>Total Adjusted EBITDA</b> .....	<b>1,790.0</b>	<b>1,920.4</b>
Pro forma Synergies for PT Portugal <sup>(5)</sup> .....	—	75.0
Consolidation Adjustments <sup>(6)</sup> .....	—	12.4
<b>Pro Forma Adjusted EBITDA</b> .....	<b>—</b>	<b>2,007.8</b>

- (1) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter), our datacenter operations in France (Auberimmo), our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport (France)) and other activities that are not related to our cored fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.
- (2) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.
- (3) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.
- (4) Adjusted EBITDA is defined as operating income before depreciation and amortization, impairment and non-recurring items (capital gain, non-recurring litigation, restructuring costs) and other adjustments (equity based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is 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.
- (5) We have realized certain operating synergies from our acquisition of PT Portugal and expect to realize certain additional synergies in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in interconnection costs through re routing to Altice’s international backbone, renegotiations of price lists with suppliers, reduction in IT spending, simplification of operating practices, and outsourcing of customer care. 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.
- (6) Primarily reflects holding company costs included in Adjusted EBITDA incurred at certain parent companies of Altice International that are attributable to Altice International and its subsidiaries.

## Key Operating Measures

The table below presents the key operating measures of the Group on a pro forma basis as if the PT Portugal Acquisition, the Cabovisão Disposal and Outremer Mobile Disposal had each been consummated on January 1, 2015.

**As of and for the year ended December 31, 2015  
in thousands except percentages and as otherwise  
indicated**

	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
<b>CABLE/FIBER/OTHER SYSTEMS B2C</b>					
<b>Homes Passed<sup>(1)</sup></b> .....	<b>4,742</b>	<b>2,395</b>	<b>655</b>	<b>413</b>	<b>8,205</b>
Cable/Fiber Homes Passed.....	2,237	2,395	512	406	5,549
<b>Cable/fiber unique customers<sup>(2)</sup></b> .....	<b>404</b>	<b>1,027</b>	<b>143</b>	<b>159</b>	<b>1,733</b>
Cable/fiber customer net adds.....	20	(37)	20	8	11
Multi-play customers.....	364	483	40	93	980
Multi-play penetration <sup>(3)</sup> .....	90	47	28	58	57
	%	%	%	%	%
<b>Total Cable/fiber RGUs<sup>(4)</sup></b> .....	<b>1,166</b>	<b>2,178</b>	<b>277</b>	<b>329</b>	<b>3,950</b>
Pay TV.....	396	824	128	145	1,493
Pay TV net adds.....	22	(22)	10	5	10
Pay TV penetration.....	18	34	25	36	27
	%	%	%	%	%
Broadband.....	371	694	69	95	1,229
Broadband net adds.....	28	(18)	21	10	34
Broadband penetration.....	17	29	13	24	22
	%	%	%	%	%
Telephony.....	399	660	81	88	1,228
Telephony net adds.....	23	(12)	26	9	41
Telephony penetration.....	18	28	16	22	22
	%	%	%	%	%
RGUs per fiber customer.....	2.9	2.1	1.9	2.1	2.3
Fiber ARPU (EUR) <sup>(5)</sup> .....	39.7	53.6	35.9	—	—
<b>Total DSL/Other RGUs (Incl. DTH)</b> .....	<b>2,763</b>	<b>—</b>	<b>300</b>	<b>138</b>	<b>3,201</b>
Broadband.....	741	—	93	52	886
Telephony.....	1,169	—	207	75	1,451
TV.....	852	—	—	11	863
<b>MOBILE B2C</b>					
<b>Total mobile subscribers<sup>(6)</sup></b> .....	<b>6,252</b>	<b>1,229</b>	<b>3,894</b>	<b>223</b>	<b>11,598</b>
Postpaid subscribers.....	2,676	1,199	803	153	4,831
Postpaid net adds.....	283	229	61	14	176
Prepaid subscribers.....	3,576	30	3,092	70	6,767
Mobile ARPU (EUR).....	7.0	11.9	9.7	—	—

Our cable and fiber technologies enable us to offer premium digital services, attractive interactive features and local content to our subscribers. We have leveraged our network advantage to drive our multi-play strategy and offer an attractive combination of content, speed and functionality. We experienced a significant increase in the percentage of multi-play subscribers, reaching 980,000 multi-play customers as of December 31, 2015 compared to 912,000 multi-play customers as of December 31, 2014, translating into growth in RGU per unique cable/fiber customer relationship. We expect this trend of upselling to higher RGUs per subscriber to continue.

#### Cable/Fiber-Based Services ARPU Growth and Multi-play Penetration

	2014	2015
<b>Portugal<sup>(7)</sup></b>		
Fiber ARPU (€).....	38.5	39.7
Growth (%).....	—	3.1
Multi-play Penetration (%).....	86	90
<b>Israel</b>		
Fiber ARPU (€).....	48.5	53.5
Growth (%).....	—	10.5
Multi-Play Penetration (%).....	45	47
<b>Dominican Republic</b>		
Fiber ARPU (€).....	30.2	35.9

	<u>2014</u>	<u>2015</u>
Growth (%).....	—	18.8
Multi-Play Penetration (%).....	14	28
<b>Others<sup>®</sup></b>		
Multi-Play Penetration (%).....	52	58

- (1) In Portugal, total Homes Passed includes DSL homes enabled for IPTV outside of PT Portugal's fiber footprint. In the Dominican Republic, total Homes Passed includes DSL homes outside of the fiber footprint. Homes passed in Israel represents the total number of homes in the country.
- (2) Fiber unique customers represents the number of individual end users who have subscribed for one or more of our fiber based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. The total number of Fiber customers does not include subscribers to either our mobile or ISP services.
- (3) Fiber penetration rates for our pay television, broadband and telephony services are presented as a percentage of fiber homes passed.
- (4) RGUs, or Revenue Generating Units, 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 are counted on a per service basis and RGUs for telephony are counted on a per line basis.
- (5) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel and the Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for Q4-15, EUR 0.2319 = ILS 1.00, EUR 0.020 = 1 DOP.
- (6) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile networks. In Israel, the total number of mobile subscribers includes B2C and B2B (B2B is not disclosed separately) split between iDEN and UMTS services as follows:

	<u>As of 31 December</u>	
	<u>2014</u>	<u>2015</u>
	in thousands	
<b>Mobile Subscribers</b>		
iDEN.....	172	138
UMTS.....	802	1,091
<b>Total.....</b>	<b><u>974</u></b>	<b><u>1,229</u></b>

- (7) Portugal represents operating measures of the PT Portugal Group (which we acquired on June 2, 2015). We disposed of our interests in the Cabovisão Group pursuant to regulatory conditions attached to the PT Portugal Acquisition on January 20, 2016.
- (8) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories

We aim to maximize return on our investments by implementing our investment strategy, IT and network planning as well as procurement initiatives at the Altice Group level. We have implemented common technological platforms across many of our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer premises equipment. We have also achieved substantial reductions in our operating expenses as we implemented the same best practice operational processes across our organization. We have simplified the services we offer, increased the level of outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and improved pricing of our television content. We believe that sharing of best practices across our regions and identifying group synergies are key drivers of our operational performance improvements, operating margin increases and organic cash-flow growth.

We have pursued an acquisition strategy whereby we targeted cable and FTTH operators with what we believe to be quality networks in markets we find attractive from an economic, competitive and regulatory standpoint and create value at the acquired businesses by implementing operational improvements and leveraging economies of scale, as well as pursuing in-market consolidation and attractive diversification with B2B, DSL and mobile add-on opportunities. We aim to substantially improve the operational performance of the businesses we have acquired, thereby providing the cash flow generation to help fund future growth.

## Summary Financials

The table below sets forth our Revenue, Adjusted EBITDA, Cash capital expenditures and Adjusted EBITDA less Adjusted Capital Expenditures, for the years ended December 31, 2015, 2014 and 2013:

	Historical Consolidated Financial Information			Illustrative Aggregated Selected Financial Information <sup>(1)</sup>	Pro Forma Financial Information <sup>(2)</sup>
	For the year ended December 31,			For the year ended December 31,	For the year ended December 31,
	2013	2014	2015	2014	2015
	€ in millions				
Revenue .....	1,286.8	1,893.2	3,492.8	4,334.9	4,321.5
Adjusted EBITDA <sup>(3)</sup> .....	518.7	868.8	1,601.8	1,790.0	1,920.4
Adjusted Capital Expenditures <sup>(4)</sup> .....	290.2	434.1	686.7	795.0	780.5
Adjusted EBITDA—Adjusted Capital Expenditures .....	228.5	434.7	915.2	995.0	1,139.9

- (1) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.
- (2) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.
- (3) Adjusted EBITDA is defined as operating income before depreciation and amortization, impairment and non-recurring items (capital gain, non-recurring litigation, restructuring costs) and other adjustments (equity based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is 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. Includes holding company costs incurred at certain parent companies of Altice International.
- (4) Capital Expenditure for the year ended December 31, 2015 accounted for €832.1 million. The amount presented in the table excludes €51.5 million of one-off capital expenditure relating spectrum/satellite capacity.

## Our Competitive Strengths

We believe that we benefit from the following key strengths:

**We enjoy leading positions in pay TV and broadband internet services in well diversified markets with favorable dynamics for cable and fiber operators.** We are the largest or second largest cable/fiber pay TV operator and broadband internet services provider in each of our service areas and the sole cable provider in a significant majority of our footprint. We are located in markets that we believe have a number of attractive trends for cable and mobile operators. Portugal is our largest geography by revenue and EBITDA. In Portugal, we benefit from PT Portugal’s number one positions in broadband internet, fixed-line telephony and enterprise telecom services and number two position in pay TV which we provide through a fixed network that passes 2.237 million homes with FTTH out of a total of 4.742 million homes in Portugal. We are also the largest mobile operator in Portugal. PT Portugal’s mobile network is 4G-LTE enabled, allowing speeds of up to 400 Mbps, and also provides nationwide 3G and 2G coverage. In Israel, we are the leading cable operator with the number one market position in pay TV and number two position in broadband internet. There we benefit from nationwide cable network coverage, a unique feature in the cable sector, which we believe provides us with significant penetration upside potential. All of the countries in which we currently operate have historically had high consumption of television and high pay TV penetration combined with a relatively weak free-to-air television proposition. Broadband internet penetration in our footprint, and in particular in Israel, Belgium and Luxembourg, also compares favorably with most other West European markets.

**We believe that we benefit from a fixed network advantage in each of our markets.** We own our HFC networks that, on a blended basis, are 99% Docsis 3.0 enabled, as of December 31, 2015, and, in Portugal, we own one of the largest FTTH networks by penetration that passes 2,237 million homes (90% penetration). We believe our state-of-the-art networks allow us to offer attractive and competitive services in terms of picture quality, speed and connection reliability. Outside the Overseas Territories, 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 across a substantial portion of our network. We currently have a network advantage in terms of download speed across a part of our cable service area across geographies (excluding the Dominican Republic), specifically in Israel where we expect to continue offering faster speeds than our competitor’s legacy technology and at par with it in areas where it has deployed FTTH. We believe that with our HFC and FTTH technologies 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 competing technologies, without making significant additional investments.

***We are a leading multi-play provider of cable and/or fiber based services in our markets with substantial cross-sell and up-sell opportunities in B2C and B2B fixed and mobile.*** Building on our technologically advanced networks and innovative offerings, we have developed leading positions in our markets in multi-play offerings by selling our differentiated pay TV, high-speed broadband internet, fixed-line telephony and, in most instances, mobile telephony services as bundles. We believe that the strength of our fixed businesses and our ability to offer advanced mobile services makes us well positioned to increase penetration of multi-play and premium packages. We believe that continued focus on our bundling strategy and increasing our triple- or, where possible, quad-play penetration will enable us to grow our cable/fiber based services ARPU. The demand for high-speed internet, fixed mobile convergence and high-quality content are key drivers of our cross-sell and up-sell strategy.

We believe that we are well positioned to capitalize on this trend as we offer download speeds of at least 100 Mbps to a majority of homes passed in our footprint (other than the portion of homes passed in the Overseas Territories that are not currently Docsis 3.0 enabled). In Portugal, PT Portugal is a leading provider of multi-play services and the market leading provider of broadband internet services, which we believe provides upsell opportunities in fixed-line and mobile telephony. In Israel, HOT is the sole triple-play provider in the market and enjoys the leading market position in pay TV and the number two market position in broadband internet and fixed-line telephony. In addition, we have been offering mobile services in Israel through our own mobile network since 2012, and we see the increase in penetration of mobile subscribers as a key potential upside.

We have a fully integrated fixed and mobile business in Portugal, Israel and the Overseas Territories. In Portugal, we believe that we are well positioned to benefit from convergence between fixed and mobile service offerings by leveraging our high-speed fiber-based fixed network and 4G mobile network. PT Portugal currently provides innovative multi-play bundles through the "Meo" brand and has successfully capitalized on cross-selling opportunities through increased penetration of converged services for the year ended December 31, 2015, having seen an increase in multi-play penetration from 86% to 90% of total Portuguese cable/fiber customers. We own and operate a 3G mobile network in Israel and in the Overseas Territories which, in each case, benefit from synergies with our cable networks, whereas in Belgium we complement our fixed-line products with mobile offerings through an MVNO arrangement. We offer premium, high-quality content offerings in all of our markets. In Portugal, we offer a high-quality content package through more than 200 channels and a leading VOD library. 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.

In the Dominican Republic, we target increasing revenues by continuing to cross-sell Tricom's high-speed broadband internet and pay TV offerings to Altice Hispaniola's existing customers and Altice Hispaniola'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 Altice Hispaniola'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.*** On a historical consolidated basis, our Adjusted EBITDA as a percentage of revenues increased from 40.3% in fiscal year ended December 31, 2013, to 45.9% in the fiscal year ended December 31, 2015, 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, on a blended basis, 99% of our cable networks are already upgraded to Docsis 3.0, making our cable based business's capital expenditures largely success driven, including network upgrades and customer acquisition related investments. In the fiscal year ended December 31, 2015, we generated Pro Forma Adjusted EBITDA as a percentage of revenues of 44.4% and Pro forma Adjusted EBITDA less capital expenditure as a percentage of Pro Forma Adjusted EBITDA of 57.0%. We expect the scale of our operations to enable us to further reduce operating expenses and capital expenditures through optimized purchasing and investment. We will continue to upgrade the portions of our cable network where we see strong return on investment, including in the Dominican Republic.

***We have a proven track record of making attractive acquisitions and of unlocking value through operational excellence.*** We believe that our entrepreneurial culture and efficient decision making processes allow us to quickly react to changes in our operating environments and to seize business opportunities as they arise. We believe a key driver of our success has been our ability to identify attractive acquisition targets and assess the associated potential for value creation, consummate the acquisitions on terms economically attractive to us and consistently and timely implement best operational practices that drive the previously identified improvements in the profitability of acquired businesses. We have historically been able to acquire fixed and mobile networks operators in what we believe to be 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 our Israeli business, following the acquisition of control by the Group over HOT in 2011, our Israeli operations' Adjusted EBITDA margin increased from 39% for the year ended December 31, 2011 to 46.5% for the fiscal year ended December 31, 2015; and in the Dominican Republic, our cost restructuring efforts following the Altice Hispaniola Acquisition and the Tricom Acquisition in March 2014 and April 2014, respectively, have resulted in an increase in Adjusted EBITDA margin from 39% for the year ended December 31, 2013 to 51.9% for the fiscal year ended December 31, 2015. Across our operations, we expect to continue to realize operational synergies from the optimization of procurement, marketing spending, brand convergence, IT rationalization and 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 a wholly-owned subsidiary of Altice, which is controlled by Patrick Drahi, founder of Altice, who has over 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 the NSFR Group 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 in investment banking for 15 years, most recently as Co-Head of the Media & Telecommunications Group for Europe, Middle East and Africa at Morgan Stanley. Michel Combes (COO) has previously held the positions of CEO of Alcatel Lucent, CEO of Vodafone Europe and Chairman and CEO of TDF. He was also the CFO and Vice Chairman of France Télécom. Michel Combes has over 25 years' worth of experience in the telecommunications industry. Before joining Altice in 2012, Dennis Okhuijsen (CFO) worked in the cable sector for 17 years with UPC, UGC and Liberty Global, most recently as Group Treasurer of Liberty Global. Before joining Altice in 2005, Jérémie Bonnin (Secretary General and Head of Corporate and Business Development) worked at KPMG for 7 years in Transaction Services. Before joining Altice in 2015, Alexandre Marque (General Counsel) was a partner and co-founder of Franklin law firm in Paris where he advised the Altice Group on its M&A activity, initial public offerings and restructurings.

## **Our Strategy**

The below strategies are designed to achieve our objectives and further improve our business operations and practices:

***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 organically grow our operating margins across our operations by focusing on cost optimization and increasing economies of scale and operational synergies as our Group develops. We expect to continue to achieve savings as we focus on integrating acquired businesses with our existing business, particularly in Portugal, following the PT Portugal Acquisition, where we aim to realize operational efficiencies at PT Portugal by implementing and sharing best practices across the Altice Group. We have realized certain operating synergies from our acquisition of PT Portugal and expect to realize certain additional synergies in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in interconnection costs through re routing to Altice's international backbone, renegotiations of price lists with suppliers, reduction in IT spending, simplification of operating practices, and outsourcing of customer care. In addition, across our geographies 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 target further economies of scale in capital expenditures as our Group expands and our bargaining power increases. In addition, we intend to continue our improvement and efficiency plans in Portugal at the PT Portugal Group to increase our operating margins and cash flow, which can be reinvested in our other businesses. We aim to achieve such operational efficiencies and successfully integrate our businesses through our experienced management team which has a proven track record of delivering such improvements.

***Invest in fixed and mobile infrastructure across our footprint to maintain our competitive advantage in the market and provide best-in-class services to our customers.*** We aim to remain a technology leader in each of our markets and to provide innovative, best-in-class services to our customers. Subsequent to the PT Portugal Acquisition, we announced in 2015 our plan to extend our fiber network from approximately 2.3 million homes to 5.3 million homes by extending our fiber coverage by 600,000 homes per year until 2020, creating the most innovative, GPON-technology based fiber network in Europe. We intend to continue to invest in our networks and services to maintain our competitive advantage and position ourselves to grow in the future.

***Invest in key content to enrich our communications service offerings and differentiate our offerings in the market place.*** We plan to invest selectively in premium content, as part of our long-term strategy of

converging our telecom assets with media channels, distribution, content development and production. For example, at the end of 2015 and in the beginning of 2016, PT Portugal entered into contracts with several first and second division football clubs in Portugal, including F.C. Porto, Vitoria F.C., Rio Ave F.C. and Boavista F.C. Under these contracts, we (i) acquired the exclusive broadcasting rights for the home games of these clubs for up to ten football seasons, (ii) acquired the broadcasting rights of “Porto Canal” (F.C. Porto’s own TV Channel) for a period of twelve and a half years from January 2016 and (iii) entered into sponsorship agreements for periods of up to ten football seasons, enabling us to use advertising space in the Estádio do Dragão, F.C. Porto’s home stadium. We believe that these arrangements will enhance our profile in the market and help us differentiate ourselves from our competitors.

**Further increase our multi-play penetration and ARPU by providing new and existing customers with best-in-class products, services and content, including attractive mobile products wherever profitable.** We believe that our fixed network leadership, operational excellence and multi-play strategy are key success factors in our end markets. We believe that our state of the art cable and fiber networks across our markets provide us with a strong technological infrastructure for delivering high quality television, higher speed internet and triple- and, subject to certain regulatory considerations, quad-play services at attractive prices. We have successfully increased our multi-play customers from 912,000 in 2014 to 980,000 in 2015, with a multi-play penetration of 57% in 2015 as compared to 53% in 2014. Our strategy is to continue to increase our multi-play customer penetration by accelerating investment in both fiber and 4G infrastructure, which we believe will enable us to attract new multi-play customers and cross-sell our mobile services to existing fixed services customers in the countries in which we offer those services.

**Leverage our networks to address new growth opportunities including B2B and mobility.** We believe that our dense cable/fiber network, supported by fiber backbones, will position us ideally to service new demand from corporate customers and to benefit from the convergence of fixed and mobile usage with relatively lower levels of capital investment compared to some of our peers. We aim to leverage our well-invested 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.

In addition, as mobile internet traffic is expected to grow at a compound annual growth rate of 53% between 2015 and 2020 (according to a Cisco VNI 2016 study), primarily driven by development of smart devices supporting multiple wireless technologies, we believe that our high capacity backbone will differentiate us from our competitors as it enables us to offer a compelling backhaul offload offering to MVNOs. In Portugal, we benefit from PT Portugal’s leading enterprise telecom infrastructure (including one of the largest data centers in the world) and strong customer relationships, as well as from its number one mobile telecom position with its 4G mobile network and superior scale. We believe we can further grow this business by implementing best practices from the broader Group.

**Generate value through proven integration capabilities.** After a period of significant merger and acquisition activity, our prime focus is on delivering on our operational plans and integrating our newly acquired businesses, including our recent acquisition of PT Portugal. We have focused our acquisitions on operators with what we believe are quality networks in attractive markets from an economic and competitive standpoint with a clear regulatory framework and seek to create value at the acquired businesses by implementing operational improvements and leveraging economies of scale. We have a strong track record of integrating acquired businesses having completed over nine transactions in the last three years.

## **Recent Developments**

On January 20, 2016, the Group completed the Cabovisão Disposal, in compliance with the conditions set by the European Commission in connection with the approval of the PT Portugal Acquisition.

On May 12, 2016, the Group finalized the sale of Altice Content Luxembourg S.A. to the NSFR Group for an enterprise value of approximately €741.0 million (excluding adjustments, if any). The proceeds from this sale were used by the Group to repay the full amount drawn under the 2015 Super Senior Revolving Credit Facility (€330.0 million) and to make a partial repayment on the amounts drawn under the 2014 Pari Passu Revolving Credit Facility (€265.0 million).

## **The Refinancing Transactions**

We used the proceeds of the offering of Notes:

(i) to redeem the \$460 million and €210 million aggregate principal amount of outstanding 2012 Senior Secured Notes (the “2012 Senior Secured Notes Redemption”) at a redemption price equal to 103.938% and

104.000%, respectively, of such principal amount in accordance with the 2012 Senior Secured Notes Indenture governing such 2012 Senior Secured Notes;

(ii) to repay the entire principal amount outstanding under the 2013 Term Loan Facility, together with any accrued and unpaid interest and related premiums (the “2013 Term Loan Repayment”);

(iii) prepay \$497.5 million and €398.0 million aggregate principal amount of term loans outstanding under the 2015 Term Loan (the “2015 Partial Repayment”, together with the 2012 Senior Secured Notes Redemption and the 2013 Term Loan Repayment, the “Refinancing Transactions”); and

(iv) to pay fees and expenses associated with the Refinancing Transactions.

## **Altice Group**

### *Our Controlling Shareholder*

As of the date of these Listing Particulars, Altice, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, registered with the Dutch Trade Registry under number 63329743, having its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands, owns, through its indirect wholly owned subsidiary Altice Luxembourg S.A., 100% of the Issuer’s and Altice International’s share capital.

Founded by telecommunications entrepreneur, Patrick Drahi, Altice is a multinational cable, fiber, telecommunications, contents and media company with presence in four regions: Western Europe (comprising France, Belgium, Luxembourg, Portugal and Switzerland), the United States, Israel, and the Overseas Territories (currently comprising the French Caribbean, the Indian Ocean regions and the Dominican Republic). Altice provides very-high-speed based services (high quality pay-TV, fast broadband internet and fixed-line telephony) and, in certain countries, mobile telephony services to residential and corporate subscribers.

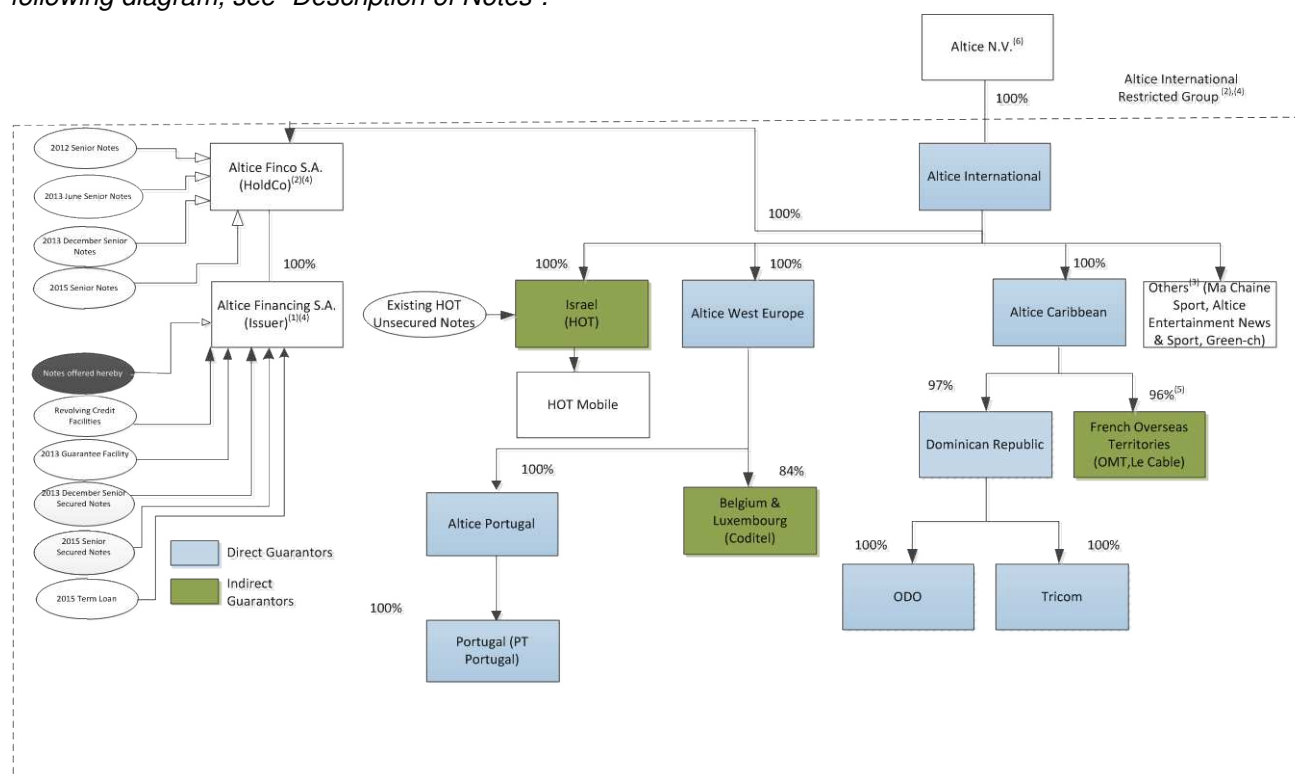
Altice completed an initial public offering of ordinary shares on February 6, 2014, following which its shares are listed on Euronext Amsterdam.

## **The Issuer**

The Issuer is a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg, having its registered office at 3, Boulevard Royal, L-2449 Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B171.162. The Issuer’s business operations include only managing the financing activities of the Group. The Issuer’s ability to pay principal, interest and premium, if any, on the Notes, is dependent, in large part, upon payments received from the Group pursuant to the Pledged Proceeds Notes. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Issuer is a special purpose vehicle company with limited assets other than its interests in the Issuer Pledged Proceeds Notes and is dependent upon cash from Altice International and its subsidiaries to meet its obligations*” and “*Corporate and Financing Structure*” for more information.

## SIMPLIFIED CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our expected corporate and financing structure after giving effect to the Refinancing Transactions. For further details, see “Corporate and Financing Structure”. The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in these Listing Particulars. For a summary of the debt obligations referred to in the following diagram, see “Description of Notes”.



- (1) The Issuer has issued \$2,750 million in aggregate principal amount of the Notes. The Notes are senior secured obligations of the Issuer.
- (2) The Restricted Group for the Notes does not include Holdco.
- (3) Includes Green Datacenter and Auberimmo which are designated as unrestricted subsidiaries.
- (4) Substantially all of our third-party indebtedness within the Restricted Group is at Holdco and the Issuer except for the finance leases and the Existing HOT Unsecured Notes.
- (5) Substantially all of the remaining share capital is held by our parent, Altice.
- (6) Altice owns, through its wholly-owned indirect subsidiary Altice Luxembourg S.A., 100% of the share capital of Altice International.
- (7) \$497.5 million and €398.0 million aggregate principal amount of term loans outstanding under the 2015 Term Loan were prepaid from a portion of proceeds of this offer. See “Use of Proceeds”.

The following is a summary of certain aspects of the Guarantees and Collateral related to the Notes. The Guarantees and Collateral related to the Notes are complex and subject to significant exceptions and qualifications. In the event that the Issuer or the relevant grantor of security was required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, such Security Documents were entered into within 20 Business Days after the Issue Date. The following summary is not a complete description of the Guarantees and Collateral related to the Notes and is qualified in its entirety by reference to the more detailed descriptions set out in “Description of Notes” and “Corporate and Financing Structure”. See also, “Risk Factors—Risk Relating to the Notes and the Structure”.

## Notes

Company	% Ownership by Altice International	Guarantor(s)	Direct Share Pledges	Additional Security/Proceeds Loans/Other
Altice International and certain intermediate holding companies	100% <sup>(1)</sup>	Yes <sup>(2)</sup>	First-ranking pledges over all of the share capital of Altice Holdings, Altice West Europe, Altice Caribbean, Cool Holding, Hadaros and Altice Bahamas	First-ranking pledges over substantially all of the assets of such companies, including share pledges of Restricted Subsidiaries owned by such companies and all intercompany loans from Altice Holdings to other members of the Restricted Group and certain other intercompany debt instruments held by Altice Holdings and certain other members of the Restricted Group, including intercompany loans and debt interests described below.
Holdco <sup>(3)</sup>	100%	No	N/A	First-ranking pledges over all Existing Senior Notes Proceeds Loans from Holdco to the Issuer.
Issuer	100%	N/A	First-ranking pledge over all of the share receivables of the Issuer, including the Issuer Pledged capital of the Issuer	First-ranking pledge over the bank accounts and all Proceeds Notes.
Israel (HOT)	100%	No (see Additional Security/Proceeds Loans/Other)	First-ranking pledge over all of the share capital of HOT	First-ranking pledge over the existing secured loans entered into in connection with the Refinancing Transactions (if any) from the Issuer to HOT, which is secured by security interests over all of HOT's material assets (except licenses and end user equipment and assets of HOT Mobile) including network, bank accounts and receivables.
Dominican Republic (Altice Hispaniola/Tricom)	Altice Hispaniola: 97% Tricom: 97%	Yes	First-ranking pledge over the share capital of each of Altice Hispaniola and Tricom owned indirectly by Altice International	First-ranking share pledges over operating companies (effective upon approval by Indotel) and all material assets (other than licenses and real estate assets valued at less than €5 million).
Portugal Altice Portugal	100%	Altice Portugal: Yes <sup>(2)</sup>	First-ranking pledge over the share capital of Altice Portugal <sup>(2)</sup>	Altice Portugal will assign all of its claims and rights under the acquisition agreement in connection with the PT Portugal Acquisition.
PT Portugal and certain of its subsidiaries	100%	PT Portugal and PT OpCo: Yes <sup>(2)</sup>	First-ranking pledges over the share capital of PT Portugal, PT OpCo, PT Cloud and PT Móveis <sup>(2)</sup>	
Belgium and Luxembourg (Coditel)	84%	No (see Additional Security/Proceeds Loans/Other)	None (see Additional Security/Proceeds Loans/Other)	No direct security over the assets of Coditel Belgium and Coditel Luxembourg. First-ranking pledge over €131 million of loans under the Coditel Senior Facility, which in certain turn are secured by first-ranking security interests over the share capital of Coditel Holding and Coditel Belgium, receivables and bank accounts of Coditel Holding, trade insurance, inter group and other receivables and bank accounts of Coditel Luxembourg, including a secured intercompany loan (€106 million) made by Coditel Luxembourg to Coditel Belgium that is secured over certain assets of Coditel Belgium.
French Overseas Territories (Le Cable and OMT)	98% <sup>(4)</sup>	No (see Additional Security/Proceeds Loans/Other)	None (see Additional Security/Proceeds Loans/Other)	No direct security over the assets of OMT and Le Cable. First-ranking pledge over €355 million of Outremer Proceeds Loans and €22 million of Le Cable Proceeds Loans, which in turn are secured by first-ranking security interests over substantially all of the assets of OMT or Le Cable, as applicable, including share pledges and receivables.
Other (Green, Ma Chaîne Sport and Altice Entertainment News & Sport)	97%-100%	Green: Yes Others: No	First-ranking pledge over the share capital of Green subject to the non-pledged shares of Green's minority shareholders	First-ranking assignment over bank accounts, intragroup claims and receivables of Green, subject to the account banks' right of set off. No security over assets or shares of Ma Chaîne Sport and Altice Entertainment News & Sport.

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- (1) Other than Altice International.
  - (2) Subject to the Aggregate Portuguese Security and Guarantee Limit (€95 million in the case of Altice Portugal, €4.6 billion in the case of PT Portugal and €968.4 million in the case of PT OpCo).
  - (3) Excluded from the Restricted Group for purposes of the Senior Secured Debt.
  - (4) All of the remaining share capital is held by our parent, Altice.

## THE OFFERING

*The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of these Listing Particulars contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.*

<b>Issuer</b>	Altice Financing S.A., a public limited liability company (société anonyme) incorporated and existing under the laws of Luxembourg, having its registered office at 3, Boulevard Royal, L-2449 Luxembourg, registered with the Luxembourg Trade and Companies' Register (Registre de Commerce et des Sociétés, Luxembourg) under number B 171.162.
<b>Notes Offered</b>	\$2,750 million aggregate principal amount of 7.50% senior secured notes due 2026 (the "Notes").
<b>Maturity Date</b>	May 15, 2026
<b>Interest</b>	7.500%
<b>Interest Payment Dates</b>	Semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2017. Interest accrues from the Issue Date.
<b>Denomination</b>	The Notes are in denominations of \$200,000 and any integral multiples of \$1,000 above \$200,000. Notes in denominations of less than \$200,000 are not available.
<b>Issue Price</b>	100.000% plus accrued interest, if any, from the Issue Date.
<b>Ranking of the Notes</b>	The Notes: <ul style="list-style-type: none"><li>• are general obligations of the Issuer;</li><li>• are secured as set forth under "<i>—Security</i>";</li><li>• rank pari passu in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the Notes;</li><li>• rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;</li><li>• are effectively subordinated to any existing or future indebtedness of the Issuer 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; and</li><li>• are effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the Notes.</li></ul>
<b>Guarantees</b>	The Notes are guaranteed on a senior secured basis (the "Guarantees") by Altice International, Cool Holding, Hadaros, Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Portugal, Altice Bahamas, Tricom, Global Interlink Ltd., Altice Hispaniola, PT Portugal and PT OpCo (collectively the "Guarantors").

## Ranking of the Guarantees

Each Guarantee:

- is a general obligation of the relevant Guarantor;
- ranks pari passu in right of payment with any existing and future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor's Guarantee;
- ranks senior in right of payment to all existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantor's Guarantee;
- is effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure such Guarantor's Guarantee, to the extent of the value of the property and assets securing such indebtedness;
- is effectively subordinated to the indebtedness and other obligations of any member of the Group that does not guarantee the Notes; and
- is subject to the guarantee limitations as specified in "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests and Insolvency Laws of Certain Jurisdictions*".

The guarantees of Altice Portugal, PT Portugal and PT OpCo are also subject to the Aggregate Portuguese Security and Guarantee Limit, as applicable.

The Guarantees are subject to the terms of the Intercreditor Agreement. See "*Description of Other Indebtedness—The Intercreditor Agreement*".

The Guarantees are subject to release under certain circumstances. See "*Description of Notes—The Note Guarantees*".

## Security

The Notes are secured by the Collateral as described under "*Simplified Corporate and Financing Structure—Notes*".

In the event that the Issuer or the relevant grantor of security was required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, such Security Documents were entered into within 20 Business Days after the Issue Date.

The Collateral securing the Notes and the Guarantees also secure, on a first-ranking basis, the obligations of the Issuer and Guarantors under the Senior Secured Debt.

The security interests over the Collateral granted by any Guarantor are subject to the same limitations applicable to the Guarantee of such Guarantor. In addition, the security interests over the Collateral are, in some cases, first-ranking and, in other cases, further ranking.



Pursuant to the terms of the Intercreditor Agreement, the holder and/or lenders under the Notes and the existing Senior Secured Debt will share in recoveries from the enforcement of the security interests over the Collateral on a *pari passu* basis, subject to the terms of the Intercreditor Agreement (whether or not such indebtedness is directly secured by all or any of the Collateral). See “*Risk Factors—Risks Relating to the Notes and the Structure*”.

#### **Change of Control**

Following a change of control triggering event as defined in the Indenture at any time, the Issuer will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of the purchase. See “*Description of Notes—Change of Control*”.

#### **Optional Redemption**

Prior to May 15, 2021, the Issuer may redeem all or a portion of the Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Issuer may redeem some or all of the Notes at any time on or after May 15, 2021, at a redemption price equal to their principal amount plus a premium, accrued and unpaid interest and additional amounts, if any. See “*Description of Notes—Optional Redemption*”.

In addition, prior to May 15, 2019, the Issuer may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 107.500% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the redemption date, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. See “*Description of Notes—Optional Redemption*”.

#### **Additional Amounts; Tax Redemption**

All payments made under or in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes, except to the extent required by law. If such withholding or deduction is required by law in any relevant tax jurisdiction, the Issuer or the relevant Guarantor, as applicable, will, subject to certain limitations, pay additional amounts so that the net amount received by each holder or beneficial owner is no less than that which it would have received in the absence of such withholding or deduction. See “*Description of Notes—Withholding Taxes*”.

In the event of certain developments affecting taxation the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the

principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See “*Description of Notes—Redemption for Changes in Withholding Taxes*”.

#### **Certain Covenants**

The Issuer has issued the Notes under the Indenture. The Indenture limits, among other things, the ability of the Issuer and Altice International and its restricted subsidiaries, as applicable, to:

- incur or guarantee additional indebtedness;
- make investments or other restricted payments;
- create liens;
- sell assets and subsidiary stock;
- pay dividends or make other distributions or repurchase or redeem our capital stock or subordinated debt;
- engage in certain transactions with affiliates;
- enter into agreements that restrict the payment of dividends by subsidiaries or the repayment of intercompany loans and advances; and
- engage in mergers or consolidations.

These covenants are subject to a number of important exceptions and qualifications. For more details, see “*Description of Notes*”.

#### **Transfer Restrictions**

The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See “*Transfer Restrictions*” and “*Plan of Distribution*”.

#### **Absence of a Public Market for the Notes**

The Notes are new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that a liquid market for the Notes will develop or be maintained.

#### **Use of Proceeds**

##### **The Refinancing Transactions**

We used the proceeds of this offering of Notes:

(i) to redeem the \$460 million and €210 million aggregate principal amount of outstanding 2012 Senior Secured Notes (the “2012 Senior Secured Notes Redemption”) at a redemption price equal to 103.938% and 104.000%, respectively, of such principal amount in accordance with the 2012 Senior Secured Notes Indenture governing such 2012 Senior Secured Notes;

(ii) to repay the entire principal amount outstanding under the 2013 Term Loan Facility, together with any

accrued and unpaid interest and related premiums;  
(iii) to prepay \$475.6 million aggregate principal amount of term loans outstanding under the 2015 Term Loan; and  
(iv) to pay fees and expenses associated with the Refinancing Transactions.

See “*Use of Proceeds*”.

**Listing**

Application has been made for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See “*Description of Notes—Certain Covenants—Maintenance of Listing*”.

**Trustee**

Deutsche Bank Trust Company Americas

**Principal Paying Agent and Transfer Agent**

Deutsche Bank Trust Company Americas

**US Paying Agent, US Transfer Agent and US Registrar**

Deutsche Bank Trust Company Americas

**Security Agent**

Citibank, N.A. London Branch

**Governing Law**

The Indenture and the Notes are governed by the laws of the State of New York. The security documents governing the Collateral are governed by and construed in accordance with the laws of Luxembourg, Israel, England, Portugal, Switzerland, the Dominican Republic and the Bahamas, as applicable. See “*Description of Notes—Notes Security*”. The application of the provisions set out in Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded.

**Risk Factors**

Please see “*Risk Factors*” for a description of certain of the risks you should carefully consider before investing in the Notes.

**Certain U.S. Federal Income Tax Considerations**

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined de minimis amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “*Tax Considerations—Certain U.S. Federal Income Tax Considerations*”.

**Certain ERISA Considerations**

The Notes and any interest therein may, subject to certain restrictions described herein under “*Certain Employee Benefit Plan Considerations*”, be sold and

transferred to ERISA Plans (as defined in these Listing Particulars). See "*Certain Employee Benefit Plan Considerations*".

## SUMMARY FINANCIAL INFORMATION AND OTHER DATA

### Basis of Presentation

The following tables set forth:

- (a) summary selected Historical Consolidated Financial Information of Altice International derived from the consolidated financial statements of Altice International as of and for the years ended December 31, 2014 and 2015, prepared in accordance with IFRS, which have been audited by Deloitte Audit S.à r.l.;
- (b) summary Unaudited Illustrative Aggregated Selected Financial Information as of and for the year ended December 31, 2014 and summary selected Unaudited Pro Forma Financial Information as of and for the year ended December 31, 2015.

The summary Illustrative Aggregated Selected Financial Information has been derived from the unaudited illustrative aggregated selected financial information of Altice International as of and for the year ended December 31, 2014, after giving effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Outremer Mobile Disposal and the Cabovisão Disposal, in each case as if the transactions had occurred on January 1, 2014, including elsewhere in these Listing Particulars. The summary Pro Forma Financial Information has been derived from the unaudited pro forma consolidated financial information of Altice International as of and for the year ended December 31, 2015, after giving effect to the PT Portugal Acquisition, the Outremer Mobile Disposal and the Cabovisão Disposal, in each case as if such transaction had occurred on January 1, 2015, including elsewhere in these Listing Particulars. For further details regarding the basis of preparation of the Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information, please see Note 1 to the Illustrative Aggregated Selected Financial Information and Note 2 to the Pro Forma Financial Information respectively, included elsewhere in these Listing Particulars. The Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information included in these Listing Particulars have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the EU Prospectus Directive, or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting aggregated financial information have been audited or reviewed in accordance with any generally accepted auditing standards. The Illustrative Aggregated Selected Financial Information and the Pro Forma Financial Information are subject to significant limitations. See "Presentation of Financial and Other Information".

The summary financial information presented below should be read together with Altice International's historical financial statements as of and for the years ended December 31, 2014 and 2015, the complete Illustrative Aggregated Selected Financial Information as of and for the year ended December 31, 2014 and the complete Pro Forma Financial Information as of and for the year ended December 31, 2015, including the accompanying notes, included elsewhere in these Listing Particulars.

### Income Statement Data

	Illustrative Aggregated Selected Financial Information <sup>(1)</sup> for the year ended December 31,	Pro Forma Financial Information <sup>(2)</sup> for the year ended December 31,	Historical Consolidated Financial Information for the year ended December 31,		
	2014 <sup>(4)</sup>	2015	2013	2014 <sup>(4)(3)</sup>	2015
	Revenues.....	4,334.9	4,321.5	1,286.8	1,893.2
Purchasing and subcontracting costs.....	(939.8)	(942.4)	(367.8)	(448.7)	(786.2)
Other operating expenses .....	(1,084.8)	(978.3)	(265.6)	(423.8)	(746.9)
Staff costs and employee benefit expenses .....	(520.2)	(480.5)	(134.7)	(152.0)	(339.9)
Depreciation and amortization.....		(1,290.2)	(399.6)	(566.5)	(1,087.9)
Impairment losses.....		(20.9)	—	(13.7)	(20.9)
Other expenses and income.....		(183.3)	(76.8)	(126.7)	(101.5)
<b>Operating income .....</b>		<b>426.0</b>	<b>42.3</b>	<b>161.8</b>	<b>391.6</b>
Interest relative to gross financial debt ...		(573.0)	(298.6)	(156.2)	(543.1)
Other financial expenses .....		(243.8)	(13.6)	(192.3)	(149.0)
Finance income .....		98.8	69.1	3.3	73.6
<b>Finance costs, net .....</b>		<b>(718.0)</b>	<b>(243.3)</b>	<b>(345.2)</b>	<b>(618.4)</b>
Net result on disposal of businesses .....		—	—	—	27.5
Share of profit of associates .....		2.6	—	—	2.1

	Illustrative Aggregated Selected Financial Information <sup>(1)</sup> for the year ended December 31,	Pro Forma Financial Information <sup>(2)</sup> for the year ended December 31,	Historical Consolidated Financial Information for the year ended December 31,		
	2014 <sup>(4)</sup>	2015	2013	2014 <sup>(4)(3)</sup>	2015
	<b>Profit before income tax</b> .....		<b>(289.4)</b>	<b>(201.0)</b>	<b>(183.4)</b>
Income tax expenses .....		(19.6)	(7.4)	(12.1)	(79.7)
<b>Profit/(loss) for the year</b> .....		<b>(309.0)</b>	<b>(208.2)</b>	<b>(195.5)</b>	<b>(276.9)</b>
<i>Attributable to equity holders of the parent</i> .....		(305.0)	(186.2)	(189.4)	(272.9)
<i>Attributable to non-controlling interests</i> ..		(4.0)	(22.2)	(6.1)	(4.0)

- (1) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. Illustrative Aggregated Selected Financial Information is only presented for certain line items and no such information is presented below the Adjusted EBITDA line item. For details, see "Illustrative Aggregated Selected Financial Information of the Group".
- (2) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal, the Outremer Mobile Disposal and the Refinancing Transactions as if such transactions occurred on January 1, 2015. For details, see "Pro Forma Financial Information of the Group".
- (3) Following the completion of the Tricom Acquisition and the Altice Hispaniola Acquisition, the comparative information for the year ended December 31, 2014 has been revised to reflect the impact of the finalization of the purchase price allocation of each of those acquisitions.
- (4) With effect from January 1, 2015, we have revised the presentation of the consolidated statement of income and the consolidated statement of financial position to further enhance the presentation of the Group's result and financial position, providing additional details to users. The Historical Financial Statements as of and for the year ended December 31, 2015 include comparative figures as of and for the year ended December 31, 2014 giving effect to such revised presentation. In addition, in order to aid comparability of financial information with previous periods, for the purposes of the sections "Summary Financial Information and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group", we have presented financial information as of and for the year ended December 31, 2014 taking into account the abovementioned presentational changes. See Note 2.27 and Note 30 to the Historical Financial Statements for the year ended December 31, 2015 for more details.

## Revenue and Adjusted EBITDA

The following table sets forth the revenues and Adjusted EBITDA by geography based on the Illustrative Aggregated Selected Financial Information, which gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014 and the Pro Forma Financial Information, which gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015.

	Illustrative Aggregated Selected Financial Information <sup>(2)</sup> for the year ended December 31,	Pro Forma Financial Information <sup>(3)</sup> for the year ended December 31,
	2014 <sup>(5)</sup>	2015
<b>€ in millions</b>		
<b>Revenue</b>		
Portugal .....	2,533.0	2,346.3
Israel .....	857.3	923.3
Dominican Republic .....	607.1	694.8
Others <sup>(1)</sup> .....	337.4	357.2
<b>Total Revenue</b> .....	<b>4,334.9</b>	<b>4,321.5</b>
<b>Adjusted EBITDA<sup>(4)</sup></b>		
Portugal .....	934.3	969.1
Israel .....	411.2	429.7
Dominican Republic .....	283.3	360.4
Others <sup>(1)</sup> .....	161.2	161.1
<b>Total Adjusted EBITDA</b> .....	<b>1,790.0</b>	<b>1,920.4</b>
Pro forma Synergies for PT Portugal <sup>(6)</sup> .....		75.0

	Illustrative Aggregated Selected Financial Information <sup>(2)</sup> for the year ended December 31, 2014 <sup>(5)</sup>	Pro Forma Financial Information <sup>(3)</sup> for the year ended December 31, 2015
	€ in millions	
Consolidation Adjustments <sup>(7)</sup> .....		12.4
<b>Pro Forma Adjusted EBITDA</b> .....		<b>2,007.8</b>
Adjusted Capital Expenditures <sup>(8)</sup> .....	795.0	780.5

- (1) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter), our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport (France)) and other activities that are not related to our cored fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.
- (2) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.
- (3) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.
- (4) Adjusted EBITDA is defined as operating income before depreciation and amortization, impairment and non-recurring items (capital gain, non-recurring litigation, restructuring costs) and other adjustments (equity based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is 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. “Adjusted EBITDA” of Altice International presented herein corresponds to “Adjusted EBITDA” as reported by Altice International for financial reporting purposes as of December 31, 2015. For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, see “*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*”.
- (5) Following the completion of the Tricom Acquisition and the Altice Hispaniola Acquisition, the comparative information for the year ended December 31, 2014 has been revised to reflect the impact of the finalization of the purchase price allocation of each of those acquisitions. See Note 2.27 and Note 30 to the Historical Financial Statements for the year ended December 31, 2015 for more details.
- (6) We have realized certain operating synergies from our acquisition of PT Portugal and expect to realize certain additional synergies in the following areas: subcontractor rationalization, increased buying power through combined procurement, reduction in interconnection costs through re routing to Altice’s international backbone, renegotiations of price lists with suppliers, reduction in IT spending, simplification of operating practices, and outsourcing of customer care. These synergy estimates are based on a number of assumptions made in reliance on the information available to us and management’s judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergy benefit estimates.
- (7) Primarily reflects holding company costs included in Adjusted EBITDA incurred at certain parent companies of Altice International.
- (8) Capital Expenditure for the year ended December 31, 2015 accounted for €832.1 million. The amount presented in the table excludes €51.5 million of one-off capital expenditure relating to spectrum/satellite capacity.

## Balance Sheet Data

	Historical Consolidated Financial Information as of December 31,		
	2013	2014	2015
	€ in millions		
Total current assets .....	1,560.6	507.9	1,380.9
Total non-current assets .....	2,935.4	4,370.1	12,141.4
<b>Total assets</b> .....	<b>4,496.0</b>	<b>4,955.2</b>	<b>13,644.4</b>
Total current liabilities .....	704.9	1,007.2	2,645.9
Total non-current liabilities .....	4,052.0	4,080.5	10,329.3
<b>Total liabilities</b> .....	<b>4,756.9</b>	<b>5,110.2</b>	<b>13,059.8</b>
<b>Total equity</b> .....	<b>(261.2)</b>	<b>(154.9)</b>	<b>584.7</b>

## Cash Flow Data

<b>Historical Consolidated Financial Information</b>			
<b>For the year ended December 31,</b>			
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>€ in millions</b>			
Cash and cash equivalents at beginning of year/period.....	129.7	61.3	188.1
Net cash provided by operating activities .....	439.2	742.4	1,460.3
Net cash used in investing activities.....	(678.8)	(478.3)	(1,261.3)
Net cash provided by/(used in) financing activities .....	170.7	(143.3)	(116.7)
Effects of exchange rate changes on the balance of cash held in foreign currencies.....	0.1	5.9	2.4
Cash and cash equivalents linked to assets classified as held for sale at the end of the reporting .....	—	—	(6.8)
<b>Cash and cash equivalents at end of year .....</b>	<b>61.3</b>	<b>188.1</b>	<b>266.0</b>

### Certain As Adjusted Information\*\*

	<b>For the Year ended December 31, 2015</b>
<b>€ in millions</b>	
As adjusted total net debt <sup>(1)</sup> .....	7,891
As adjusted senior net debt <sup>(2)</sup> .....	6,502
Pro Forma Adjusted EBITDA <sup>(3)</sup> .....	2,007.8
Pro Forma Adjusted EBITDA less Adjusted Capital Expenditures.....	1,227
As adjusted cash interest expense <sup>(4)</sup> .....	495
Ratio of as adjusted total net debt to Pro Forma Adjusted EBITDA.....	3.9x
Ratio of as adjusted senior net debt to Pro Forma Adjusted EBITDA.....	3.2x
Ratio of Pro Forma Adjusted EBITDA to as adjusted cash interest expense .....	4.1x
Ratio of Pro Forma Adjusted EBITDA less Adjusted Capital Expenditure to as adjusted cash interest expense .....	2.5x

\*\* Assumes that the Refinancing Transactions are consummated. For further details, see "Capitalization".

- (1) As adjusted total net debt reflects the aggregate principal amount of our debt (including financial leases of Altice) after taking into account the exchange rate effect of derivative instruments with respect to our existing debt minus cash and cash equivalents, in each case on an as adjusted basis after giving effect to the issuance of the Notes and the application of the proceeds therefrom.
- (2) As adjusted senior net debt reflects the aggregate principal amount of our senior debt (including financial leases) after taking into account the exchange rate effect of derivative instruments with respect to our existing debt minus cash and cash equivalents, in each case, after giving effect to the issuance of the Notes and the application of the proceeds therefrom.
- (3) Pro Forma Adjusted EBITDA comprises of €1,920.4 million, which is the Adjusted EBITDA under the Pro Forma Financial Information, plus €11.0 million of corporate costs, €1.4 million of intercompany transactions and €75.0 million of synergies.
- (4) As adjusted cash interest expense represents the gross cash interest expense (including estimated hedging impact) after giving effect to the Refinancing Transactions, which is calculated using the estimated cash interest expense in connection with the debt outstanding incurred in connection with the Refinancing Transactions, the estimated Existing HOT Unsecured Notes, the Existing Revolving Credit Facilities, the 2013 June Senior Notes, the 2013 December Senior Secured Notes, the 2013 December Senior Notes and the 2015 Senior Secured Notes. As adjusted cash interest expense has been presented for illustrative purposes only and does not purport to (i) represent what our interest expense would actually have been had the Refinancing Transactions occurred, (ii) project our interest rate for any future period or (iii) project our financial condition at any future period. Interest expense excludes (a) other financing costs relating to (i) foreign exchange transactions, collection costs and embedded derivatives, (ii) bank charges and credit card commissions and (iii) refinancing and reorganization costs, (b) interest income, (c) the impact of hedging transactions and (d) commitment fees under the Existing Revolving Credit Facility Agreements.

### Key Operating Measures

#### Illustrative Aggregated and Pro Forma Operating Data

<b>As of and for the year ended December 31, 2015</b>					
<b>in thousands except percentages and as otherwise indicated</b>					
	<b>Portugal<sup>(7)</sup></b>	<b>Israel<sup>(6)</sup></b>	<b>Dominican Republic</b>	<b>Others<sup>(8)</sup></b>	<b>Total</b>
<b>CABLE/FIBER/OTHER SYSTEMS B2C .....</b>					
<b>Homes Passed<sup>(1)</sup> .....</b>	<b>4,742</b>	<b>2,395</b>	<b>655</b>	<b>413</b>	<b>8,205</b>
Cable/Fiber Homes Passed.....	2,237	2,395	512	406	5,549
<b>Cable/fiber unique customers<sup>(2)</sup> .....</b>	<b>404</b>	<b>1,027</b>	<b>143</b>	<b>159</b>	<b>1,733</b>
Cable/fiber customer net adds.....	20	(37)	20	8	11



As of and for the year ended December 31, 2015  
in thousands except percentages and as otherwise indicated

	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
Multi-play customers.....	364	483	40	93	980
Multi-play penetration <sup>(3)</sup> .....	90 %	47 %	28 %	58 %	57 %
<b>Total Cable/fiber RGUs<sup>(4)</sup>.....</b>	<b>1,166</b>	<b>2,178</b>	<b>277</b>	<b>329</b>	<b>3,950</b>
Pay TV.....	396	824	128	145	1,493
Pay TV net adds.....	22	(22)	10	5	10
Pay TV penetration.....	18 %	34 %	25 %	36 %	27 %
Broadband.....	371	694	69	95	1,229
Broadband net adds.....	28	(18)	21	10	34
Broadband penetration.....	17 %	29 %	13 %	24 %	22 %
Telephony.....	399	660	81	88	1,228
Telephony net adds.....	23	(12)	26	9	41
Telephony penetration.....	18 %	28 %	16 %	22 %	22 %
RGUs per fiber customer.....	2.9	2.1	1.9	2.1	2.3
Fiber ARPU (EUR) <sup>(5)</sup> .....	39.7	53.6	35.9	—	—
<b>Total DSL/Other RGUs (Incl. DTH).....</b>	<b>2,763</b>	<b>—</b>	<b>300</b>	<b>138</b>	<b>3,201</b>
Broadband.....	741	—	93	52	886
Telephony.....	1,169	—	207	75	1,451
TV.....	852	—	—	11	863
<b>MOBILE B2C.....</b>					
<b>Total mobile subscribers<sup>(6)</sup>.....</b>	<b>6,252</b>	<b>1,229</b>	<b>3,894</b>	<b>223</b>	<b>11,598</b>
Postpaid subscribers.....	2,676	1,199	803	153	4,831
Postpaid net adds.....	283	229	61	14	176
Prepaid subscribers.....	3,576	30	3,092	70	6,767
Mobile ARPU (EUR).....	7.0	11.9	9.7	—	—

As of and for the year ended December 31, 2014  
in thousands except percentages and as otherwise indicated

	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
<b>CABLE/FIBER/OTHER SYSTEMS B2C</b>					
<b>Homes Passed<sup>(1)</sup>.....</b>	<b>—</b>	<b>2,343</b>	<b>473</b>	<b>412</b>	<b>3,228</b>
Fiber Homes Passed <sup>(1)</sup> .....	1,732	2,343	330	403	4,808
<b>Cable/fiber Unique Customers<sup>(2)</sup>.....</b>	<b>384</b>	<b>1,064</b>	<b>123</b>	<b>156</b>	<b>1,727</b>
Cable/fiber customer net adds.....	31	(63)	14	6	(11)
Multi-play customers.....	332	482	17	81	912
Multi-play penetration <sup>(3)</sup> .....	86 %	45 %	14 %	52 %	53 %
<b>Total Cable/fiber RGUs<sup>(4)</sup>.....</b>	<b>1,094</b>	<b>2,237</b>	<b>210</b>	<b>300</b>	<b>3,841</b>
Pay TV.....	374	853	118	143	1,488
Pay TV net adds.....	38	(19)	7	8	26
Pay TV penetration.....	22 %	36 %	36 %	35 %	31 %
Broadband.....	343	713	44	82	1,182
Broadband net adds.....	44	(26)	9	13	25
Broadband penetration.....	20 %	30 %	13 %	20 %	25 %

**As of and for the year ended December 31, 2014  
in thousands except percentages and as otherwise  
indicated**

	<u>Portugal<sup>(7)</sup></u>	<u>Israel<sup>(6)</sup></u>	<u>Dominican Republic</u>	<u>Others<sup>(6)</sup></u>	<u>Total</u>
Telephony .....	376	671	48	76	1,171
Telephony net adds .....	43	(9)	16	12	46
Telephony penetration .....	22	29	15	19	24
	%	%	%	%	%
RGUs per cable/fiber customer .....	2.8	2.1	1.7	1.9	2.2
<b>ARPU<sup>(5)</sup></b>					
Fiber ARPU (EUR).....	38.5	48.5	30.2	—	—
<b>Total DSL/Other RGUs (Incl. DTH) .....</b>	<b>2,859</b>	<b>—</b>	<b>335</b>	<b>185</b>	<b>3,379</b>
<b>RGUs</b>					
Broadband .....	752	—	99	68	919
Telephony .....	1,251	—	236	103	1,590
TV .....	857	—	—	14	871
<b>MOBILE B2C</b>					
<b>Subscribers</b>					
<b>Total mobile subscribers<sup>(6)</sup>.....</b>	<b>6,380</b>	<b>974</b>	<b>3,574</b>	<b>217</b>	<b>11,146</b>
Postpaid subscribers .....	2,394	970	(36)	(12)	3,316
Postpaid net adds .....	824	(3)	61	2	768
Prepaid subscribers .....	3,987	4	2,846	77	6,914
<b>ARPU<sup>(5)</sup></b>					
Mobile ARPU (EUR) .....	7.3	14.9	9.2	31.4	—

**Cable/Fiber-Based Services ARPU Growth and Multi-play Penetration**

	<b>For the year ended December 31,</b>	
	<u>2014</u>	<u>2015</u>
<b>Portugal<sup>(7)</sup></b>		
Fiber ARPU (€) .....	38.5	39.7
Growth (%).....	—	3.1
Multi-play Penetration (%) .....	86	90
<b>Israel</b>		
Fiber ARPU (€) .....	48.5	53.5
Growth (%).....	—	10.5
Multi-Play Penetration (%) .....	45	47
<b>Dominican Republic</b>		
Fiber ARPU (€) .....	30.2	35.9
Growth (%).....	—	18.8
Multi-Play Penetration (%) .....	14	28
<b>Others<sup>(10)</sup></b>		
Multi-Play Penetration (%) .....	52	58

- (1) In Portugal, total Homes Passed includes DSL homes enabled for IPTV outside of PT Portugal's fiber footprint. In the Dominican Republic, total Homes Passed includes DSL homes outside of the fiber footprint. Homes passed in Israel represents the total number of homes in the country.
- (2) Fiber unique customers represents the number of individual end users who have subscribed for one or more of our fiber based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. The total number of Fiber customers does not include subscribers to either our mobile or ISP services.
- (3) Fiber penetration rates for our pay television, broadband and telephony services are presented as a percentage of fiber homes passed.
- (4) RGUs, or Revenue Generating Units, 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 are counted on a per service basis and RGUs for telephony are counted on a per line basis.

- (5) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel and the Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for Q4-15, EUR 0.2319 = ILS 1.00, EUR 0.020 = 1 DOP.
- (6) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile networks. In Israel, the total number of mobile subscribers includes B2C and B2B (B2B is not disclosed separately) split between iDEN and UMTS services as follows:

	<b>As of 31 December,</b>	
	<b>2014</b>	<b>2015</b>
	<b>in thousands</b>	
<b>Mobile Subscribers</b> .....		
iDEN.....	172	138
UMTS.....	802	1,091
<b>Total</b> .....	<b>974</b>	<b>1,229</b>

- (7) Portugal represents operating measures of the PT Portugal Group (which we acquired on June 2, 2015). We disposed of our interests in the Cabovisão Group pursuant to regulatory conditions attached to the PT Portugal Acquisition on January 20, 2016.
- (8) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories.

## RISK FACTORS

*An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in these Listing Particulars. 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 our ability to make payments on the Notes and could therefore have a negative effect on the trading price of the Notes. Described below and elsewhere in these Listing Particulars are the risks considered to be the most material, although there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. These Listing Particulars 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 these Listing Particulars. See "Forward-Looking Statements".*

*In this section, unless the context otherwise requires, the terms "Group", "we", "us" and "our" refers to Altice International and its subsidiaries.*

### Risks Relating to Our Financial Profile

***Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations under the Notes or 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, 2015, as adjusted to give effect to all changes to our capital structure since December 31, 2015, (including this Offering and the Refinancing Transactions), we had total third party debt (including finance leases but excluding other liabilities) of €8,373 million. In addition, we will also have the ability to draw up to \$80 million under the 2012 Revolving Credit Facility, up to \$80 million under the 2013 Revolving Credit Facility, up to €330 million under the 2015 Super Senior Revolving Credit Facility, up to €501 million under the 2014 Pari Passu Revolving Credit Facility and up to €15 million under the 2013 Guarantee Facility. As of the Issue Date, we have drawn a total of €435 million under the Existing Revolving Credit Facility Agreements.

Even though our parent, Altice Luxembourg, also owns the Altice France Group, our financing structure is separate from that of the Altice France Group. Each financing group is subject to covenants that restrict the use of their respective cash flows outside their respective restricted group (including between the Group and the Altice France Group and between Altice Luxembourg and either of the two groups and Altice Luxembourg). Consequently, cash flows from operations of any of the restricted groups may not be applied to meet the obligations of any other restricted group. In addition we carry out certain financing activities at holding companies that are not a part of the financing groups.

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 under the Notes;
- 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 fixed-based and mobile-based B2C 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 ability to satisfy our debt obligations under the Notes.

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 provide any assurance 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 portion 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 Notes. 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 2012 Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility Agreement, the Existing HOT Unsecured Notes, 2014 Pari Passu Revolving Credit Facility Agreement and the 2015 Super Senior Revolving Credit Facility Agreement, which require us to maintain specified financial ratios. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios.

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

***A substantial amount of our indebtedness will mature before the Notes, and we may not be able to repay our indebtedness or refinance such indebtedness at maturity on favorable terms, or at all.***

Of the €8,373 million of total third party debt we would have had outstanding as of December 31, 2015 (including long-term finance leases but excluding other liabilities), as adjusted to give effect to all changes to our capital structure since December 31, 2015 (including the Offering and the Refinancing Transactions), €5,690 (equivalent) of our borrowings, will mature prior to the maturity dates of the Notes.

Our ability to refinance our indebtedness, on favorable terms, or at all, will depend in part on our financial condition at the time of any contemplated refinancing. Any refinancing of our indebtedness could be at higher interest rates than our current debt and we may be required to comply with more onerous financial and other covenants, which could further restrict our business operations and may have a material adverse effect on our business, financial condition, results of operations and prospects and the value of the debt that remains outstanding. We cannot provide assurance as to our ability to refinance our indebtedness as it comes due on commercially acceptable terms or at all and, in connection with the refinancing of our debt or otherwise, we may seek additional refinancing, dispose of certain assets, reduce or delay capital investments, or seek to raise additional capital.

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

We have €1,070.0 million as adjusted for the Offering and the Refinancing Transaction of floating rate debt outstanding as of December 31, 2015. In addition, any amounts we borrow under the 2012 Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility Agreement, 2014 Pari Passu Revolving Credit Facility Agreement and the 2015 Super Senior Revolving Credit Facility Agreement, bear or will bear interest at a floating rate. Further, as of December 31, 2015, we had an amount equivalent to €138 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 Israeli Shekel. The primary transactional currency of PT Portugal, Coditel, Outremer and Le Cable is the Euro. The primary transactional currency of Green is Swiss Francs. The primary transactional currency of Tricom and Altice Hispaniola is the Dominican Peso. Our existing debt is primarily denominated in U.S. dollars, Euros and New Israeli Shekels although the amounts of debt incurred in such currencies 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 and future ratings downgrades of sovereign debt (such as of Portugal) may have a material adverse effect on our financial condition.***

A downgrade in our credit rating (including due to the effects of the economic conditions described below) may negatively affect our ability to obtain future financing (including from financial institutions, retail investors and banks) to fund our operations and capital needs. Any downgrade of our ratings could have even more significant effects on our ability to obtain financing and therefore on our liquidity. It 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.

Our credit rating may be impacted by a number of factors, including the effects of the economic conditions in the countries in which we operate and any future rating downgrades of sovereign debt of these countries. For example, against the backdrop of the Eurozone crisis, the increased risk perception also led to consecutive downgrades of Portuguese sovereign debt by the rating agencies.

Because the financial condition, revenues and profitability of our operating subsidiaries are closely linked to the economies of their countries of operations, we expect that the ratings under Moody's, S&P's and Fitch's ratings methodologies of the Group will also be impacted by the sovereign debt rating. Any deterioration in the economic condition of the other countries in which we operate or any ratings downgrade of sovereign debt of these countries may have a material adverse impact on our financial conditions.

**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 varies in each of our countries of operation and for each of the products and services we offer. For our fixed services, 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. For our mobile services we face competition from other mobile operators who own and operate a mobile network as well as from providers of VoIP and MVNOs. For our wholesale services our key competitors include but are not limited to, wholesale providers of voice, data and fiber services.

In some instances, our competitors may have easier access to financing, more comprehensive product ranges, lower financial leverage, 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.

There has been a trend of consolidation of telecommunications operations on a number of countries in which we operate. Mergers, joint ventures, and alliances among franchised, wireless, or private cable operators, satellite providers, local exchange carriers, and other telecommunication service providers, in any of the jurisdictions in which we operate may provide additional benefits to some of our competitors, either through access to financing, resources, or efficiencies of scale, or the ability to provide multiple services in direct competition with us. Competition may also increase following the creation of public-private joint ventures.

Because the telecommunications and mobile markets in certain of the geographic markets in which we operate are reaching saturation, there are a limited number of new subscribers entering the market and therefore in order to increase our subscriber base and market share we are dependent on attracting our competitors' existing subscribers, which intensifies the competitive pressures we are subject to. Moreover, the competitive landscape in those countries is generally characterized by increasing competition, tiered offerings that include lower priced entry-level products and a focus on multi-play offerings including special promotions and discounts for customers who subscribe for multi-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 multi-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 TV services in certain jurisdictions compete with providers who provide IPTV services to customers in our network areas utilizing DSL or VDSL broadband internet connections. In the broadband internet market, we generally face competition from mobile operators as they are increasingly able to utilize a combination of progressively powerful handsets and high bandwidth technologies, such as UMTS and LTE technology. Mobile services, including those offering advanced higher speed, higher bandwidth technologies and 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.

New players from sectors that are either unregulated or subject to different regulations (including internet players such as Yahoo, Google, Microsoft, Amazon, Apple, YouTube, Netflix and other audiovisual media players which operate OTT (of an existing broadband internet network) have also emerged as competitors to our video content offering. These players are taking advantage of improved connectivity and platform agnostic technologies to offer over the top and cloud based services. Telecommunications operators are expected to maintain traditional access services and billing relationships over which users access services from adjacent players such as well known companies offering music, video, photos, apps and retail. 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.

Moreover, we are also facing competition from non-traditional mobile voice and data services based on new mobile voice over the internet technologies, in particular OTT applications, such as Skype, Google Talk, Facetime, Viber and WhatsApp. These OTT applications are often free of charge, accessible via smartphones and allow their users to have access to potentially unlimited messaging and voice services over the internet, thus bypassing more expensive traditional voice and messaging services (SMS/MMS) provided by mobile network operators like us, who are only able to charge the internet data usage for such services. With the growing share of smartphone users in the jurisdictions in which we operate, there is an increasing number of customers using OTT services. All telecommunications operators are currently competing with OTT service providers who leverage existing infrastructures and are often not required to implement capital-intensive business models associated with traditional mobile network operators like us. OTT service providers have



over the past years become more sophisticated and technological developments have led to a significant improvement in the quality of service, particularly in speech quality. In addition, players with strong brand capability and financial strength, such as Apple, Google or Microsoft, have turned their attention to the provision of OTT audio and data services. In the long-term, if non-traditional mobile voice and data services or similar services continue to increase in popularity and if we, or more generally all the telecommunications operators, are not able to address this competition, this could cause declines in ARPU, subscriber base and profitability across all of our products and services, among other material adverse effects.

In addition, we may face increasing competition from a large-scale roll-out of public WiFi networks by local governments and utilities, transportation service providers, new and existing WiFi telecommunications operators and others, which particularly benefits OTT applications. Due to the ability to leverage their existing infrastructure and to roll out public WiFi in a cost-efficient way, our competitors may be better positioned to offer their customers public WiFi access at attractive terms and conditions or as part of their current mobile and landline offerings, which may affect our ability to retain or acquire customers. Furthermore, our competitors may realize cost savings by off-loading mobile data traffic onto their own WiFi networks or those of their partners in order to reduce costs and increase bandwidth more quickly or efficiently than we can. An increase in public WiFi networks could also cause declines in ARPU and profitability as demand for our network and services decreases.

The following is an overview of the competitive landscape in Portugal, Israel and the Dominican Republic:

### *Portugal*

In Portugal, notwithstanding increases in PT Portugal's revenues and market share from pay TV services in recent years, PT Portugal has experienced pressure from its competitors to reduce monthly subscription fees. The competitive landscape has changed significantly as a result of the merger in 2013 of ZON Multimédia—Serviços de Telecomunicações e Multimédia, SGPS, S.A. ("ZON"), the largest cable operator, and Optimus SGPS, S.A. ("Optimus"), the third largest mobile operator, to create NOS SGPS, S.A. ("NOS"), a new integrated telecommunications operator in Portugal. We expect to face competition from Cabovisão, which we disposed of in January 2016, under its new ownership. In broadband, we compete with Vodafone Portugal, which intends to significantly expand its currently limited FTTH footprint, as well as NOS whose high speed broadband coverage is greater than that of PT Portugal. In the fixed telephony market, PT Portugal has experienced, and may continue to experience, erosion of market share of both access lines and of outgoing domestic and international traffic as result of the trend toward the use of mobile services instead of fixed telephone services. Additionally, all mobile players have launched fixed telephony services based on their mobile networks, which are directly competing for the same customers. Competition is intensified by mobile operators NOS and Vodafone with large mobile operations but a limited (although growing) fixed line network. Mobile operators can bypass PT Portugal's international wireline network by interconnecting directly with fixed line and mobile networks either in its domestic network or abroad. Competition is also forcing down the prices of fixed line voice services for long distance and international calls, as operators have been offering unlimited voice communications for all national and several international fixed destinations. Lowering international call prices has caused a decline in PT Portugal's revenues from international fixed line voice services. We expect competition from operators with services based on VoIP to also place increasing price pressure on voice tariffs. In addition, in July 2014, ANACOM concluded its consultation regarding the fixed termination fee cost model and submitted it to public consultation, proposing to heavily reduce such fees from €0.1114/min to €0.068/min. The final decision by ANACOM related to the proposal is still pending and may negatively affect our revenues. The decrease in fixed line voice traffic and lower prices resulting from competition have significantly affected PT Portugal's overall revenues, and we expect these factors to continue to negatively affect revenues in the future.

Furthermore, in its final decision of August 2015, ANACOM approved a new decrease to mobile termination fees to €0.0083/min. Further reductions to €0.0079/min in July 2016 and €0.0073/min in July 2017 are anticipated. At the retail level, our existing Portuguese mobile competitors, Vodafone and NOS, will continue to market their services aggressively, resulting in similarly priced offers for all major mobile players in the market.

Moreover, in its decision of July 23, 2015, ANACOM imposed provisional measures which reduced the prices charged by the PT Portugal Group in leasing out its Continent-Azores-Madeira (CAM) lines by 50%. A significant further reduction is anticipated during the course of 2016 following ANACOM's revised analysis of the market, which may negatively affect our revenues.

### *Israel*

In Israel in the multi-channel television market our main competitor is D.B.S. Satellite Services (1998) Ltd, a subsidiary of Bezeq, which provides satellite technology based multi-channel television services under the brand "YES". As of December 2014, Cellcom also began to offer broadcast services to subscribers. Pursuant

to the Antitrust Commissioner's decision dated September 1, 2014, for a period of 2 years HOT may not prevent anyone, other than someone who held a broadcasting license on September 1, 2014, from purchasing rights in local productions, with the exception of new productions (as defined in the decision). 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 (such as Netflix and other applications). 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. 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 VDSL and potentially even faster DSL variants and the possibility of widespread FTTX 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. Recent regulatory changes requiring Bezeq and HOT to fulfil certain service obligations with a view to create a market for broadband infrastructure access and fixed telephony services may also result in increased competition from other service providers such as ISPs and IPTV providers who utilize our cable networks to provide internet services. These regulatory changes may have a negative impact on our results. 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 IBC 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. To the best of our knowledge, the joint venture has begun to deploy its optical network in different cities in Israel. Competition in providing fixed line telephony service is intense and is expected to increase as a result of the creation of the wholesale market 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. Other competitors provide fixed-line telephony services over broadband (VoB), among them Cellcom and Partner.

In Israel our mobile service, HOT Mobile, competes with three principal mobile network operators, namely Cellcom, Partner and Pelephone, who between them are estimated to directly represent over 78% of the total market for mobile services in Israel as of December 31, 2015 by number of mobile customers. The three principal mobile operators in Israel benefit from strong brand recognition even though HOT Mobile has been leading the Israeli cellular market in terms of subscriber acquisitions since August 2015. This is a reflection of the increased brand recognition associated with HOT Mobile brand resulting from our extensive marketing activities and distribution capabilities.

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*

In the Dominican Republic, our key competitors in the pay TV business are Claro, cable operator Aster and Wind Telecom. 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. In the broadband internet and fixed line telephony markets Tricom is the second largest provider next to Claro with a national market share of approximately 25% and 22%, respectively, according to management estimates, as of December 31, 2015. Concentration in the fixed telephony market is also high, with Claro and Tricom together accounting for a market share of over 86% (approximately 64% and 22% market shares, respectively) as of December 31, 2015. 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 multi-play uptake only expected to mitigate this deterioration in part. Tricom and Claro are currently the only quad-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.

In the mobile market of the Dominican Republic, Altice Hispaniola's and Tricom's key competitor is Claro, the incumbent mobile operator. Further, a MVNO could successfully enter the mobile telecommunications market in the Dominican Republic, which could materially impact Altice Hispaniola's 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.

We also have operations in the French Overseas Territories, Belgium and Luxembourg that face competition and competitive pressure risks similar to those described above.

***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.***

Our competitors may deploy fiber and/or VDSL2 networks allowing for download speeds and bandwidths which may rival those achieved by our network. If our competitors deploy or significantly expand their fiber networks they may be able to compete with our pay TV 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. 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.

***The current macroeconomic environment is highly volatile, and continuing instability in global markets may jeopardize our growth targets, have a material adverse effect on our business, financial condition and results of operations and significantly increase our cost of debt.***

Our operations are subject to macroeconomic and political risks that are outside of our control. The current macroeconomic environment is highly volatile, and continuing instability in global markets, including the ongoing struggles in Europe related to sovereign debt issues, the risk of deflation and the stability of the Euro, has contributed to a challenging global economic environment. High levels of sovereign debt in the U.S. and certain European countries combined with weak growth and high unemployment, could lead to 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 business and financial operations. In Europe, future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the EU Commission to address debt burdens of certain countries in Europe and the overall stability of the Eurozone. As a result, we cannot predict how long challenging conditions will exist or the extent to which the markets in which we operate may deteriorate.

With regard to currency instability issues, concerns exist in the Eurozone with respect to individual macro fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual Eurozone countries. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the Euro entirely, which could result in the redenomination of a portion, or in the extreme case, all of the Group's Euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of the Group's assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could have a material adverse impact on the Group's liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the Eurozone countries, which in turn could have an adverse impact on demand for our products, and accordingly, on its revenue and cash flows. Moreover, any changes from Euro to non-Euro currencies in countries in which we operate would require us to modify its billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill its customers or prepare and file required financial reports. In light of the significant exposure that we have to the Euro through its Euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our business.

Furthermore, continued hostilities in the Middle East and 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 U.S. economy and remains vulnerable to external shocks (e.g. economic declines in other emerging market countries). Any decrease in visitors, a downturn in the U.S. 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 increase the cost of capital. As a result of the disruptions in the credit markets, many lenders have increased interest rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts) or refused to refinance existing debt at all or on terms similar to pre-crisis conditions. Changes in interest rates and exchange rates may also adversely affect the fair value of our assets and liabilities. If there is a negative impact on the fair values of our assets and liabilities, we could be required to record impairment charges.

These negative macroeconomic developments in the markets in which we operate, 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 would be likely to adversely affect the demand for and pricing of our B2B and wholesale services as a result of businesses and governments reducing spending. Therefore, a weak economy and negative economic development in the markets in which we operate may jeopardize our growth targets and may have a material adverse effect on our business, financial condition and results of operations.

***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.

***Changes in financial accounting standards may cause unexpected revenue fluctuations and affect our reported results of operations***

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by our management to be reasonable under the circumstances and at the time. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources. Areas requiring more complex judgments may shift over time based on changes business mix and industry practice which could affect our reported amounts of assets, liabilities, income and expenses. In addition, management's judgments, estimates and assumptions and the reported amounts of assets, liabilities, income and expenses may be affected by changes in accounting policy. In May 2014, the International Accounting Standards Board ("IASB") issued a new accounting standard for revenue recognition - IFRS 15 "Revenue from Contracts with Customers"—that will come into effect in 2018 and supersedes nearly all existing revenue recognition guidance that we currently comply with, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Although we are currently in the process of evaluating the impact of IFRS 15 on our consolidated financial statements and have not yet selected a transition method, it is likely to change the way we account for certain of our sales transactions from the date of its implementation. Adoption of the standard could have a significant impact on our financial statements. In particular, the measurement and presentation of certain revenue items may be affected, which could have a material impact on our net income despite having no impact on cash flows from operations.

In January 2016, the IASB issued a new standard coming into effect in January 2019, IFRS 16 "Leases", which is meant to supersede the current standard (IAS 17) and its current interpretations. The Group has not yet evaluated the impact that this standard might have on the financial statements of the Group, particularly as the new standard addresses the treatment of operating and other lease arrangements that are today recorded as off balance sheet contingent financial liabilities, which may have an impact on our leverage and overall debt reporting. For further details on new accounting standards that may have a significant impact on our

consolidated financial statements, please refer to Note 1.3 of the consolidated financial statements of Altice International as of and for the year ended December 31, 2015 included in these Listing Particulars.

***We may have exposure to greater than expected tax liabilities***

Any change in local or international tax rules, for example prompted by the OECDs emerging recommendations on Base Erosion and Profits Shifting (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax authorities, may have an adverse effect on the Group's tax status and its financial results. Any changes may also affect the return on an investors' investment in the Group and result in changes in personal tax rates and tax relief.

Significant judgment is required in determining the Group's tax positions, amongst others corporate income tax and value added tax (VAT). In the ordinary course of business, there are transactions where the ultimate tax determination is uncertain. Additionally, calculation of the tax positions is based in part on interpretations of applicable tax laws in the jurisdictions in which the Group operates. Although the Group believes its tax estimates are reasonable, there is no assurance that the final determination of its tax positions will not be materially different from what is reflected in its statement of income and related balance sheet accounts. Should additional taxes be assessed as a result of new legislation, tax litigation or an audit, if the tax treatment should change as a result of changes in tax laws, or if the Group were to change the locations in which the Group operates, there could be a material effect on its results of operation or financial position.

***PT Portugal Group's pro forma and aggregated revenues have decreased over the past year, partially as a result of reduced interconnection rates and competitive pressures and this trend may continue***

PT Portugal Group's aggregated revenue decreased from €2,533.0 million in the year ended December 31, 2014 to €2,346.3 million in the year ended December 31, 2015. We believe that the decrease in revenues of PT Portugal Group have resulted primarily from lower revenues in the enterprise customers category as a result of cost-cutting initiatives by clients driven by the macroeconomic and financial conditions in Portugal and due to decreases in mobile prices due to a highly competitive marketplace. We believe that the decrease has also resulted from lower mobile termination rates imposed by the Portuguese telecommunications regulator (the *Autoridade Nacional das Comunicações*, or ANACOM). The reductions in mobile termination rates have had and will continue to have a negative effect on PT Portugal's cash flows and revenues. In the future ANACOM's interconnection price controls may also negatively affect PT Portugal's revenues from the wholesale market for voice call termination on individual public telephone networks at a fixed location, the fixed line residential services market and the wholesale business, which records revenues from international incoming calls transiting through its network that terminate on the networks of mobile and other fixed operators.

We expect this trend of declining revenue for PT Portugal Group to be reflected in its results for the first quarter of 2016 and, while we expect to implement business plans and cost reduction measures to address this trend, PT Portugal Group may continue to see declining revenue in the 2016 fiscal year and beyond, which could have an adverse effect on our business. PT Portugal Group accounted for 54% of the Pro Forma consolidated revenue of the Group and 50% of the Pro Forma Adjusted EBITDA of the Group for the last twelve months ended December 31, 2015.

***We have a history of losses and may report losses in the future.***

We reported historical net losses of €208.4 million, €195.5 million, and €276.9 million, for years ended December 31, 2013, 2014 and 2015, respectively. We may incur losses in the future due to, among other things, interest expenses, depreciation and capital expenditure. While a portion of any future losses may consist of depreciation and amortization expenses, which do not directly impact our cash flow, future losses may adversely affect our business and limit our ability to engage in equity or debt financings.

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

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

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

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

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

More generally, any armed conflicts, terrorist activities or political instability in the region would likely negatively affect business conditions and could harm our results of operations, including following termination of such conflicts, due to a decrease in the number of tourists visiting Israel. Beginning in 2010 and continuing to date several countries in the region, in particular 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 as a result of the nuclear deal between Iran and the United States, which has boosted Iran's capacity to support President Bashar Assad in the Syrian civil war, and following Russia's involvement in the war, which is likely to further strengthen the Assad regime in Syria.

***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 Israel or its allies might be involved, or military or trade disruptions affecting us or our customers may adversely affect our 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 fixed and mobile 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. Furthermore, new practices and the use of multiple applications may increase bandwidth requirements, which could lead to network saturation and force telecommunications operators to make additional investments to increase their infrastructure capacity. 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.

***Our long-lived assets may become impaired in the future, which could cause a non-cash charge to our earnings.***

The valuations of certain of our assets in connection with acquisitions have resulted in increases to the book value of long lived assets, including property, plant and equipment, and intangible assets. Amortizable long-lived assets must be reviewed for impairment whenever indicators of impairment exist. Non-amortizable long-lived assets are required to be reviewed for impairment on an annual basis or more frequently whenever indicators of impairment exist. Indicators of impairment could include, but are not limited to:

- an inability to perform at levels that were forecasted;
- a permanent decline in market capitalization;
- implementation of restructuring plans;
- changes in industry trends; and/or
- unfavorable changes in our capital structure, cost of debt, interest rates or capital expenditures levels.

Situations such as these could result in an impairment that would require a material non-cash charge to our results of operations and could have a material adverse effect on our consolidated results of operations.

***Our business is subject to risks of earthquakes, fire, power outages, floods, and other catastrophic events that can be further intensified due to the developing threat of climate change***

Our networks and operations may be subject to interruptions by natural disasters, including, but not limited to hurricanes, fire, floods and earthquakes and other events beyond our control. As we operate in certain jurisdictions in which existing infrastructure and telecommunications equipment (such as cables and mobile towers) may not be able to withstand a major natural disaster and/or in which emergency response time may be significant, prolonged recovery time could be required to resume operations. Moreover, certain countries and territories in which we operate are exposed to the developing threat of climate change and in the future they may be affected by the environmental impact of thereof, such as rising sea and air temperatures, extreme weather conditions or food shortages, which, in turn, could have an effect on the habitability of such countries and territories and the cost and feasibility of providing telecommunications services. We have experienced similar disruptions in the past in our French Overseas Territories and in our business in the Indian Ocean.

***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. The World Health Organization has classified the radiofrequency electromagnetic fields linked particularly with the use of cordless phones as “possibly carcinogenic to humans”, but, to date, no adverse health effects have been established as being caused by mobile phone use.

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 Israeli government has contemplated, and in Portugal the government has adopted, measures to regulate matters related to exposure

to electromagnetic waves. These have not, thus far, had a material impact on our business but there can be no guarantee that any future measures adopted in a jurisdiction in which we operate will not have a material adverse impact on our business. 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 are unable to obtain attractive programming on satisfactory terms for our pay TV services, the demand for these services could be reduced, thereby lowering revenue and profitability.***

The success of our basic and premium pay TV services depends on access to an attractive selection of television programming from content providers. The ability to provide movies, sports and other popular programming, including VOD content, is a major factor that attracts subscribers to pay TV 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. We also rely on certain of our competitors for the provision of certain content offerings. In addition, to the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable, we may be forced, or determine for strategic or business reasons, to remove such programming channels from our line-up and may decide to replace them with other programming, which may not be available on acceptable terms or be as attractive to customers. There can be no assurance that our expiring programming contracts will be renewed on favorable or comparable terms or at all, or that the rights we negotiate will be adequate for us to execute our business strategy. 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.

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, whereas 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. 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.

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.

***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 TV, 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 Portugal 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 Nokia Solutions and Networks ("NSN") as a turnkey contractor to plan and build the new UMTS network. A cessation or interruption in the supply of the products and/or services by NSN 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.

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

Historically, our business has grown, in part, through a significant number of selective acquisitions that enabled us to take advantage of existing networks, service offerings and management expertise. Since 2010, we have acquired HOT in Israel, PT Portugal in Portugal, Outremer and Mobius in the French Overseas Territories, Tricom and Altice Hispaniola in the Dominican Republic, as well as majority controlling equity interests in Coditel with operations in Belgium and Luxembourg. We may continue to grow our business through acquisitions of cable and telecommunications businesses that we believe will present opportunities to create value by generating strong cash flows and operational synergies.

Any acquisition or other strategic transaction we may undertake in the future could result in the incurrence of debt and contingent liabilities and an increase in interest expenses and amortization expenses related to goodwill and other intangible assets or in the use by us of available cash on hand to finance any such acquisitions. We may experience difficulties in integrating acquired operations into our business, incur higher than expected costs and fail to realize all of 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. There can be no assurance that we will be successful in completing business acquisitions or integrating previously acquired companies. 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.

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. For example, in connection with the PT Portugal Acquisition, we entered into a commitment with the European Commission to dispose of Cabovisão and ONI. The Cabovisão Disposal was completed in January 2016 with the sale of Cabovisão and ONI to Apax France.

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.

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. 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.

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.

***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.

We have in the past experienced significant levels of customer dissatisfaction as a result of operational difficulties. For example, we have experienced such dissatisfaction as a result of our third party customer service and technical support provider in Israel allocating insufficient resources to manage the intake and connection arrangements for potential new subscribers between July and August 2013. 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, contributing to increased churn and/or limiting or slowing 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 TV 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 have also experienced revenue declines in other segments, such as our B2B business in Portugal, as a result of customer losses and general price pressure. We may continue to experience further revenue declines in this segment, which we may not be able to offset with the introduction of new services, depending on technological trends, customer consumption patterns and competitive behavior in the market.

***Our brands are subject to reputational risks and we may not be successful in establishing a new brand identity for the products and services marketed by our operating companies.***

The brands under which we sell our products and services, including MEO, HOT, Coditel, Orange Dominicana, Tricom and ONLY, are well recognized brands in Portugal, Israel, Belgium and Luxembourg, the Dominican Republic and the French Overseas Territories, as applicable. We have developed the brands we use through extensive marketing campaigns, website promotions, customer referrals, and the use of a dedicated sales force and dealer networks. 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, sporees, 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 which 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. Furthermore, Altice Hispaniola currently 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 a period of three to five years after the closing of the Altice Hispaniola Acquisition in 2014, although this agreement may be terminated early in certain circumstances. The value of the "Orange" brand name has been recognized by Altice Hispaniola's suppliers and customers. We will need to expend significant time, effort and resources to establish a new brand name in the marketplace for Altice Hispaniola'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.

***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. In the European Union, a draft European regulation dated January 25, 2012 is expected to be formally adopted by the European Parliament and Council at the beginning of 2016. The new rules will become applicable two years thereafter. This regulation will affect the procedures and implementation of personal data processes by the Group, and will significantly increase the penalties which might be imposed on the Group in case of breach. 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 and the risk of possible attacks or breaches of the data processing systems remains, which could give rise to penalties and damage their reputation. 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.

***Our reputation and business could be materially harmed as a result of, and we could be held liable, including criminally liable, for, data loss, data theft, unauthorized access or successful hacking.***

Our operations depend on the secure and reliable performance of their information technology systems. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target. We may therefore be unable to anticipate these techniques or to implement effective and efficient countermeasures in a timely manner.

If third parties manage to gain access to any of our information technology systems, or if such systems are brought down, third parties may be able to misappropriate confidential information, cause interruptions in the Group's operations, access the Group's services without paying, damage its computers or otherwise damage the Group's reputation and business. While the Group continues to invest in measures to protect their networks, any such unauthorized access to the Group's cable television service could result in a loss of revenue, and any failure to respond to security breaches could result in consequences under the Group's agreements with content providers, all of which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, as an electronic communications services provider, may be held liable for the loss, release or inappropriate modification or storage conditions of customer data or

the wider public, which are carried by its network or stored on its infrastructures. In such circumstances, the Group could be held liable or be subject to litigation, penalties, including the payment of damages and interest, and adverse publicity that could adversely affect its business, financial condition and results of operations.

***Our employees may engage in misconduct or other improper activities, which could harm our business***

Given the size and geographic spread of the Group, we are likely to be exposed to instances of employee fraud, including, but not limited to, payroll fraud, falsification of expense claims, thefts of cash, assets or intellectual property, false accounting and other misconduct. Individual employees may also act against our instructions and either inadvertently or deliberately violate applicable law, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients, or our internal policies. In addition, because we delegate a number of operational responsibilities to our subsidiaries and our local managers retain autonomy regarding the management of our operations in their markets, we may face an increased likelihood of the risks described above occurring. We also subcontract many of our maintenance, customer service, installation and other activities to third party suppliers acting on our behalf and instances of fraud perpetuated by employees of these suppliers might also expose us to claims and/or may have a detrimental impact on our brand and reputation.

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

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 (including class actions) 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, 2015, in respect of each lawsuit, which in the aggregate amounted to €109.5 million, which 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.

***Our business may suffer if we cannot continue to license or enforce the intellectual property rights on which our business depends or if we are subject to claims of intellectual property infringement***

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 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. 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. 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 may divert management's attention and resources away from our business.

***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 TV packages and for billing our customers, which 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.

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

Our business is characterized by rapid technological change and the introduction of new products and services. If any new or enhanced technologies, products or services that we introduce fail to achieve broad market acceptance or experience technical difficulties, our revenue growth, margins and cash flows may be adversely affected. As a result, we may not recover investments that we make in order to deploy these technologies and services. Enhanced fixed service 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. We may not be able to fund the capital expenditures necessary to keep pace with technological developments. It is possible that alternative technologies that are more advanced than those we currently provide may be developed. We may not obtain the expected benefits of our investments if more advanced technology is adopted by the market. Even if we adopt new technologies in a timely manner as they are developed, the cost of such technology may exceed the benefit to them. 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 TV 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.

In addition, we will need to expend significant capital expenditures to fulfill the universal service obligation and to upgrade the parts of our networks that are xDSL. There can be no assurance that we will have sufficient capital to finance such upgrades or that such upgrades will generate a positive return.

***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 the results of our operations.

In addition, interconnection agreements and interconnection rates are normally subject to regulation in the jurisdictions in which we operate. Reduced interconnection rates and other decisions by regulators may have a material impact on our revenues.

***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 November 2013 we entered into a network sharing agreement with Partner pursuant to which HOT Mobile and Partner will own equal shares of a newly formed limited partnership, which shall hold, develop and operate an advanced shared mobile network for both companies in Israel. Regulatory approval for the network sharing agreement was obtained on April 20, 2015 and such agreement remains valid until December 31, 2028. The network sharing agreement 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. See “*Description of Our Business—Material Contracts—Network Sharing Agreement with Partner in Israel*”. HOT Mobile has roaming contracts, which provide our customers with 3G and 4G roaming services outside of Israel, which automatically renew 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 August 2015, following the completion of the tender process related to the allocation of 1.8 GHz spectrum rights, the Israeli Ministry of Communications allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum, enabling HOT Mobile to provide 4G LTE services to its customers. Pursuant to its network sharing agreement with Partner, HOT has committed to share the investment costs associated with the upgrade of 4G network infrastructure with Partner.

In Belgium, we do not own a mobile network and we rely on mobile virtual network operator agreements with BASE to provide mobile services. We have entered into a MVNO agreement with BASE to provide us with MVNO services for a period of three years until December 2017. If we are unable to renew or replace the services provided by these operators with respect to network sharing, roaming or MVNO services on favorable terms, our business and results of operations may be negatively affected. Moreover, 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.

***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. 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.

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

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

As the number of our customers and the services that we offer our customers increases, the complexity of our product offerings and network architecture also increases, as does network congestion. A failure to manage the growth and complexity of our networks could lead to a degradation of service and network disruptions that could harm our reputation and result in a loss of subscribers.

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, 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 certain of the jurisdictions in which we operate, 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 fixed based 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. 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. 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.

***PT Portugal Group has significant post-retirement benefit and healthcare obligations, the payment of which may have an adverse effect on its business and, therefore, our ability to service our debt obligations.***

As of December 31, 2015, the projected benefits obligations of the PT Portugal Group's post-retirement benefits, including pension supplements, healthcare benefits and salaries payable to pre-retired and suspended employees amounted to €1,073 million (€115 million for pension supplements, €317 million for healthcare benefits and €641 million mainly related to salaries payable to pre-retired and suspended employees). Salaries payable to pre-retired and suspended employees are obligations under individual agreements with employees to pay employees a significant portion of their previous existing salary to not work (or to work part-time) until retirement. In Portugal, there is no legislation on the establishment of funds to cover the healthcare obligations and the salaries for pre-retired and suspended employees, and the PT Portugal Group is required to pay for these benefits only when the salaries are paid to pre-retired and suspended employees, or when healthcare expenses are incurred. Accordingly, there is no requirement to fund these benefits obligations at present, however PT Portugal Group has nevertheless set up a fund managed by a subsidiary, PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A., to finance the such healthcare-related post-retirement liabilities. No similar fund has been established to pay salaries owed to pre-retired and suspended employees. The value of the obligations referred to above may also fluctuate, depending on demographic, financial, legal or regulatory factors that are beyond our control. For example, the legal retirement age was raised to 66 years in 2014 and to 66 years and two months in 2016 and may be raised further in the future. Further increases to the retirement age in Portugal would increase our obligations to pay salaries to suspended and pre-retired employees. The payment of these obligations by PT Portugal Group may have an adverse effect on its business, the performance of the Group.

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

We conduct our business in multiple jurisdictions, including in Portugal, Israel, the Dominican Republic, Belgium, the French Overseas Territories, Luxembourg and Switzerland. 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 (which may be more vulnerable to volatility as well as political and economic instability than developed markets). These risks include, among other things:

- differing economic cycles and adverse economic conditions;
- political instability (including expropriation and political violence or disturbance);
- the burden of complying with a wide variety of foreign laws and regulations;
- unexpected changes in the regulatory environment and/or governmental policies;



- varying tax regimes;
- fluctuations in currency exchange, interest rates and inflation (particularly in emerging markets, such as the Dominican Republic, which has historically experienced high rates of inflation);
- inability to collect payments or seek recourse under or comply with ambiguous or vague commercial or other laws;
- varying degrees of concentration among suppliers and customers;
- insufficient protection against violations of our intellectual property rights;
- foreign exchange controls and restrictions on repatriation of funds; and
- difficulties in attracting and retaining qualified management and employees, or further rationalizing our work force;
- significant oil price increases; and
- challenges caused by distance, language and cultural differences.

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

***The 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 the Dominican Republic, 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. Our equity interests in certain of the subsidiaries, in which third parties hold a minority equity stake, are subject to shareholder agreements partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those interests. We have also entered into certain shareholder arrangements with the Outremer Minority Shareholders at the Altice Caribbean level. 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. 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.

**Risks Relating to Legislative and Regulatory Matters**

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

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

Although the regulations applicable to our businesses vary depending on jurisdiction, such regulations may include, amongst other things:

- in certain jurisdictions, price regulation for certain of the services we offer, exit fees and cancellation charges;
- rules governing the interconnection between different telephone networks and the interconnection rates that we can charge and that we pay;
- requirements that, under specified circumstances, a cable system carry certain broadcast stations or obtain consent to carry a broadcast station;
- rules for authorizations, licensing, acquisitions, renewals and transfers of licenses and franchises;
- requirements that we provide or contribute to the provision of certain universal services;
- rules and regulations relating to subscriber privacy and data protection;
- rules and regulations relating to our networks, including universal access obligations imposed on us, co-installation and co-location obligations (including our submarine cable landing stations), right of way and ownership considerations;
- rules governing the copyright royalties;
- requirements on portability; and
- other requirements covering a variety of operational areas such as equal employment opportunity, emergency alert systems, disability access, technical standards, environmental standards, city planning rules and customer service and consumer protection requirements.

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

In Israel, we are also subject to, among other things, regulations requiring us to maintain structural separation between our cable television, broadband internet infrastructure access and fixed line telephony, ISP and mobile subsidiaries, regulations restricting the number of channels we can own and specifying the minimum investment we are required to make in local content productions (with the requirement to increase from the current 8% of our annual television revenues from subscriber fees to 9% of our annual television revenues from subscriber fees in 2017) and 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. The Israeli Ministry of Communications has 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. Further, the Israeli Ministry of Communications has issued regulatory instructions, including the method of setting wholesale service rates and, in the case of Bezeq, the maximum rates that can be collected by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018, in an attempt to create a wholesale market for broadband internet infrastructure access and fixed line telephony services 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 2016, the Ministry of Communications published a hearing regarding the maximum tariffs for supplying wholesale services over HOT Telecom's network for the years 2015-2018. Currently, no final decision has been made following the hearing. Should the wholesale market develop, certain requirements for structural separation and bundling of products that apply to Bezeq and us may be lifted, and at the same time, competition in the broadband internet infrastructure access market may increase significantly which could negatively affect or results of operations. In addition, in 2014, the Ministry of Communications has proposed to review every new retail offer made by HOT and Bezeq to new or existing subscribers, to avoid 'margin squeeze practices' but no decision was made in this respect. In October 2015, the Minister of Communications appointed an advisory committee to advise on the regulation of

the broadcast market. In February 2016, the advisory committee published report setting out its recommendations in relation to regulations that will apply to new and existing operators in the broadcasting area; regulations that will apply with respect to the commercial channels; the investments rates in local productions and other issues. HOT has submitted its response to the hearing. In addition, in March 2016, the Cable & Satellite Broadcasting Council published a decision with respect to a new policy regarding setting tariffs and offerings of HOT. This policy may limit our ability to increase prices in existing plans.

In addition, we are subject to antitrust rules and regulations and are, from time to time, subject to review by authorities concerning whether we exhibit monopoly power in any of the market in which we operate. To the extent that we are deemed by relevant authorities to exhibit significant market power, we can be subject to various regulatory obligations adversely affecting our results of operations and profitability. 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. Currently, we are considered to have significant market power in the following markets: Portugal, Israel and the Dominican Republic. No assurance can be given that we will not be identified as having significant market power in any relevant markets in the future and that we will not be subject to additional regulatory requirements.

***The European Commission's review of roaming charges may continue to lead to a reduction in revenues from mobile services***

The European Commission, or EC, regulates the roaming charges that may be charged in the wholesale market and the retail market in Europe. These regulations extend to data and SMS, or text messaging. On July 1, 2012, the previous roaming regulations were replaced by a new version, known as "Roaming III" which will expire on June 30, 2022. In addition to setting maximum voice roaming rates (subject to a glide path) that may be charged with respect to the wholesale and retail market, for voice, data and SMS services, Roaming III also features (1) extended transparency and consumer protection measures ("bill shock") that go beyond the EU territory, (2) the introduction of an obligation for mobile operators in the wholesale market to provide reasonable network access in order to allow roaming services and (3) the decoupling of roaming services from other services, while enabling a consumer to use the same number.

The Roaming III regulations have had, and are expected to continue to have an adverse effect on the revenues of our mobile businesses in the European Union and on our results of operations. In addition, the EC's proposed "Connected Continent" legislation, which is described in the next risk factor, could lead to the elimination of roaming charges for calls within the EU, which would similarly have an adverse effect on us. In Switzerland, similar regulations may be adopted in the future in connection with the amendment process of the Swiss federal law on telecommunications.

***The European Commission's proposed "Connected Continent" legislation could adversely affect our businesses in the European Union***

The EC is finalizing its plans to pass a legislative package implementing a single telecommunications market—the so called "Connected Continent" legislation—in order to stimulate the provision of cross-border European services. The draft legislation, in its initial wording, addresses matters such as a single European authorization and convergence of regulatory remedies, a standard EU wholesale broadband access product, the harmonization of spectrum authorization procedures, net neutrality and transparency, international mobile roaming and international calls, and consumer protection.

In its latest form, the legislative package approved by the European Parliament on April 3, 2014, provides, among other things, for (1) the cancellation of retail market roaming tariffs by December 15, 2015, which would result in operators no longer being able to differentiate between retail domestic and roaming communications within EU mobile networks, (2) clear rules for traffic management and the obligation of operators to assure a certain quality of service and (3) reinforced consumer rights.

In December 2014, the Body of European Regulators for Electronic Communications approved the working documents in view of a workshop to be held in February 2015. On January 8, 2015, the European Council issued its Draft Council Conclusions on Single Market Policy, which calls for the information of competitiveness tests by the end of 2015. The Connected Continent regulation, as part of the Single Digital Market, is included in the Commission's Work Programme for 2015, no precise legislative planning has been released yet. The legislation has not been enacted yet.

If approved, this legislation is expected to have an adverse effect on our businesses in the European Union due to anticipated price decreases, higher operational costs and increased competition.

***Burdensome regulation in an open market may put PT Portugal at a disadvantage to its competitors and could adversely affect its business***

The Portuguese electronic communications sector is fully open to competition. However, many regulatory restrictions and obligations are still imposed on PT Portugal. On October 9, 2014, the European Commission adopted a new European Relevant Markets Recommendation that replaced the 2007 Recommendation and further reduced the number of relevant markets subject to ex-ante regulation. ANACOM is reanalyzing the retail and wholesale markets to identify which markets are still relevant for regulatory intervention and which electronic communications operators and service providers, if any, it considers to have significant market power in those markets. The analysis of markets 3a-3b/2014 (wholesale local and central access at a fixed location) and 4/2014 (wholesale high-quality access at a fixed location) are anticipated to begin in 2016. The imposition of new regulatory obligations on PT Portugal's fiber network is possible, depending on ANACOM's analysis of the market 4/2014. According to its strategic plan, the analysis of markets 1/2014 (FTR), 2/2014 (MTR) and 2/7007 (market for fixed call origination under the previous recommendation) are each expected in the second half of 2017, and will be concluded within one year thereafter. Additionally, ANACOM is determining the regulatory remedies that should be imposed on those operators and service providers.

ANACOM has reanalyzed some of the markets defined under the European Relevant Market Recommendation and issued findings that PT Portugal had significant market power in certain markets, including the wholesale market for call termination on individual public telephone networks provided at a fixed location, the market for call termination on individual mobile networks, the market for the provision of wholesale (physical) network infrastructure access and the wholesale leased lines terminating segments market. In December 2013, ANACOM launched a public consultation on a draft decision regarding the reanalysis of the retail markets for fixed access and telephony services and of the wholesale market of call origination at a fixed location. ANACOM is proposing to withdraw the existing retail regulation on those markets while keeping the wholesale call origination market fully regulated.

In certain cases, such as the wholesale broadband access market and the wholesale leased lines trunk segments market, ANACOM has segmented the markets into "C" (competitive) and "NC" (non-competitive) segments and issued a finding that PT Portugal had significant market power in the non-competitive segments. ANACOM has the power to impose remedies to increase competition in those markets. However, ANACOM has not completed the review of all the markets identified by the European Relevant Market Recommendation, and we expect that ANACOM will reduce the adverse impacts of the remedies imposed on PT Portugal. However, additional reviews by ANACOM could include other markets, such as access to next generation networks. For example, on February 6, 2012, ANACOM approved a draft decision concerning the review markets for wholesale physical network infrastructure access at a fixed location, or Market 4, and markets for wholesale broadband access, or Market 5. Pursuant to this draft decision, ANACOM proposed to include high speed broadband networks (e.g. FTTH networks) in order to require operators with Significant Market Power, or SMP, to provide access to these networks. In this connection, pursuant to this draft decision, ANACOM intends to maintain its previous 2008 finding that PT Portugal is an SMP operator in the national wholesale market for access to network infrastructure at a fixed location and in the broadband access wholesale market in non-competitive areas.

With respect to Market 4, in addition to the obligation of granting unbundled access to copper loops, subloops, ducts and poles at the national level, in its February 6, 2012 draft decision, ANACOM proposed to impose on PT Portugal a geographically differentiated obligation to provide its wholesale customers with virtual access to optical fiber (advanced bitstream). The analysis review procedure was not concluded, mainly due to the changes that took place in the domestic market during 2013 and 2014 (including the merger between ZON and Optimus, investments initiated by Vodafone for the expansion of its fiber networks and the infrastructure sharing agreement entered into between PT Portugal and Vodafone) and the publication, in September 2013, of the EC's recommendation on NGA non-discrimination and costing methodologies. In light of these developments, a new ANACOM consultation on Markets 4 and 5 is expected in the near future.

With respect to the wholesale leased line markets, in which PTC was declared an operator with Significant Market Power, ANACOM decided to make ethernet circuits subject to a retail minus rule and approved a final decision amending PTC's leased lines reference offer and ethernet accesses reference offer in 2012. At the same time, ANACOM extended PTC's co-installation obligations under its regulated reference offers to its submarine cable landing stations.

We receive correspondence from ANACOM from time to time regarding compliance with such and other regulations. If we are found to be in breach of such regulations, the regulators may impose penalties, fines or additional obligations on us to rectify such breaches which may have an adverse effect on our business operations. Remedies imposed by ANACOM may also require PT Portugal to provide services in certain markets or geographic regions or to make investments that it would otherwise not choose to make. In addition, PT Portugal incurred, and may still have to incur, expenses to adapt its operations to changing

regulatory requirements and to ensure regulatory compliance. The resources PT Portugal may be required to fulfil our regulatory obligations in Portugal could adversely affect its ability to compete.

***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, franchises, permits and similar authorizations to own and operate our networks and to broadcast our signal to our customers. These authorizations generally require that we comply with applicable laws and regulations, meet certain solvency requirements and maintain minimum levels of service. Should we fail to comply with these, 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 of licenses could have a material adverse effect on our results of operations and financial condition and prevent us from conducting our business. In addition, such authorizations are generally granted for fixed terms and must be periodically renewed. The procedure for obtaining or renewing these licenses can be long and costly and authorities often demand concessions or other commitments as a condition for renewal. In addition, these licenses may not be obtainable or renewable in a timely manner or at all. In some instances, such authorizations have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without an authorization while negotiating renewal terms with the local franchising authorities. Should we not be able to obtain or renew the licenses needed to operate or develop our business in a timely fashion, our ability to realize our strategic objectives may be compromised. In certain cases our mobile licenses require us to comply with certain obligations (population coverage, sharing in certain areas, national roaming) and we may suffer adverse consequences if we are not able to comply with these obligations. In certain countries, we have provided significant bank guarantees 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 the Dominican Republic, Altice Hispaniola was awarded a concession and is licensed to provide telecommunications services. Altice Hispaniola's concession was originally granted under a concession agreement with Indotel in 1996 and was due to expire on August 1, 2015. Altice Hispaniola presented a formal renewal request to Indotel on April 27, 2015. According to applicable law, in the event that the concession agreement expires without a formal renewal, Indotel may automatically renew the agreement for another 20 year term. If Altice Hispaniola 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 such approval. Altice Hispaniola has filed an application for renewal and it is awaiting Indotel to provide a new template Concession Agreement. In addition, Altice Hispaniola currently holds a number of frequency license certificates issued by Indotel. All of Altice Hispaniola's frequency licenses are valid until August 1, 2015. We cannot guarantee that Indotel will approve Altice Hispaniola's renewal request for its concession or for its frequency licenses. However, Indotel may only refuse the renewal of the concession in cases of breach of concession terms or administrative sanctions. Furthermore, certain regulatory approvals, such as new build permits, may be required for Altice Hispaniola 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 Altice Hispaniola 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 Altice Hispaniola's concession or frequency licenses or if Altice Hispaniola fails to obtain any regulatory approvals that are required, our business, financial condition and results of operations following the Altice Hispaniola Acquisition could be materially adversely affected.

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

Altice Hispaniola's activities as a mobile network operator in the Dominican Republic are subject to regulation and supervision by various Dominican Republic authorities, in particular Indotel. Since 2002, Indotel has issued a series of decrees and resolutions in order to implement the National Frequency Allocation Plan ("PNAF"), the objective of which is to reorganize the radio spectrum in the Dominican Republic and make more bands available for operators to provide mobile services. Frequency migration is currently in progress and concerns Altice Hispaniola, among other operators. For example, Altice Hispaniola 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 Altice Hispaniola in exchange for other frequencies.

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

We are subject to planning laws when we upgrade or expand our networks. In particular, our current installation of the UMTS network in Israel is subject to compliance with the National Zoning Plan 36 (TAMA 36) and the directives issued thereunder, which are aimed at reducing the danger of radiation and the damage to the environment. The cost of complying with TAMA 36 can be substantial and there is currently a regulatory process underway to amend TAMA 36 which would place substantial limitations and further increase the cost of erecting our UMTS network. In addition, the local loop of our networks is generally located aboveground. Local municipal governments generally have the authority to require us to move these network lines underground. Usually, we are able to coordinate with other utility suppliers to share the costs associated with moving lines underground but no assurance can be given that we will always be able to do so. Nevertheless, the costs of complying with municipal orders can be substantial and may not be 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 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 nisi 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 claimed that the exemption relating the erecting of access network devices for HOT Mobile and Golan Telecom should only be valid until June 30, 2014. The Supreme Court has not passed judgment on this however and until a final decision has been passed by the Supreme Court however, HOT Mobile will be allowed to continue the deployment of its UMTS network.

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, 2015, we had approximately 346 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.

The resolution of any 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.

***Portugal Telecom SGPS, S.A., the former parent of the PT Portugal Group, is subject to an ongoing investigation by the Central Department of Penal Investigation and Action relating to purchase of commercial paper issued by Rio Forte Investments S.A.***

There is an ongoing investigation by the Central Department of Penal Investigation and Action (“Departamento Central de Investigação e Ação Penal”) involving Portugal Telecom SGPS, S.A., which is not a Group company, related to the purchase by PT International Finance BV and PT Portugal (subsidiaries of Portugal Telecom SGPS, S.A. at the date of the purchase) of certain commercial paper issued by Rio Forte Investments S.A. (the “Rio Forte Investigation”). In connection with this process, on January 6, 2015, investigators searched the Lisbon offices of Portugal Telecom SGPS, S.A. The Rio Forte Investigation concerns, among other things, suspicion of aggravated fraud (“burla qualificada”). Based on public statements by Portugal Telecom SGPS, S.A., they intend to cooperate fully with the authorities. As we did not control PT Portugal during the period to which the Rio Forte Investigation relates, we have very limited information with respect to the facts and circumstances surrounding the subject matter of the Rio Forte Investigation. In addition, because the Rio Forte Investigation is non-public, we do not know who is being investigated or if any PT Portugal employees are the subject of the Rio Forte Investigation. Oi S.A. has warranted in the PT Portugal Acquisition Agreement that, upon closing of the PT Portugal Acquisition, neither PT Portugal nor any other member of the PT Portugal Group would be bound by any ongoing obligation towards Portugal Telecom SGPS, S.A. in connection with the commercial paper of Rio Forte Investments S.A. In addition, the PT Portugal Acquisition Agreement contains certain undertakings regarding indemnity of PT Portugal by Oi S.A. for certain adverse consequences which may have been or may be incurred by PT Portugal as a result of the purchase, holding or transfer of the Rio Forte Investments S.A. commercial paper. We intend to assess any risk of liability under applicable bribery and corruption laws, understand if there has been any historic misconduct which involved PT Portugal Group and take any remedial measures we deem necessary. We cannot assure you that additional information will not come to light which may materially and adversely affect the value of our investment in the PT Portugal Group or may expose any employees of PT Portugal to liability, sanctions or penalties by the authorities conducting the Rio Forte Investigation. If any such new information comes to light or if a member of management of PT Portugal is found liable and/or subject to sanctions or penalties, this may have a material adverse effect on the operations of PT Portugal and the value of your investment in the Notes may suffer.



***There are uncertainties about the legal framework under which we own and operate certain of our networks.***

Our systems depend on extensive physical facilities (lines, network, headends, switches and radio stations) in which telecommunication equipment (mainly cables) is installed. Significant portions of those physical facilities occupy public rights of way and are subject to governmental regulations. Other portions occupy private property under express or implied easements or pursuant to leases, and many miles of the cable are attached to utility poles governed by pole attachment agreements or other commercial arrangements. No assurances can be given that we will be able to maintain and use our facilities in their current locations and at their current costs. Changes in governmental regulations or changes in these relationships could have a material adverse effect on our business and our results of operations.

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

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

***Our relations with our employees could be affected by changes in the competitive landscape.***

We operate in highly competitive and changing markets, which requires us to constantly adapt and anticipate and adopt new measures in order to preserve our competitiveness and efficiency. This leads to regular changes to our organizations, which require the employees affected to adapt. This process requires mobilization and motivation of teams with the Group's objectives. As a result, our business could be affected by deterioration in labor relations with our employees, staff representative bodies or unions. Our ability to maintain good relations with our employees, staff representative bodies and unions is crucial to the success of our various projects. Therefore, we must continuously consult with staff representatives in order to ensure the success of our current and future projects, which may delay the completion of certain projects. Furthermore, projects may be poorly received by employees and lead to a deterioration in labor relations, which could, in turn, lead to declines in productivity and possible labor disputes (e.g. strikes, disruptions), which could have a material adverse effect on our business, financial condition and results of operations. In 2014, negotiations with representative labor organizations led to the signature of fifteen collective agreements, signed by most organizations. In February 2016, collective agreements were signed by HOT with the workers union and the National workers Histadrut, for a 3 year period. Nevertheless, difficulties in finalizing these collective agreements cannot be excluded.

In addition, planned decisions may not be well received by employees and may lead to a deterioration of the social climate, causing decreases in productivity and potential social conflicts (work interruptions, disruptions, etc.). Such situations could have a material adverse effect on the business, financial situation and operational results of the Group.

***The loss of certain key executives and personnel, failure to apply the necessary managerial and operational resources to our growing business or 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 and the principal shareholder of Altice. 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 (including allocation of his time to any other business interests) or any of these key executives and employees could cause disruptions in our business operations, which could materially adversely affect our 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.

In our business, we rely on sales forces and call center employees to interface with the major part of our residential customers. Their reliability is key, as is our relationship with employee representatives. Some of our employees currently belong to organized unions and works councils, and there can be no assurance that more employees will not form or join unions in the future. 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 interests of Altice Luxembourg, our majority shareholder may be inconsistent with the interests of the Noteholders.***

Altice indirectly owns all of the voting interests in the Issuer as of the date of these Listing Particulars. The interests of Altice may conflict with your interests as holders of the Notes. Altice will be able to appoint a majority of the Issuer's and each other group entity's board of directors and to determine our corporate strategy, management and policies. In addition, Altice will have control over our decisions to enter into any corporate transaction and will have the ability to prevent any transaction that requires the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as our debt instruments and the intercreditor agreements to which we are party permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenues, each of which could adversely affect the holders of the Notes.

**Risks Relating to the Notes and the Structure**

***The Issuer is a special purpose vehicle company with limited assets other than its interests in the Issuer Pledged Proceeds Notes and is dependent upon cash from Altice International and its subsidiaries to meet its obligations.***

The Issuer is a special purpose vehicle company with no business or revenue generating operations other than the issuance of the relevant Existing Senior Secured Notes and the Notes issued hereby. The only significant assets of the Issuer consist of cash in its bank accounts and its interest in the Issuer Pledged Proceeds Notes. As such, the Issuer will be wholly dependent upon payments under the Issuer Pledged Proceeds Notes and other payment from members of the Group thereunder in order to service its debt obligations under the Notes to the extent it does not have cash to meet its obligations thereunder. Furthermore, the Indenture and the Existing Indentures prohibit the Issuer from engaging in any activities other than certain limited activities. See "*Description of Notes—Certain Covenants—Limitation on Issuer Activities*", "*Description of Other Indebtedness—The 2012 Notes—The 2012 Senior Secured Notes*", "*Description of Other Indebtedness—The 2012 Notes—The 2012 Senior Notes*", "*Description of Other Indebtedness—The 2013 June Senior Notes*", "*Description of Other Indebtedness—The 2013 June Senior Notes*", "*Description of Other Indebtedness—The 2013 June Senior Notes*", "*Description of Other Indebtedness—The December 2013 Notes*", "*Description of Other Indebtedness—The 2013 December Senior Secured Notes*", "*Description of Other Indebtedness—The 2013 December Senior Notes*", "*Description of Other Indebtedness—The 2015 Notes—The 2015 Senior Secured Notes*", "*Description of Other Indebtedness—The 2015 Notes—The 2015 Senior Notes*".

The ability of members of the Group to make such payments will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors" and elsewhere in these Listing Particulars. Furthermore, the payment of dividends and the making, or repayment, of loans and advances to the Issuer by Altice International's subsidiaries are subject to various restrictions. Existing and future debt of certain of these subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to the Issuer or its parent entities. In addition, the ability of any of Altice International's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws, requirements that dividends must be paid out of reserves available for distribution and other legal restrictions which, if violated, might require the recipient to refund unlawful payments.

Although the Indenture, the Existing Indentures, the 2015 Term Loan, the 2013 Guarantee Facility, the Existing Revolving Credit Facility Agreements and the trust deeds governing the Existing HOT Unsecured Notes limit, or will limit, the ability of Altice International's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer, there are significant qualifications and exceptions to these limitations. We cannot assure you that arrangements with Altice International's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of Altice International's subsidiaries will provide the Issuer or Altice Holdings, Cool Holding,

Hadaros and HOT with sufficient dividends, distributions or loans to fund payments on the Existing Senior Notes Proceeds Loans and the Issuer Pledged Proceeds Notes, as applicable, when due. See “*Description of Other Indebtedness*” and “*Description of Notes*”.

***Altice International and most of the other Guarantors are holding companies and conduct no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Guarantees.***

Each of Altice International, Cool Holding, Hadaros, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Portugal and Altice Bahamas is a holding company and conducts no business operations of its own and none of them has significant assets other than the shares it holds in its subsidiaries.

The ability of the direct or indirect subsidiaries of these Guarantors to pay dividends or to make other payments or advances to them will depend on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject and, in some cases, receipt of such payments or advances may be subject to onerous tax consequences. See “—*The granting of the Guarantees and the HOT Refinancing Notes Guarantees and security interests under the Collateral by Cool Holding, Hadaros and HOT may be considered a “distribution” under Israeli law*”.

Each of Cool Holding and Hadaros has no significant assets other than the shares it holds in HOT. We cannot assure you that HOT will report net profit in future years, which in light of legal requirements in Israel relating to the distribution of dividends, may impact its ability to make distributions to Cool Holding and/or Hadaros and in turn impact the ability of the Issuer to make payments of principal and interest on the Notes. Under Israeli laws, a company may only make distributions up to the amount of the greater of (i) its retained earnings and (ii) its cumulative net income over the preceding eight quarters (and provided that it meets the solvency test (as defined under Israeli law)), which will be reduced by the amount of distributions already made to the extent not already reflected in, the calculation of distributable profits. Our other operating subsidiaries may have similar or other restrictions on the ability to pay dividends or make other distributions.

There can be no assurance that arrangements with Altice International’s, Cool Holding’s, Hadaros’s, Altice Holdings’s, Altice West Europe’s, Altice Caribbean’s, Altice Portugal’s and Altice Bahamas’s direct and indirect subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of such subsidiaries will provide Altice International, Cool Holding, Hadaros, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Portugal and Altice Bahamas, as applicable, with sufficient dividends, distributions or loans to fund payments under their respective Guarantees, and, in turn, fund payments by the Issuer under the Notes, when due.

***The Notes may be treated as issued with original issue discount for U.S. federal income tax purposes.***

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated principal amount exceeds its issue price by at least a defined *de minimis* amount. If a Note is treated as issued with original issue discount, investors subject to U.S. federal income tax will be subject to tax on that original issue discount as ordinary income as it accrues, generally in advance of the receipt of cash payments attributable to that income (and in addition to qualified stated interest). See “*Tax Considerations—Certain U.S. Federal Income Tax Considerations*”.

***Your right to receive payments under the Notes may be structurally or effectively subordinated to the claims of certain existing and future creditors of Altice International’s subsidiaries that do not guarantee the Notes.***

Not all of our subsidiaries guarantee the Notes. Generally, claims of creditors of a non Guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Guarantees. In the event of any foreclosure, dissolution, winding up, liquidation, administration, reorganization or other insolvency or bankruptcy proceeding of any of our non Guarantor subsidiaries, holders of their debt (including the Issuer as lender under the HOT Refinancing Notes, the Coditel Senior Facilities Agreement and any other intercompany loan to such subsidiaries and the holders of the other debt of such subsidiaries and their trade creditors) and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Guarantees will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non Guarantor subsidiaries.

Holders of the Notes have the indirect benefit of the security granted under the HOT Refinancing Notes, the HOT Refinancing Notes Guarantees and the Coditel Senior Facilities Agreement which will be pledged by the

Issuer for the benefit of holders of the Notes. The obligations under the HOT Refinancing Notes and the HOT Refinancing Notes Guarantees will rank senior in right of payment to all other obligations of HOT and the HOT Refinancing Notes Guarantors up to the lesser of the value of the assets securing the HOT Refinancing Notes and the amount of obligations outstanding thereunder. To the extent the amounts outstanding under the HOT Refinancing Notes exceed the value of the assets securing it, such excess amounts will rank *pari passu* in right of payment with all other senior unsecured obligations of HOT and the HOT Refinancing Notes Guarantors, including the Existing HOT Unsecured Notes and claims of any trade creditors. With respect to amounts in excess of the amount outstanding under the HOT Refinancing Notes, the Notes and the Guarantees will be structurally subordinated to the obligations of HOT and its subsidiaries, including with respect to the Existing HOT Unsecured Notes and claims of any trade creditors. In addition, the obligations under the Coditel Senior Facilities Agreement will rank senior in right of payment to all other obligations of the obligors thereunder up to the lesser of the value of the assets securing the Coditel Senior Facilities Agreement and the amount of obligations outstanding thereunder. To the extent the amounts outstanding under the Coditel Senior Facilities Agreement exceed the value of the assets securing it, such excess amounts will rank *pari passu* in right of payment with all other senior unsecured obligations of the obligors thereunder, including claims of any trade creditors. With respect to amounts in excess of the amount outstanding under the Coditel Senior Facilities Agreement, the Notes and the Guarantees are structurally subordinated to the obligations of the obligors under the Coditel Senior Facilities Agreement, including with respect to claims of any trade creditors.

HOT Mobile and its subsidiary are not guarantors of the HOT Refinancing Notes and the Notes and, as a result, the Notes are structurally subordinated to all obligations, including with respect to claims of trade creditors, of HOT Mobile and its subsidiary, and any other subsidiary of HOT that does not guarantee the HOT Refinancing Notes or the Notes. In the event of an insolvency, liquidation or other reorganization of any of Altice International's subsidiaries that are not Guarantors of the Notes, holders of their debt (including the Issuer as lender under the HOT Refinancing Note, the Coditel Senior Facility and any other intercompany loan to such subsidiaries and the holders of the other debt of such subsidiaries and their trade creditors) will typically be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Altice International or the other Guarantors.

***The value of the Collateral may not be sufficient to satisfy our obligations under the Notes and such Collateral may be reduced or diluted under certain circumstances, which may be time consuming and cumbersome, and certain Collateral and Guarantees will be limited to a specified maximum amount.***

In the event of foreclosure on the Collateral, the proceeds from the sale of the Collateral that secures the Notes may not be sufficient to satisfy our obligations under the Notes. The value of the Collateral and the amounts to be received upon a sale of such Collateral will depend upon many factors, including, among others, the ability to sell any or all of our subsidiaries' shares in an ordinary sale and the availability of buyers. Although the Notes indirectly benefit from collateral securing certain intercompany debt (including collateral security the HOT Refinancing Notes and the Coditel Senior Facilities Agreement) through the assignment of such intercompany debt, the Notes do not have a direct benefit of such collateral and the Security Agent will be unable to enforce over such collateral except if an event of default has occurred and is continuing under the relevant intercompany debt. See "*—The guarantees of, and the Collateral securing, certain intercompany debt that is pledged to secure our senior secured debt, including the Notes*" and guarantees thereof, will not directly secure the Notes.

Certain Collateral and Guarantees will be limited to an agreed maximum amount. The maximum aggregate amount of obligations (i) guaranteed by Altice Portugal and (ii) secured by the pledge over the shares in PT Portugal, which limitation applies to all indebtedness so guaranteed and/or secured on an aggregate basis, is €95 million. The maximum amount of obligations secured or guaranteed by PT Portugal will be € 4,634.4 million and PT OpCo €968.4 million. As a result, these entities will not have a direct obligation to the holders of the Notes once these limits have been reached, as applicable.

No appraisal of the fair market value of the Collateral has been made in connection with this offering of Notes. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. The value of the Collateral could be impaired in the future as a result of changing economic and market conditions, our failure to successfully implement our business strategy, competition and other factors. The Collateral may include intangible or other illiquid assets that by their nature may not have a readily ascertainable market value, whose value to other parties may be less than its value to us, or may not be readily saleable or, if saleable, there may be substantial delays in their liquidation. In addition, the value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.

In the event of a liquidation, insolvency, foreclosure, bankruptcy, reorganization or similar proceeding, the value of the Collateral and the amount that may be received upon a sale of Collateral will depend upon many factors including, among others, the condition of the Collateral and our industry, the ability to sell the Collateral in an orderly sale, market and economic conditions, whether the business is sold as a going concern, the

availability of buyers and other factors. With respect to any shares of our subsidiaries pledged to secure the Notes and the Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency, liquidation, winding up or other similar proceedings in relation to the entity's shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, courts could limit recoverability with respect to the Collateral if they deem a portion of the interest claim usurious in violation of applicable public policy. As a result, liquidating the Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes. We cannot assure you of the value of the Collateral or that the net proceeds received upon a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding would be sufficient to repay all amounts due on the Notes. If the proceeds of Collateral were not sufficient to repay amounts outstanding under the Notes, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against our remaining assets. See *“—It may be difficult to realize the value of the Collateral securing the Notes”*.

The Indenture permits the granting of certain liens other than those in favor of the holders of the Notes on the relevant Collateral securing the Notes. To the extent that holders of other secured indebtedness or third parties enjoy such liens, including statutory liens, whether or not permitted by the Indenture or the security documents governing the Collateral, such holders or third parties may have rights and remedies with respect to the Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes, to the extent such Notes are secured by such Collateral. Moreover, if the Issuer issues additional Notes under the Indenture or Existing Indentures, holders of such additional Notes would benefit from the same Collateral as the holders of the relevant series of Notes being offered hereby, thereby diluting holders of Notes' ability to benefit from the liens on the Collateral securing their series of Notes.

The Intercreditor Agreement provides for detailed enforcement mechanisms with respect to the Collateral. Please see *“Description of Other Indebtedness—Intercreditor Agreement”*.

***The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes, as applicable. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.***

The security interests in the Collateral that secure our obligations under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of the Notes but have been or will be granted only in favor of the Security Agent (other than the Swiss law governed share pledge agreement over the shares in Green where the Security Agent is also acting as direct representative of the secured creditors). The security interests in any collateral that secures any of our non Guarantor subsidiaries under any secured intercompany debt (including the collateral securing the HOT Refinancing Notes, the HOT Refinancing Notes Guarantees and the Coditel Senior Facilities Agreement) will not be granted directly to the Issuer but have been or will be granted in favor of the security agent (if any) thereunder. See *“—The guarantees of, and the Collateral securing, certain intercompany debt that is pledged to secure our senior secured debt, including the Notes and guarantees thereof, will not directly secure the Notes”*. The Indenture provides (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes do not have direct security interests (other than the Collateral governed by Portuguese Law deemed to have been granted directly in favor of the secured creditors) and have not been or will not be entitled to take enforcement action in respect of the Collateral securing such series of Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral securing such series of Notes.

The appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions, depending on the type of the security interests. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended, a security (financial collateral) may be provided in favor of a person acting on behalf of the collateral taker, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis à vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security aimed at by such law.

The security documents governing the granting of the Collateral are governed by the laws of a number of jurisdictions. Bankruptcy laws could prevent the Security Agent on behalf of the holders of the Notes from repossessing and disposing of the Collateral upon the occurrence of an event of default if a bankruptcy proceeding is commenced by or against the relevant grantor of such Collateral before the Security Agent repossesses and disposes of the Collateral. See *“—Enforcing your rights as a holder of the Notes or under the Guarantees or security across may prove difficult or provide less protection than U.S. bankruptcy law”*.

***The holders of the Notes' ability to recover under the Collateral and the Guarantees may be limited. Before any amounts are available to repay the Notes, lenders under our 2012 Revolving Credit Facility, our 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and certain hedge counterparties will have a right to be repaid with the proceeds realized following the enforcement of all or part of the Collateral.***

The obligations under the Notes and the Guarantees are secured by security interests over the Collateral which were granted to secure obligations under the Senior Secured Debt pursuant to the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the lenders under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and such hedging arrangements will have priority over the holders of the Notes with respect to the proceeds from the enforcement of the Collateral. As a result, the claims of the holders of the Notes are contractually subordinated to the rights of our existing and future secured creditors who have priority in respect of proceeds from enforcement of the liens over assets that constitute Collateral to the extent of the value of such assets. In addition, the creditors under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and such hedging arrangements will have priority over any amounts received from the sale of any assets of the Issuer or a Guarantor pursuant to an insolvency event or certain other distressed disposals of the Collateral pursuant to the provisions on the Intercreditor Agreement. As such, you may not be able to recover on the Collateral if the claims of the lenders under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and such hedging obligations are greater than the proceeds realized from any enforcement of the security interests over the Collateral.

In addition, the Collateral may also secure certain future indebtedness, including certain hedging obligations, that are permitted to be incurred under the Indenture and our other debt agreements on a *pari passu* basis, and certain of that indebtedness and those hedging obligations may have similar priority to the proceeds of the enforcement of, or certain distressed disposals of, the Collateral. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under our 2012 Revolving Credit Facility, 2013 Revolving Credit Facility, the 2015 Super Senior Revolving Credit Facility and such priority hedging obligations have been paid from such recoveries, be applied pro rata in repayment of the Notes and other senior indebtedness secured on such Collateral, including the Existing Senior Secured Notes. Our ability to incur additional debt in the future secured on the Collateral may have the effect of diluting the ratio of the value of such Collateral to the aggregate amount of the obligations secured by the Collateral. In addition, claims of any secured creditors which are secured by assets that do not also secure the Notes have priority with respect to such assets over the claims of holders of the Notes. As such, the claims of the holders of the Notes are effectively subordinated to the rights of such secured creditors to the extent of the value of the assets securing such indebtedness.

Subject to certain conditions, any security interest in the Collateral will be automatically released at the time of an enforcement sale of the pledged entity or the assets or shares of any direct or indirect parent entity of such subsidiary. Following such a sale, the Trustee of the Notes and the holders of the Notes will have no claims in relation to such entity and its direct and indirect subsidiaries under the Notes or any Guarantee. See "*Description of Other Indebtedness—The Intercreditor Agreement*" for further information.

***It may be difficult to realize the value of the Collateral securing the Notes.***

As of the Issue Date (or within 20 Business Days after the Issue Date), the holders of the Notes benefit from security interests in the Collateral that secures the applicable series of Notes which includes the Issuer's rights under certain secured intercompany debt (including the HOT Refinancing Notes and the Coditel Senior Facilities Agreement).

The Collateral is subject to any and all exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture, the Existing Indentures and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of first ranking security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The Initial Purchasers have neither analyzed the effect of, nor participated in any negotiations relating to, such exceptions, defects, encumbrances, liens and other imperfections. The existence of any such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-ranking ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions. In addition, before the pledge over the shares of Altice Hispaniola will secure the Notes, Indotel will need to approve both the granting of the pledge as well as the enforceability of the pledge. We cannot assure you that such approval will be granted.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over real or personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party, including that of competent regulatory authorities or courts, to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Furthermore, enforcement procedures and timing for obtaining judicial decisions in Portugal, Luxembourg, Israel, Switzerland, the Bahamas, the Dominican Republic and the United Kingdom may be materially more complex and time consuming than in equivalent situations in jurisdictions with which investors may be familiar. See “*Enforcing your rights as a holder of the Notes or under the Guarantees or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law*”. In particular, the enforcement and realization of any security interest under the Collateral which is governed by Israeli law will be subject to the supervision of the Israeli courts or the Israeli Office of Execution of Judgments and their practices. Enforcement and realization of security interests in Israel is subject to certain mandatory principles. The general rule under Israeli law is that any enforcement or realization of a fixed pledge or charge or a floating charge is required to be made in accordance with and subject to a court order, with certain exceptions for collateral deposited with the creditor, collateral with respect to which the law specifies another manner of realization and collateral which consists of rights. See “*—Rights of holders of Notes to enforce, secure and realize their rights under the Collateral may be adversely affected in Israeli insolvency proceedings*”. Furthermore, enforcement or realization of rights with respect to the pledges of the shares of Cool Holding and Hadaros is subject to the prior approval of and supervision by the Israeli Ministry of Communications and enforcement or realization of rights with respect to the pledges of the shares of Tricom and Altice Hispaniola is subject to the prior approval of Indotel, in each case which may be time consuming and cumbersome.

In addition, our business requires a variety of national and local permits and licenses. The continued operation of properties that comprise part of the Collateral and that depend on the maintenance of such permits and licenses may be prohibited or restricted. Our business is subject to regulations and permitting requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur. In the event of foreclosure, the grant of permits and licenses may be revoked, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Furthermore, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

***There are circumstances other than repayment or discharge of the Notes under which the Collateral and the Guarantees will be released automatically, without your consent or the consent of the Trustee.***

Under various circumstances, the Guarantees of the Guarantors will be released. See “*Description of the Notes—The Note Guarantees*”. In addition, under various circumstances, the Issuer and the Guarantors will be entitled to release the security interests in respect of the Collateral securing the Notes and the Guarantees.

We will also be permitted to release and/or re-take any lien on any Collateral to the extent otherwise permitted by the terms of the Indenture, the security documents governing the Collateral, the Existing Indentures or the Intercreditor Agreement or any additional intercreditor agreement. Such a release and re-taking of Collateral may give rise to the start of a new hardening period in respect of the Collateral. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes. See “*Description of the Notes—Notes Security*”.

***We will in most cases have control over the Collateral securing the Notes and the sale of particular assets could reduce the pool of assets securing such debt.***

The security documents governing the Collateral allow ourselves and the Guarantors, as applicable, to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default under the Indenture would result therefrom, we and the Guarantors may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of debt. Any of these activities could reduce the value of the Collateral and consequently the amounts payable to you from proceeds of any sale of Collateral in the case of an enforcement of the liens.

***The guarantees of, and the Collateral securing, certain intercompany debt that is pledged to secure our senior secured debt, including the Notes and guarantees thereof, will not directly secure the Notes.***

The guarantees of, and the collateral securing certain intercompany debt (including the HOT Refinancing Notes and the Coditel Senior Facilities Agreement) that is pledged to secure our senior secured debt, including the Notes and guarantees thereof, do not directly secure the Notes. Instead, such security interests are granted in favor of the security agent under the relevant intercompany debt (if any) or the relevant lender thereunder, and the first-ranking pledge over such intercompany debt will in turn serve as part of the Collateral securing the obligations of the Issuer under the Notes. Only the security agent or lender thereunder (as applicable) will be able to enforce the security interests in the collateral securing such intercompany debt in accordance with its terms, including in certain cases upon the occurrence of an event of default that is continuing under such intercompany indebtedness. As a result, upon the occurrence of an event of default under the Notes, the Trustee and the holders of the Notes may not have the right to enforce such security interests in the collateral securing such such intercompany indebtedness (including the HOT Refinancing Notes Collateral and the collateral securing the Coditel Senior Facilities Agreement) and will only have the right to enforce the first-ranking pledge over such intercompany indebtedness. The holders of the Notes must then rely on the ability of the Issuer to enforce its rights under the relevant intercompany indebtedness upon an event of default thereunder (as applicable) in order to access such collateral. An event of default under the Notes may not result in an event of default under our secured intercompany indebtedness. Moreover, the borrowers and guarantors under such intercompany indebtedness will not have any liability to the holders of the Notes in an event of default under the Indenture, except to the extent they are Guarantors. However, if an event of default occurs and is continuing under the relevant intercompany indebtedness, holders of the Notes will indirectly benefit to the extent of the Issuer or a Guarantor is a lender under or purchaser of such intercompany indebtedness. This indirect claim over the collateral securing such intercompany indebtedness could delay or make more costly any realization of such collateral. Furthermore, because the Indenture and the Notes are governed by New York law and the collateral securing such intercompany indebtedness are governed by the laws of other jurisdictions, realization may be further delayed by court proceedings in multiple jurisdictions. See “*Enforcement of Judgments*”.

There may be circumstances in which a breach of the covenants under the Indenture does not result in a corresponding breach under certain of our secured intercompany indebtedness that is pledged to secure the Notes. In such circumstances, the holders of the Notes would only be entitled to enforce the assignment over such intercompany indebtedness in accordance with the Intercreditor Agreement; however, they would not be entitled to accelerate such intercompany indebtedness or take enforcement action in respect of the collateral securing such intercompany indebtedness. In addition, there may be circumstances in which such intercompany indebtedness is in default and there is not a default outstanding under the Indenture. In such circumstances, the holders of the Notes and the other creditors secured by the assignment over such intercompany indebtedness would not be entitled to take any enforcement action with respect to such intercompany indebtedness. See “*Description of Other Indebtedness—Pledged Proceeds Loan—HOT Refinancing Notes—HOT Refinancing Term Note—Limitation of Liability*”.

***The dual nationality of Cool Holding may impact the ability to enforce the pledges over the share capital of Cool Holding.***

Cool Holding is an entity which has a registered office in Luxembourg and a registered office in the State of Israel. It is registered with both the Luxembourg Trade and Companies Register and the Israeli Registrar of Companies and according to its articles of association its principal place of management and control is Luxembourg. Cool Holding is therefore subject to both Luxembourg laws and Israeli laws and is deemed to have a dual nationality.

The dual nationality of Cool Holding may impact the ability to enforce the pledges over the share capital of Cool Holding depending on whether enforcement will be sought under the Luxembourg law pledges or under the Israeli law pledges, as enforcement formalities and requirements under these laws may differ.

Likewise, there may be limited recognition by a Luxembourg court or an Israeli court of an enforcement of the pledges of the share capital of Cool Holding when performed in the respective other jurisdiction, because each court will consider that, in accordance with its own international private law rules, the pledges should have been enforced in its own jurisdiction and in accordance with its own governing laws, rather than those of the other jurisdiction. Furthermore, due to the dual nationality of Cool Holding, there may be an uncertainty as to which of the Luxembourg or the Israeli law pledges it is appropriate to enforce at the time of enforcement.



***The granting of the Guarantees and the HOT Refinancing Notes Guarantees and security interests under the Collateral by Cool Holding, Hadaros and HOT may be considered a “distribution” under Israeli law.***

The granting of the Guarantees and the HOT Refinancing Notes Guarantees and security interests under the Collateral to secure obligations under the Notes, to the extent that no valuable consideration has been paid to the respective guarantor against the granting of the Guarantees, the HOT Refinancing Notes Guarantees or the security interests in the Collateral, as applicable, may be considered as a “distribution” under Israeli law, and accordingly will be subject to Cool Holding, Hadaros or HOT being able to meet all of its obligations when they become due (the “Solvency Test”) and certain distributable reserves criteria, as set by Israeli law. See *“Limitation on Validity and Enforceability of the Guarantees and the Security Interests—Israel—Limitation on Distributions and Fiduciary Duties”*. Cool Holding, Hadaros or HOT may apply to a competent Israeli court to approve a distribution notwithstanding its non compliance with the distributable reserves criteria if it complies with the Solvency Test. However, approval of distributions by an order of a court is subject to objections that may be raised by other creditors whose interests may be jeopardized by the distribution.

***Enforcing your rights as a holder of the Notes or under the Guarantees or security across multiple jurisdictions may prove difficult or provide less protection than U.S. bankruptcy law.***

The Notes were issued by the Issuer, which is incorporated under the laws of Luxembourg. The Notes are guaranteed by the Guarantors, which are incorporated under the laws of Portugal, Luxembourg, Israel, Switzerland, the Bahamas, and the Dominican Republic. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any, all or any combination of the above jurisdictions. Such jurisdictions may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar, and proceedings in these jurisdictions are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to such bankruptcy, insolvency and administrative laws and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings. See *“—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability”*.

In addition, in the event that one or more of the Issuer, the Guarantors and any future guarantor, if any, or any other of our subsidiaries experiences financial difficulty, the bankruptcy, insolvency, administrative and other laws of the Issuer and the Guarantors’ jurisdictions of organization and location of assets may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether the law of any particular jurisdiction should apply, and may adversely affect your ability to enforce your rights under the Notes, the Guarantees and the Collateral in those jurisdictions or limit any amounts that you may receive. See *“Enforcement of Judgments”* with respect to certain of the jurisdictions mentioned above.

***Each Guarantee is subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.***

Each Guarantee provides the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Guarantee is limited to the maximum amount that may be guaranteed by the relevant Guarantor without, among other things, rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law or causing the officers of the Guarantor to incur personal civil or criminal liability, and enforcement of each such Guarantee would be subject to certain generally available defenses. See *“Limitation on Validity and Enforceability of the Guarantees and the Security Interests”*.

Enforcement of any of the Guarantees against any Guarantor, or of the security interests in respect thereof, will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) void or invalidate all or a portion of a Guarantor’s obligations under its Guarantee or the security interests in respect thereof, (ii) direct that the holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor’s creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the relevant Guarantor was insolvent when it granted the relevant Guarantee;

- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the relevant Guarantee and such Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Guarantee was held to exceed financial assistance rules or the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future guarantee granted by any of our subsidiaries pursuant to the Indenture. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

We cannot assure you which standard a court would apply in determining whether a Guarantor was “insolvent” at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they become due; or
- it cannot pay its debts as they become due.

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. See “*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*”.

***We may not be able to obtain enough funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the Indenture) as required by the Indenture.***

Upon the occurrence of certain events constituting a change of control triggering event, the Issuer will be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control triggering event were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in our credit facilities or other then existing contractual obligations of the Issuer would allow the Issuer to make such required repurchases. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control triggering event itself does not. The Issuer’s ability to pay cash to the holders of the Notes following the occurrence of a change of control triggering event may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control triggering event occurs at a time when the Issuer is prohibited from repurchasing Notes or we are prohibited from satisfying our obligations under the 2015 AH Proceeds Loans or the Issuer is prohibited from satisfying its obligations under the New Issuer Proceeds Notes, we may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If we do not obtain such consent or repay such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes. In addition,

we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control triggering event. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which could, in turn, constitute a default under other agreements governing our debt. See “*Description of the Notes—Change of Control*”.

The change of control triggering event provisions contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control triggering event” as defined in the Indenture. Except as described under “*Description of the Notes—Change of Control*”, the Indenture do not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “change of control” contained in the Indenture includes a disposition of all or substantially all of the assets of Altice International and its restricted subsidiaries taken as whole to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of Altice International and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***We cannot assure you that an active trading market will develop for the Notes, in which case your ability to sell the Notes will be limited.***

The Notes are new securities for which there is no market. We cannot assure you as to:

- the liquidity of any market that may develop for the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. The Initial Purchasers of the Notes have advised the Issuer that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obliged to do so, and they may discontinue any market making activities at any time without notice. As a result, there is no assurance that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

***The Notes may not remain listed on the Official List of the Luxembourg Stock Exchange.***

Although the Issuer agrees in the Indenture to use commercially reasonable efforts to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market within a reasonable period after the Issue Date of the Notes and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will remain listed. If the Issuer is unable or can no longer maintain the listing on the Luxembourg Stock Exchange or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS or any other accounting standard other than the accounting standard pursuant to which the Issuer prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, the delisting of the Notes from the Luxembourg Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder’s ability to resell Notes in the secondary market.

***Credit ratings may not reflect all risks.***

The credit ratings assigned to the Notes are an assessment by the relevant rating agencies of the Issuer's ability to pay its debts when due, which is, in respect of payment obligations under the Notes, dependent upon the ability of the obligors under the New Issuer Proceeds Notes to make payments to pay their debts when due. Consequently, real or anticipated changes in our or the Notes' credit ratings may generally affect the market value of the Notes. Ratings may not reflect the potential impact of all risks relating to structure, market and additional factors discussed in these Listing Particulars, and other factors not discussed herein may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. An explanation of the significance of such rating may be obtained from the applicable rating agency. There is no assurance that such credit ratings will be issued or remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the applicable rating agency's judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with the application of the proceeds of this offering or in connection with future events, such as future acquisitions. Holders of Notes will have no recourse against us or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes.

In connection with this offering, the Corporate Credit Rating ("Corporate Rating") of Altice International and Issue ratings may be under review by S&P. Although S&P has not issued formal ratings as of the date of these Listing Particulars, Altice International expects its Corporate Rating to remain unchanged while the Issue rating for the Notes may stay the same or be downgraded by one notch such that it would move inline with the Corporate Rating. Altice International expects that the Corporate Rating and Issue Rating at Moody's remain unchanged at B1.

***Certain covenants may be suspended upon the occurrence of a change in our ratings.***

The Indenture provides that, if at any time following the date of the Indenture, the Notes are rated Baa3 or better by Moody's and BBB- or better from Standard & Poors and no default or event of default has occurred and is continuing, then beginning that day the following provisions of the Indenture will not apply to the Notes: "—Limitation on Indebtedness", "—Limitation on Restricted Payments", "—Limitation on Restrictions on Distributions from Restricted Subsidiaries", "—Limitation on Sales of Assets and Subsidiary Stock", "—Limitation on Affiliate Transactions" and "—Impairment of Security Interests" and the provisions of clause (3) of the paragraph of the covenant described under "—Merger and Consolidation—Altice International". Notwithstanding the foregoing, if the rating assigned by any such rating agency to such Notes should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as at and from the date of such rating decline.

If these covenants were to be suspended, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***The Issuer is incorporated under and subject to Luxembourg law, and Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions.***

The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg and has its center of main interests in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. The rights of holders of Notes and the responsibilities of the Issuer to the holders of Notes under Luxembourg law may be materially different from those with regard to equivalent instruments under the laws of the jurisdiction in which the Notes are offered. Additionally, the insolvency laws of Luxembourg may not be as favorable to holders of Notes as insolvency laws of jurisdictions with which investors may be familiar.

The following is a brief description of certain aspects of insolvency laws in Luxembourg. Under Luxembourg insolvency laws, the following types of proceedings (together referred to as insolvency proceedings) may be opened against an Issuer to the extent that an Issuer has its registered office or center of main interest in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by an Issuer, by any of its creditors or by the Luxembourg public prosecutor. Following such a request, the courts having jurisdiction may open bankruptcy proceedings, if an Issuer (a) is in default of payment (*cessation de paiements*) and (b) has lost its commercial creditworthiness (*ébranlement de crédit*). If a court considers that these conditions are met, it may open bankruptcy proceedings, absent a request made by an Issuer or a creditor. The main effect of such proceedings is the suspension of all measures of enforcement

against an Issuer except, subject to certain limited exceptions, for secured creditors, and the payment of creditors in accordance with their rank upon the realization of assets;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Issuer and not by its creditors; and
- composition proceedings (*concordat préventif de la faillite*), the opening of which may only be requested by an Issuer (having received prior consent of a majority of its creditors) and not by its creditors. The court's decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by unsecured creditors.

In addition to these proceedings, the ability of the holders of Notes to receive payment on the Notes, as applicable may be affected by a decision of a court to grant a reprieve from payments (*sursis de paiements*) or to put an Issuer 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 violation of the commercial code or of the Luxembourg law dated August 10, 1915 on commercial companies, as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law for instance include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of secured creditors to enforce their security interest may also be limited in the event of controlled management proceedings automatically causing the rights of secured creditors to be frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect.

The Luxembourg act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Collateral Act 2005") expressly provides that all financial collateral arrangements (including pledges) including enforcement measures are valid and enforceable even if entered into during the pre bankruptcy period, against all third parties including supervisors, receivers, liquidators and any other similar persons or bodies irrespective of any bankruptcy, liquidation or other situation, national or foreign, of composition with creditors or reorganization affecting anyone of the parties, save in the case of fraud.

Generally, Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the pre bankruptcy hardening period (*période suspecte*) which is a maximum of six months and the 10 days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce, some specific transactions (in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Collateral Act 2005; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce payments made for matured debts as well as other transactions concluded for consideration during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt's cessation of payments;
- pursuant to article 21 (2) of the Collateral Act 2005 concerning financial collateral arrangements, notwithstanding the suspect period as referred to in articles 445 and 446 of the Luxembourg code of commerce, where a financial collateral arrangement has been entered into on the date of the

commencement of a reorganization measure or winding up proceedings, but after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, that agreement is enforceable and binding against third parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it ignored the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and

- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the civil code (*action paulienne*) gives the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic termination of contracts except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial. The contracts, therefore, subsist after the bankruptcy order. However, the insolvency receiver may choose to terminate certain contracts. However, as of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis á vis the bankruptcy estate. The bankruptcy order provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters. 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, on a pro rata basis, to the creditors after deduction of the receiver fees and the bankruptcy administration costs.

***Rights of holders of Notes to enforce, secure and realize their rights under the Collateral may be adversely affected in Israeli insolvency proceedings.***

The ability of the holders of Notes to enforce, secure and realize their rights under the Collateral may be delayed, restricted, subordinated, completely terminated or otherwise adversely affected in any insolvency proceedings conducted under Israeli jurisdiction or subject to Israeli law. Israeli insolvency law generally favors the continuation of a business over immediate payment of creditors. The following factors, among others, may adversely affect rights of secured creditors generally and in insolvency proceedings particularly:

- Fraudulent conveyance principles and other similar laws affecting creditors' rights and remedies generally and by application by a competent court of equitable principles. Under Israeli law, any transfer of asset or creation of a security interest by a debtor may be declared not enforceable in liquidation, reorganization or composition proceedings of the debtor if, generally, the following conditions are met: (a) the debtor is deemed insolvent (as defined in and construed under Israeli law principles) at the time of the conveyance; (b) the conveyance is effected in the three months prior to the commencement of the liquidation or reorganization proceedings; and (c) the conveyance is made by the debtor with the intention of fraudulently preferring a certain creditor or as a result of illegal coercion or persuasion by the creditor. A specific fraudulent conveyance rule applies to security interests created under a floating charge. Under Israeli law, a floating charge created during the six months prior to the start of the liquidation, reorganization or composition proceedings, may be construed as invalid as to the indebtedness secured thereunder and not advanced by the creditor holding the floating charge at the creation of the pledge or immediately thereafter (together with interest at the rate set by law), unless sufficient proof exists to support the fact that the debtor was solvent immediately following the creation of the floating charge.
- The issuance of a liquidation order by a court of competent authority in respect of a company results in a stay of proceedings. Upon the issuance of the liquidation order, creditors of a company are prohibited from taking any action against the company or its assets to secure or realize their rights, and any such proceedings not completed are stayed. However, the liquidation order does not prevent creditors holding a secured interest from enforcing and realizing their collateral or to otherwise use it in a different manner (although the enforcement process may be procedurally limited in a certain manner). Notwithstanding the foregoing, a court of competent authority may order a moratorium on proceedings against a company for a period of up to nine months (and may extend that period for additional three month periods (without limitation as to the aggregate time frame), for special reasons) if the court is convinced that the moratorium may contribute to the formation of a compromise or arrangement between the company, its shareholders and its creditors. Secured creditors are restricted from enforcing their collateral during the moratorium period, unless the court is convinced that either (i) no adequate protection exists to safeguard the secured creditors' rights or (ii) enforcement of the secured creditor's rights will not jeopardize the ability of the company to duly form and approve the arrangement or compromise so contemplated.
- Claims and rights of creditors of a company in insolvency proceedings may abate in whole or in part due to insufficient funds and assets of the company in insolvency. Generally, the distribution of assets in

insolvency proceedings is governed by two core principles: the principle of absolute superiority, according to which creditors of a certain class, who rank higher in priority to other creditors, will be permitted to satisfy their interests in full prior to creditors of a different class, who rank lower in priority, and the principle of absolute equality, according to which creditors of the same class will have a pro rata right to secure and satisfy their interest with other creditors of the same class. Generally, subject to certain exceptions, creditors holding a fixed pledge or charge rank higher in priority to shareholders and other unsecured creditors of a company and may, subject to the limitations described above, proceed in enforcing their security interest without interference. Such creditors are entitled to use the proceeds received in connection with the realization of their security interest to satisfy their entire claim but will be treated as unsecured creditors with respect to any portion of their claim not entirely satisfied by the proceeds so received if such proceeds are insufficient to repay their entire interest. Creditors holding a fixed pledge or charge may, however, be subordinated to (i) certain creditors statutorily preferred under Israeli law (e.g. tax authorities holding a tax lien in respect of taxes owed and not paid on real estate property of the company); (ii) certain creditors holding a statutory lien; and (iii) creditors holding a fixed pledge or charge over specific assets which were acquired or received by the company using debt advanced by such creditors.

The powers of the court under Israeli insolvency laws have been exercised broadly to protect a restructuring entity from actions taken by creditors and other parties and to approve various payments to be made by the restructuring entity and various arrangements with specific creditors or classes of creditors. Accordingly, following commencement of or during such proceeding, we cannot predict if payments under the Notes would be made, whether or when the holders of Notes, the Trustee or the Security Agent could exercise their respective rights under the Indenture and the documents governing the Collateral or whether and to what extent holders of Notes would be compensated for any delays in payment, if any, of principal, interest and cost, including the fees and disbursements of the Trustee.

Furthermore, based on an amendment to the Israeli Companies Law which became effective in January 2013, the following additional factors may adversely affect rights of secured creditors:

- without approval of creditors, a company will be permitted to use an asset which is subject to a charge, including selling the asset free of liens (in the ordinary course of business with either the agreement of the creditor or court approval, and not in the ordinary course of business if approved by the court) if necessary for the reorganization of the company. The secured creditor must have “adequate protection”, either from the proceeds of the sale or an asset acquired to replace the asset subject to the disposition. If the asset which is subject to a security interest is sold, the proceeds of sale or any replacement asset which can be identified or traced will be subject to a corresponding security interest in favor of the secured creditor.
- without approval of creditors, the company will be able to raise new financing for the continued operations of the company subject to a stay order issued by a court. This new financing is treated as an expense of the reorganization, and is therefore given priority over other liabilities of the company. In such a financing, the company may create a charge in favor of the lenders that would have priority to the existing security interests if the court believes it necessary for the company to raise the funds. The court would need to be satisfied that there is “adequate protection” for the existing secured creditors notwithstanding the creation of the new security interest. See *“Limitation on Validity and Enforceability of the Guarantees and the Security Interests—Israel”*.

Similarly, in the event that rehabilitation or restructuring is not sought or does not succeed, the rights of the holders of the Notes and the Trustee to enforce remedies are likely to be sufficiently impaired by bankruptcy, receivership or other liquidation proceedings under applicable Israeli laws such as the Bankruptcy Ordinance (New Version)—1980 and the Companies Ordinance (New Version)—1983, if the benefit of such laws is sought.

***It may be difficult to enforce civil liabilities or judgments against Dominican companies or its directors and executive officers outside the Dominican Republic.***

Tricom and Altice Hispaniola are organized under the laws of the Dominican Republic and substantially all of their respective assets are located in the Dominican Republic. As a result, it may not be possible for a noteholder to enforce outside the Dominican Republic judgments against Tricom or Altice Hispaniola.

The Dominican Republic is not party to any treaties providing for reciprocal recognition and enforcement of judgments rendered in judicial proceedings with respect to civil and commercial matters. For a foreign judgment to be effective and enforceable in the Dominican Republic, a request for exequatur (a judgment issued by a Dominican court validating a foreign judicial decision) must be presented before the Court of First Instance (Juzgado de Primera Instancia) of the Dominican Republic. The Court of First Instance will examine the foreign judicial decision to determine whether to ratify or deny its execution under Dominican law. If exequatur is granted, the judgment issued by the foreign court will be enforceable in the Dominican Republic.

In a judicial process seeking exequatur to enforce a foreign judgment the Dominican Courts examination of the matter should be limited to procedural issues such as jurisdiction, due service of process, adherence to public policy rules and enforcement matters. In practice, however, Dominican Courts have substantial discretion and may revisit the merits of the case, if deemed necessary. Procedures for obtaining an exequatur could be lengthy.

With respect to the recognition and enforcement of decisions rendered in arbitration proceedings, the Dominican Republic is party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") since 2002, without reservation. Dominican Law No. 489 08 on Commercial Arbitration (Ley No. 498 08 sobre Arbitraje Comercial) sets forth the process to obtain an exequatur for a foreign arbitral award, as an ex parte process in which the petitioner is required to file a motion requesting the exequatur (along with an original, duly legalized and certified counterpart of the award and the arbitration clause or agreement to arbitrate). The Civil and Commercial Court of First Instance of the National District (Cámara Civil y Comercial del Juzgado de Primera Instancia del Distrito Nacional) has exclusive jurisdiction to grant exequatur for foreign arbitral awards. The grounds for a judge to deny an exequatur are the same as the ones provided for in the New York Convention. The decision granting an exequatur to a foreign arbitral award can be challenged through an annulment claim on the grounds specifically provided in the law (which are the same grounds as those established in the New York Convention). There are precedents of exequaturs granted to foreign arbitral awards based on the New York Convention as well as under the Law No. 489 08 on Commercial Arbitration. There are also precedents from the Court of Appeals and the Supreme Court of Justice (Suprema Corte de Justicia) of the Dominican Republic on matters relating to annulment claims filed against decisions granting exequatur to foreign arbitral awards. Although Dominican courts typically validate foreign judicial decisions and arbitral awards that do not conflict with the public policy of the Dominican Republic, there is no assurance that the Court of First Instance will render a decision ratifying any such foreign judgment or arbitral award.

On the other hand, as a matter of public policy, the property of the Dominican State cannot be subject to seizure or foreclosure for repayment of obligations incurred during the course of operating or using such property. This policy cannot be waived by the Dominican government. Therefore, even if an arbitral award or legal decision were rendered against the Dominican government and validated in that country, such judgment may not be enforced against the property of the Dominican State. However, the Supreme Court of Justice of the Dominican Republic has stated that, under certain circumstances, the principle of non seizure of the State's property (or immunity from seizure) may not be applicable, particularly if the "public entity" to which property has been seized and/or enforcement is being sought, is a concessionaire of the Dominican government, as opposed to the Dominican government itself, and has been incorporated as a commercial entity to perform commercial and industrial activities on its own.

The Dominican State is the owner of the radioelectric spectrum. Under the rule of non seizure of State property such frequencies (or the right to use the same) may not be seized by a creditor. However, General Telecommunications Law No. 153 98 provides that concession and license rights may be pledged as security on the condition that a prior authorization from Indotel is obtained.

***It may be difficult to enforce civil liabilities or judgments against Portuguese companies or its directors and executive officers outside of Portugal.***

The assets of the Portuguese companies or its directors may be substantially located in Portugal. As a result, it may not be possible for a holder of the Notes to enforce judgements against Portuguese companies or its directors outside of Portugal.

However, a judgment given in a European Union country will, in principle, be recognised in the other European Union countries without any special procedure pursuant to Council Regulation (EC) No 44/2001 of December 22, 2000, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Notwithstanding, judgments of European Union countries will not be recognized in other European Union countries if: (i) such recognition is manifestly contrary to public policy in the European Union country in which recognition is sought; (ii) the defendant was not served with the document that instituted the proceedings in sufficient time and in such a way as to enable the defendant to arrange for his/her defence; (iii) it is irreconcilable with a judgment given in a dispute between the same parties in the European Union country in which recognition is sought; (iv) it is irreconcilable with an earlier judgment given in another European Union or non-European Union country involving the same cause of action and the same parties.

As regards to enforceability, the judgments of European Union countries shall be enforceable in Portugal if the interested party requests a declaration of enforceability ("exequatur") and it has been declared enforceable there, pursuant to article 38 of Council Regulation (EC) No 44/2001 of December 22, 2000, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Nevertheless, Council Regulation (EC) No 44/2001 of December 22, 2000, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters is not applicable to the following matters: (i) the



status or legal capacity of natural persons, matrimonial matters, wills and succession; (ii) bankruptcy; (iii) social security; and (iv) arbitration.

Moreover, since January 10, 2015, the Council Regulation (EC) No 44/2001 of December 22, 2000, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters have been repealed by Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of December 12, 2012, on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

According to this new Regulation (EU) No. 1215/2012 of the European Parliament and of the Council, the judgments duly obtained in European Union countries shall continue to be enforceable in Portugal without re-examination of the merits, subject to the relevant provisions of this new Regulation. However, pursuant to this new Regulation, the judgments duly obtained in European Union countries shall, in principle, be directly enforceable in Portugal without the need to request a declaration of enforceability (“exequatur”), as per article 39 of this new Regulation.

Concerning foreign judgments duly obtained outside the European Union, these judgments will be enforceable in Portugal after being reviewed and authorised (exequatur) by a Portuguese court in accordance with article 978 of the Portuguese Civil Procedure Code. According to article 979 of the said Code, the Portuguese court competent to review and authorise (exequatur) the judgment is the Tribunal da Relação (court of appeal) of the judicial district where the person against whom the judgment will be enforced is domiciled. Pursuant to articles 703, 980 and others of the Portuguese Civil Procedure Code, in order for the judgment to be authorised: (i) there must be no doubts regarding the authenticity of the document containing the judgment or about the intelligibility of the judgment; (ii) the matter at issue must be *res judicata* according to the laws of the country that rendered the judgment; (iii) the competence of the court was not claimed fraudulently and that the case submitted did not fall under the exclusive competence of the Portuguese courts; (iv) the exceptions of *lis pendens* and *res judicata* cannot be alleged on the grounds that there is a case pending before a Portuguese court unless the foreign court prevented jurisdiction; (v) the defendant must have been duly notified of the legal action in accordance with the laws of the country where the judgment was rendered, and in the proceedings the principles that the parties have a right to equal treatment and to contest claims were complied with; and (vi) the outcome of the judgment rendered cannot be manifestly incompatible with the international public policy of Portugal.

With respect to the recognition and enforcement of decisions rendered in arbitration proceedings, Portugal is party to the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), without reservation.

Moreover, Portuguese Law No. 63/2011 on Arbitration sets forth the process to obtain an exequatur for a foreign arbitral award, in which the petitioner is required to file a motion requesting the exequatur (along with an original, duly legalized and certified counterpart of the award and the arbitration clause or agreement to arbitrate). The grounds for a judge to deny an exequatur are set forth in article 56 of the Portuguese Arbitration Law.

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

The Notes are being offered and sold pursuant to an exemption from registration under the U.S. Securities Act and applicable state securities laws of the United States. The Notes have not been, and will not be, registered under the U.S. Securities Act or any U.S. state securities laws. Therefore, you may not transfer or sell the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement, and you may be required to bear the risk of your investment in the Notes for an indefinite period of time. The Notes and the Indenture contain provisions that restrict the Notes from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S under the U.S. Securities Act, or other exemptions under the U.S. Securities Act. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes, as applicable, in an aggregate principal amount of less than \$200,000 in the case of the Notes. Furthermore, the Issuer has not registered the Notes under any other country’s securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “*Transfer Restrictions*”.

***You may be unable to recover in civil proceedings for U.S. securities laws violations.***

The Issuer is incorporated under the laws of Luxembourg and the Guarantors are organized under the laws of Portugal, Luxembourg, Israel, Switzerland, the Bahamas and the Dominican Republic. It is anticipated that some or all of the directors and executive officers of the Issuer and Guarantors will be non residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it

may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. Additionally, there is doubt as to the enforceability in many foreign jurisdictions of civil liabilities based on the civil liability provisions of the federal or state securities laws of the United States against ourselves, the Guarantors, the directors, controlling persons and management and any experts named in these Listing Particulars who are not residents of the United States. See “*Enforcement of Judgments*”.

***You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency.***

The Notes are denominated and payable in U.S. dollars. If you are a sterling, Euro or other non U.S. dollar investor, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar relative to sterling, Euro or other relevant currencies because of economic, political or other factors over which we have no control. Depreciation of the U.S. dollar against sterling, the Euro or other relevant currencies could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments.

***The Notes are initially held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

Owners of the book entry interests will not be considered owners or holders of the Notes unless and until Notes in registered definitive form (“Definitive Notes”) are issued in exchange for book entry interests. Instead, the common depository for Euroclear, Clearstream and/or DTC (or their nominee) will be the sole holder of the global notes representing the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Principal Paying Agent, which will make payments to Euroclear, Clearstream and/or DTC, as applicable. Thereafter, such payments will be credited to Euroclear, Clearstream and/or DTC participants’ accounts that hold book entry interests in the Notes, as applicable, in global form and credited by such participants to indirect participants. After payment to Euroclear, Clearstream and/or DTC, none of us, the Trustee, the transfer agent, the Registrars or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear, Clearstream and/or DTC or to owners of book entry interests.

Owners of book entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, if you own a book entry interest, you will be permitted to act directly only to the extent you have received appropriate proxies to do so from Euroclear, Clearstream and/or DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions or to take any other action on a timely basis. See “Book Entry, Delivery and Form”.

## USE OF PROCEEDS

### Sources and Uses for the Refinancing Transactions

The expected estimated sources and uses of the funds necessary to consummate the Refinancing Transactions are shown in the table below. Actual amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros.

The amounts set forth below are based on an exchange rate as of April 14, 2016, of €1.00 = \$1.1256.

Sources of Funds	in millions of euros	Uses of Funds	in millions of euros
Notes offered hereby .....	2,443	2012 Senior Secured Notes Redemption <sup>(1)</sup> .....	643
		2013 Term Loan Repayment <sup>(2)</sup> .....	909
		2015 Term Loan Partial Repayment <sup>(4)</sup> .....	840
		Transaction fees and expenses <sup>(3)</sup> .....	24
		Cash on balance sheet.....	26
<b>Total Sources.....</b>	<b>2,443</b>	<b>Total Uses .....</b>	<b>2,443</b>

- (1) Represents (i) €619 million which is the euro equivalent of the \$460 million and €210 million aggregate principal amount of 2012 Senior Secured Notes redeemed plus (ii) approximately €24 million equivalent in premium payable in connection with the 2012 Senior Secured Notes Redemption (in each case based on the exchange rate as of April 14, 2016, of €1.00 = \$1.1256). Excludes accrued and unpaid interest on the 2012 Senior Secured Notes.
- (2) Represents (i) €900 million which is the euro equivalent of the \$1,013 million aggregate principal amount of borrowings under the 2013 Term Loan repaid pursuant to the 2013 Term Loan Repayment plus (ii) approximately €9 million equivalent in premium payable in connection with the 2013 Term Loan Repayment (in each case based on the exchange rate as of April 14, 2016, of €1.00 = \$1.1256). Excludes accrued and unpaid interest on the 2013 Term Loan.
- (3) This amount reflects our estimate of the fees and expenses we have paid in connection with the Refinancing Transactions, including commitment, placement, financial advisory and other transaction costs and professional fees. This amount may differ from the estimated amount depending on several factors, including differences from our estimates of fees and expenses and the actual fees and expenses as of the completion of the various transactions contemplated by the Refinancing Transactions.
- (4) Represents the 2015 Term Loan Partial Repayment of €840 million which is the euro equivalent of \$497.5 million and €398.0 million aggregate principal amount of term loans being refinanced pursuant to the 2015 Term Loan Partial Repayment.

## CAPITALIZATION

The following table presents, in each case, the cash and cash equivalents and debt capitalization as of December 31, 2015 of the Group (i) on a historical combined basis and (ii) on an as adjusted combined basis after giving effect to the Refinancing Transactions, including the offering of the Notes hereby and the application of the proceeds therefrom. The as adjusted amounts are estimates and may not accurately reflect the amounts outstanding upon completion of the Refinancing Transactions. As adjusted amounts may vary from the estimated amounts depending on several factors, including, among other things, changes in the exchange rate for dollars and euros.

This table should be read in conjunction with “Use of Proceeds”, “Illustrative Aggregated Selected Financial Information”, “Pro Forma Financial Information”, “Description of Other Indebtedness” and the financial statements and notes thereto included elsewhere in these Listing Particulars.

Unless otherwise stated, amounts are based on the exchange rate as of December 31, 2015 of \$1.0887 = €1.00.

	December 31, 2015	
	Actual	As Adjusted
	€ in millions	
<b>Cash and cash equivalents</b> .....	266	293
<b>Third-party debt:</b>		
<b>Third-party senior debt</b>		
Existing HOT Unsecured Notes <sup>(1)</sup> .....	250	250
Green Datacenter Debt <sup>(2)</sup> .....	40	40
Finance leases.....	67	67
Existing Senior Secured Notes <sup>(3)</sup> .....	4,151	3,519
2013 Term Loan <sup>(4)</sup> .....	931	—
Existing Revolving Credit Facilities <sup>(5)</sup> .....	160	160
2015 Term Loan <sup>(6)</sup> .....	1,305	450
Notes offered hereby <sup>(7)</sup> .....	—	2,443
Adjustment for foreign exchange impact of Refinancing Transactions <sup>(8)</sup> .....	—	83
<b>Total third-party senior debt (excluding other liabilities)<sup>(9)</sup></b> .....	<b>6,904</b>	<b>7,012</b>
Existing Senior Notes <sup>(10)</sup> .....	1,361	1,361
<b>Total third-party debt (excluding other liabilities)<sup>(9)</sup></b> .....	<b>8,265</b>	<b>8,373</b>
Exchange rate effect of derivative instruments on senior debt <sup>(11)</sup> .....	(185)	(217)
<b>Total third-party senior debt (excluding other liabilities and after currency impact of derivative instruments)</b> .....	<b>6,719</b>	<b>6,794</b>
Exchange rate effect of derivative instruments on Existing Senior Notes <sup>(11)</sup> .....	28	28
<b>Total third-party debt (excluding other liabilities and after currency impact of derivative instruments)</b> .....	<b>8,108</b>	<b>8,184</b>

(1) The amount is based on the exchange rate as of December 31, 2015 of €1.00 = NIS 4.248.

(2) Green Datacenter is designated as an unrestricted subsidiary under the terms governing the indebtedness of the Group.

(3) Actual amount reflects the aggregate principal amount of \$3,420 million and €1,010 million of Existing Senior Secured Notes outstanding and the as adjusted amount gives effect to the 2012 Senior Secured Notes Redemption (without giving effect to the foreign exchange impact of the 2012 Senior Secured Notes Redemption).

(4) Actual amount reflects the aggregate principal amount of \$1,013 million of outstanding borrowings under the 2013 Term Loan as of December 31, 2015 and the as adjusted amount gives effect to the 2013 Term Loan Repayment (without giving effect to the foreign exchange impact of the 2013 Term Loan Repayment).

(5) The Issuer may draw on the Existing Revolving Credit Facilities to support our working capital purposes. The Existing Revolving Credit Facilities are made up of (i) the \$80 million 2012 Revolving Credit Facility, (ii) the €80 million 2013 Revolving Credit Facility, (iii) the €501 million 2014 Pari Passu Revolving Credit Facility and (iv) the €330 million 2015 Super Senior Revolving Credit Facility. As of the date of these Listing Particulars, we have drawn a total of €435 million under the Existing Revolving Credit Facility Agreements. The Issuer also has access to the 2013 Guarantee Facility allowing for requests for guarantees to be issued up to a maximum of €15 million.

(6) Actual amount reflects the aggregate principal amount of \$498 million and €848 million of outstanding borrowings under the 2015 Term Loan (including incremental loans thereunder) as of December 31, 2015 and the as adjusted amount gives effect to the 2015 Term Loan Partial Repayment.

(7) Reflects the issuance of the Notes offered hereby. The amount is based on an exchange rate as of April 14, 2016, of €1.00 = \$1.1256.

- (8) Represents the estimated foreign exchange impact associated with the Refinancing Transactions which is equal to the difference between (i) the euro equivalent amount of €2,526 million of the \$2,750 million aggregate principal amount of debt being incurred based on the exchange rate as of December 31, 2015 (€1.00 = \$1.0887) and (ii) the euro equivalent amount of €2,443 million of the \$2,750 million aggregate principal amount of debt being incurred based on the exchange rate as of April 14, 2016 (€1.00 = \$1.1256), respectively.
- (9) 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.
- (10) Reflects the aggregate principal amount of \$1,210 million and €250 million of Existing Senior Notes outstanding.
- (11) As of December 31, 2015, the value of the derivatives relating to our existing senior debt consisted of a positive exchange rate effect of €185 million and the value of the derivatives relating to our Existing Senior Notes consisted of a negative exchange rate effect of €28 million.

**UNAUDITED PRO-FORMA FINANCIAL INFORMATION OF ALTICE INTERNATIONAL S.À R.L.  
AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015**

	Altice International dated Financial Information	Consolidated Financial Information	PT Portugal (Note 3a)	Issuance for debt for the acquisition of PT Portugal (Note 3a)	Telco-OI (Note 3b)	Cabovisa o (Note 3c)	ONI (Note 3c)	Intercompany eliminations (Note 3e)	Planned Transactions (Note 3d)	Altice International Pro Forma Financial Information
	January 1, 2015 to December 31, 2015	January 1, 2015 to May 31, 2015	January 1, 2015 to February 4, 2015	January 1, 2015 to July 31, 2015	January 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015
	In million EUR									
For the year ended December 31, 2015	3,492.8									
Revenues .....	3,492.8						1			4
Purchasing and subcontracting costs .....	(786.2)									
Other operating expenses .....	(764.9)									
Staff costs and employee benefit expenses .....	(339.9)									
Depreciation and amortization .....	(1,087.9)									(1)
Impairment losses	(20.9)									
Other expenses and income .....	(101.5)									
<b>Operating profit..</b>	<b>391.6</b>						<b>1</b>			
Interest relative to gross financial debt.....	(543.1)									
Other financial expenses .....	(149.0)									
Finance income....	73.6									
<b>Finance costs, net .....</b>	<b>(618.4)</b>									
Net result on disposal of businesses.....	27.5									
Share of profit of associates.....	2.1									
<b>Profit before income tax.....</b>	<b>(197.3)</b>						<b>1</b>			
Income tax (expenses)/inc ome.....	(79.7)									
<b>Profit/(loss) for the year .....</b>	<b>(276.9)</b>						<b>1</b>			
<i>Attributable to equity holders of the parent ....</i>	<i>(272.9)</i>						<i>1</i>			
<i>Attributable to non-controlling interests .....</i>	<i>(4.0)</i>									

December 31, 2015	Altice International Consolidated Statement of Financial Position	Telco OI (Note 3b)	Cabovisao and ONI (Note3a)	Planned Transactions (Note 3d)	Altice International Pro Forma Statement of Financial Position
In million Euros					
<b>Non-current assets</b>					
Goodwill .....	3,860.0				3,860.0
Intangible assets .....	2,717.3				2,717.3
Property, plant & equipment.....	4,376.5				4,376.5
Investment in associates .....	308.0				308.0
Financial assets .....	400.3			—	400.3
Deferred tax assets .....	442.7				442.7
Other non-current assets.....	36.6				36.6
<b>Total non-current assets .....</b>	<b>12,141.4</b>		<b>—</b>	<b>—</b>	<b>12,141.4</b>
<b>Current assets</b>					
Inventories.....	82.6				82.6
Trade and other receivables.....	995.7				995.7
Current tax assets .....	33.2				33.2
Financial assets .....	3.0				3.0
Cash and cash equivalents .....	266.0		140.6	(54.9)	351.7
Restricted cash .....	0.4				0.4
<b>Total Current assets.....</b>	<b>1,380.9</b>		<b>140.6</b>	<b>(54.9)</b>	<b>1,466.6</b>
<i>Assets classified as held for sale .....</i>	<i>122.1</i>		<i>(122.1)</i>		<i>—</i>
<b>Total assets .....</b>	<b>13,644.4</b>		<b>18.5</b>	<b>(54.9)</b>	<b>13,608.0</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital .....	309.3				309.3
Additional paid in capital.....	318.4				318.4
Other reserves .....	566.2		103.1	(69.7)	630.6
Accumulated losses .....	(653.5)				(653.5)
<b>Equity attributable to owners of the Company .....</b>	<b>540.3</b>		<b>103.1</b>	<b>(69.7)</b>	<b>573.8</b>
Non-controlling interests.....	44.4		—		44.4
<b>Total equity .....</b>	<b>584.7</b>		<b>103.1</b>	<b>(69.7)</b>	<b>618.0</b>
<b>Non-current liabilities</b>					
Long term borrowings, financial liabilities and related hedging instruments .....	7,843.3			24.3	7,883.2
Other non-current financial liabilities and related hedging instruments .....	963.9				963.9
Non-current provisions .....	1,006.6				1,006.6
Deferred tax liabilities .....	492.6				492.6
Other non-current liabilities .....	22.9				22.9
<b>Total non-current liabilities .....</b>	<b>10,329.3</b>		<b>—</b>	<b>24.3</b>	<b>10,353.6</b>
<b>Current liabilities</b>					
Short-term borrowings, financial liabilities .....	216.6			(9.5)	207.1
Other financial liabilities.....	463.1				463.1
Trade and other payables .....	1,498.7				1,498.7
Current tax liabilities .....	97.0				97.0
Current provisions .....	67.3				67.3
Other current liabilities.....	303.2				303.2
<b>Total current liabilities .....</b>	<b>2,645.9</b>		<b>—</b>	<b>(9.5)</b>	<b>2,636.4</b>
<i>Liabilities directly associated with assets classified as held for sale .....</i>	<i>84.6</i>		<i>(84.6)</i>		<i>—</i>
<b>Total Liabilities .....</b>	<b>13,059.8</b>		<b>(84.6)</b>	<b>14.8</b>	<b>12,990.0</b>
<b>Total equity and liabilities .....</b>	<b>13,644.4</b>		<b>18.5</b>	<b>(54.9)</b>	<b>13,608.0</b>

## ALTICE INTERNATIONAL S.A R.L.

### NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

#### 1-General information

The accompanying unaudited pro forma consolidated statement of income for the year ended December 31, 2015 and the accompanying unaudited pro forma consolidated statement of financial position as of December 31, 2015 and these explanatory notes (together the “Unaudited Pro Forma Financial Information”) present the unaudited pro forma consolidated financial statements of Altice International S.à r.l. (the “Company”), giving effect to each of the acquisitions, disposals and the other transactions described in the basis of preparation below.

The Unaudited Pro Forma Financial Information does not give pro forma effect to the control that the Group has determined to have obtained on February 1, 2016, in accordance with the provisions of IFRS 10 Consolidated Financial Statements over Groupe News Participations S.A.S. (“GNP”) as of and for the year ended December 31, 2015. 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 Managers of the Company believes to be reasonable.

For the purposes of this Unaudited Pro Forma Financial Information, and in relation to the Group’s acquisition of PT Portugal Group (“PT”), the Board of Managers has not finalized the purchase price allocation in accordance with IFRS 3 *Business Combinations* (“IFRS 3”). 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 within the measurement period permitted by IFRS 3 which has not yet elapsed at the date of preparation of the Unaudited Pro Forma Financial Information. 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 at the end of the measurement period for PT.

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 these Listing Particulars.

#### 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, 2015 for the purposes of the unaudited pro forma consolidated statement of income and as if they had occurred as at December 31, 2015 for the unaudited consolidated pro forma statement of financial position:

- The acquisition by Altice International S.à r.l. or its subsidiaries of 100% of the share capital of PT-Portugal
- The disposals by Altice International S.à r.l. or its subsidiaries of 100% of the share capital of
  - Telco OI;
  - Cabovisao and its subsidiaries.
- The following Refinancing Transactions
  - The issuance by subsidiaries of the Company of
    - 5.25% EUR 400 million term loan due in 2022;
    - 5.25% USD 500 million term loan due in 2022;
    - 5.25% EUR 500 million Senior Secured Notes due in 2023;
    - 6.625% USD 2,060 million Senior Secured Notes due in 2023;
    - 7.625% USD 385 million Senior Notes falling due in 2025.



- The issuance by the Company of Mandatorily convertible notes (MCNs) for an aggregate amount of €2,055 million (equivalent) bearing interest at 7.2% semi-annually.
- The planned issuance by subsidiaries of the Company of:
  - 7.5% \$2,750 million Senior Secured Notes due in 2026
- The repayment by the Company and its subsidiaries of:
  - 7.875% \$460 million Senior Secured Notes due in 2019;
  - 8.00% \$210 million Senior Secured Notes in 2019;
  - The entire 2013 Term Loan Facility;
  - \$497.5 million and €398.0 million aggregate principal amounts of term loans outstanding under the 2015 Term Loan.
- 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, 2015.

As mentioned above, given the timing of the PT-Portugal acquisition, the determination of the amount of goodwill is preliminary and is subject to revision based on a final determination of fair value. 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 some of the identifiable assets acquired. Upon finalization of the amount of goodwill, certain identifiable assets acquired such as licenses, trademarks and customer base will have a finite life and will be amortized. As a result, the future results of consolidated operations of Altice International S.à r.l. could be significantly affected by amortization expense in relation to such identifiable assets acquired.

On January 20, 2016, an indirect subsidiary of the Company sold 100% of its interests in Cabovisao and its subsidiaries (including Winreason S.A. and its subsidiaries operating under the brand name 'ONI') to Apax France, as part of a commitment made to the European anti-trust commission following its approval of the Company's acquisition of PT. Given that such disposal only occurred after December 31, 2015, the assets and liabilities of Cabovisao and its subsidiaries are included in the consolidated statement of financial position and were classified as 'held for sale' as per the requirements of IFRS 5. 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 January 1, 2015. The historical statements of income for the year ended December 31, 2015 have hence been deconsolidated from the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On February 4, 2015, Altice Finco S.A., an indirect subsidiary of the Company, issued 7.625% Senior Notes for an aggregate principal of EUR 385 million maturing in 2025. Such liabilities are reflected in the condensed consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of December 31, 2015. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2015 and February 4, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On February 4, 2015, Altice Financing S.A., an indirect subsidiary of the Company, issued 6.625% Senior Notes for an aggregate principal of USD 2,060 million maturing in 2023. Such liabilities are reflected in the condensed consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of December 31, 2015. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2015 and February 4, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On February 4, 2015, Altice Financing S.A., an indirect subsidiary of the Company, issued 5.25% Senior Notes for an aggregate principal of EUR 500 million maturing in 2023. Such liabilities are reflected in the condensed consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of December 31, 2015. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2015 and February 4, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On February 4, 2015, Altice Financing S.A., an indirect subsidiary of the Company, issued a 5.25% Term loan for an aggregate principal of USD 500 million maturing in 2022. Such liabilities are reflected in the condensed consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of December 31, 2015. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2015 and February 4, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On February 4, 2015, Altice Financing S.A., an indirect subsidiary of the Company, issued a 5.25% Term loan for an aggregate principal of EUR 400 million maturing in 2022. Such liabilities are reflected in the condensed consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position as of December 31, 2015. Accordingly, the relevant pro-forma effects of the resulting borrowing costs on the aforementioned drawn amount for the period between January 1, 2015 and February 4, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

On June 2, 2015, an indirect subsidiary of the Company acquired a 100% interest in the Portuguese and Hungarian assets of PT from Oi. 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 assets acquired and liabilities assumed of PT are reflected in the consolidated statement of financial position as of December 31, 2015, and the difference between the consideration paid and the net asset position has been provisionally accounted for as goodwill, except for some identifiable assets that were recognized at the provisional fair values at the time of acquisition. 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 PT Portugal have been included in the historical consolidated statement of income since the date of acquisition on June 2, 2015. The historical consolidated income statement of PT Portugal, for the period from January 1, 2015 through June 1, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015. No consideration has been given to the potential changes in accounting policies for the period from January 1, 2015 to June 2, 2015 in preparing the Unaudited Pro Forma Consolidated Financial Information.

On July 31, 2015, an indirect subsidiary of the Company sold its 100% interest in the share capital of Telco OI, a carved out subsidiary of Outremer that regroups the mobile activities of Outremer's Mayotte and Reunion subsidiaries. The assets acquired and liabilities sold of Telco OI were de-consolidated from the pro forma consolidated statement of financial position as of December 31, 2015. Therefore, this transaction has not been deemed to result in any adjustments to the unaudited pro forma consolidated statement of financial position. However, the relevant pro-forma effects of the deconsolidation on the aforementioned disposal for the period between January 1, 2015 and July 31, 2015 have been included in the unaudited pro forma consolidated statements of income for the year ended December 31, 2015.

In April 2016, Altice Financing S.A., a subsidiary of Altice International S.à r.l., intends to proceed with the issuance of the Notes in an amount of \$2,750 million. Given that such issuance will occur after December 31, 2015, the liabilities arising from the issuance are not included in the consolidated statement of financial position as of December 31, 2015. 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, 2015. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the year ended December 31, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

In addition to the debt issuance mentioned above, Altice Financing S.A., a direct subsidiary of the Company, intends to use to proceeds of the Notes offered hereby (aggregate principal amount of \$2,750 million) (i) to redeem the \$460 million and €210 million aggregate principal amount of outstanding 2012 Senior Secured Notes; (ii) to repay the entire principal amount outstanding under the 2013 Term Loan Facility, together with any accrued and unpaid interest and related premiums; (iii) to prepay \$475.6 million aggregate principal amount of term loans outstanding under the 2015 Term Loan; and (iv) to pay fees and expenses associated with (i) to (iii). These liabilities are reflected in the consolidated statement of financial position for the year ended December 31, 2015. 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, 2015. Accordingly, the relevant pro forma effects of the resulting borrowing costs on the aforementioned operation for the year ended December 31, 2015 have been included in the unaudited pro forma consolidated statement of income for the year ended December 31, 2015.

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 under the U.S. Securities Act 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 nor does it purport to value the new swaps entered into by the Group. For the year ended December 31, 2015, the unaudited Pro Forma Financial Information does not give effect to the GNP Acquisition which occurred on February 1, 2016.

There are certain differences in the way in which PT Portugal and Altice International S.à r.l. present items on their respective statement of income. As a result, certain items have been reclassified in the unaudited pro forma consolidated statement of income to comply with Altice International's presentation.

The unaudited Pro Forma Financial Information should be read in conjunction with the notes thereto as well as the historical consolidated financial statements of the Company included herein.

### **Historical consolidated financial statements**

The historical consolidated financial statements of Altice International S.à r.l. are represented by the consolidated financial statements of Altice International S.à r.l. as of and for the year ended December 31, 2015, prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

### **3-Pro-forma adjustments**

#### **(a) Acquisition of PT**

Altice Portugal S.A., an indirectly fully-owned subsidiary of Altice International obtained control of PT on June 2, 2015 pursuant to a purchase of 100% of its shares. These pro-forma adjustments relate to the historical income statement of PT for the period from January 1, 2015 to June 2, 2015 derived from the unaudited combined financial statements of PT prepared in accordance with the measurement and recognition criteria of Portuguese GAAP, to which certain reclassifications were made to conform to the presentation of the accompanying unaudited pro forma statement of income and from the historical consolidated financial statements of Altice International S.à r.l. as of and for the year ended December 31, 2015.

In order to finance the acquisition of PT, the Group issued new debts and MCNs in February 2015. A pro-forma adjustment has been made to register the full year impact of the interest expense for these debts in the unaudited consolidated pro-forma statement of income for the year ended December 31, 2015. The adjustment amounted to EUR 34.9 million. As the debt was included in the consolidated statement of financial position as of December 31, 2015, no adjustment was made to reflect the amount of the new debt issued in the unaudited pro-forma consolidated statement of financial position for the year ended December 31, 2015.

In addition, an adjustment was made to the unaudited pro-forma consolidated statement of income to reflect the repayment of shareholder loans owned by PT to its previous shareholder, Oi (debts which were reimbursed at closing). Such adjustments pertain to the interest expenses recognized on these debts for the period from January 1, 2015 to June 2, 2015 and amounted to EUR 134.1 million. As the reimbursements of the debts was realized at closing, no adjustments were recorded in the unaudited pro-forma consolidated statement of financial position for the year ended December 31, 2015.

#### **(b) Disposal of Telco OI**

On July 31, 2015, Altice Blue Two S.A.S., an indirectly fully-owned subsidiary of the Company disposed of its interests in its carved out subsidiary, Telco OI, as part of commitments made to the French anti-trust regulator. These pro-forma adjustments relate to the historical statement of income of Telco OI for the period from January 1, 2015 to July 31, 2015 derived from the unaudited financial statements of Telco OI prepared in accordance with the measurement and recognition criteria of IFRS.

#### **(c) Disposal of Cabovisao and its subsidiaries (including ONI)**

On January 20, 2016, Altice Portugal, an indirectly fully-owned subsidiary of the Company disposed its interests in Cabovisao and its subsidiaries to Apax France, as part of commitments made to the Portuguese anti-trust regulator. These pro-forma adjustments relate to the historical financial information of Cabovisao

and ONI as of and for the year ended December 31, 2015, prepared in accordance with the measurement and recognition criteria of IFRS.

(d) Refinancing Transactions

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

(i) Issuance of New Senior Notes due 2026

- As part of the Transaction, the Company through its indirect subsidiaries Altice Finco S.A. and Altice Financing S.A. intends to issue USD 2,750.0 million equivalent Senior Notes bearing an interest of 7.5%. These debts fall due in 2026.

(ii) Refinancing of existing debt

As part of the transaction, the Company intends to refinance the following debts

- The repayment of the Altice Financing S.A. Senior Secured Notes due 2019 for an aggregate amount of EUR 210 million, bearing interest at 8.00%;
- The repayment of the Altice Financing S.A. Senior Secured Notes due 2019 for an aggregate amount of USD 460 million, bearing interest at 7.875%;
- The repayment of the Altice Financing S.A. 2013 Term Loan due 2019 for an aggregate amount of USD 1,034 million;
- The prepayment of the Altice Financing 2015 Term Loan for an aggregate amount of USD 497.5 million and €398.0 million.

Pro-forma adjustments of EUR 29.9 million have been recorded for the year ended December 31, 2015, to reflect the net change to finance costs on borrowings and non-recurring deal fees and break up costs, that would have been recorded had the above transactions taken place on January 1, 2015.

(j) Elimination of intercompany transactions between Telco OI and Altice International S.à r.l. and its subsidiaries.

(i) Intercompany transactions between the entities included in the Unaudited Pro Forma Financial Information have not been excluded or eliminated from the Unaudited Pro Forma Financial Information as the amounts were not considered material by the Board of Directors, except for certain transactions between Telco OI, Cabovisao S.A, ONI SGPS, PT Portugal, Altice International and its subsidiaries. These intercompany transactions had an impact of €0.8 million on the EBITDA and has been recorded in the unaudited pro-forma consolidated statement of income for the year ended December 31, 2015.

#### 4-Notes to the unaudited pro forma consolidated financial information

(a) Revenues

	Portugal	Cabo/ONI	PT	ISL	DR	OTHERS	Telco OI	Total Pro-forma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
Revenue Fixed—B2C .....	486.7	(83.8)	293.8	645.3	106.9	143.2	1.5	1,593.5
Revenue Fixed—B2B .....	299.7	(44.2)	192.7	72.9	37.8	28.8	(0.8)	586.9
Revenue Wholesale.....	167.9	(9.4)	125.7	—	62.7	10.6	(0.4)	357.1
Revenue Mobile—B2C .....	347.8	—	233.9	151.0	414.0	98.4	(29.6)	1,215.6
Revenue Mobile—B2B .....	122.5	—	92.2	54.0	50.7	4.8	(0.4)	323.8
Others .....	72.6	(2.9)	45.1	—	22.7	95.3	—	232.8
<b>Total Standalone Revenues .....</b>	<b>1,497.2</b>	<b>(140.3)</b>	<b>983.4</b>	<b>923.3</b>	<b>694.8</b>	<b>381.0</b>	<b>(29.7)</b>	<b>4,309.7</b>
<i>Intersegment transactions ..</i>	(1.1)	—	7.1	—	—	(2.3)	8.1	11.8

	Portugal	Cabo/ONI	PT	ISL	DR	OTHERS	Telco OI	Total Proforma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
<b>Total revenues .....</b>	1,496.1	(140.3)	990.5	923.3	694.8	378.8	(21.6)	4,321.5

**(b) Operating Expenses**

	Portugal	Cabo/ONI	PT	ISL	DR	OTHERS	Telco OI	Total Proforma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
Purchasing and subcontracting costs ...	(326.6)	48.7	(208.1)	(222.1)	(141.3)	(96.2)	3.2	(942.4)
Other operating expenses ...	(327.6)	26.6	(244.1)	(197.8)	(166.0)	(73.5)	4.1	(978.3)
Staff costs and employee benefit expenses ...	(201.2)	12.9	(157.9)	(73.7)	(27.1)	(38.0)	4.4	(480.5)
<b>Total Operating expenses..</b>	<b>(855.4)</b>	<b>88.2</b>	<b>(610.0)</b>	<b>(493.5)</b>	<b>(334.3)</b>	<b>(207.7)</b>	<b>11.7</b>	<b>(2,401.1)</b>

**(c) Adjusted EBITDA**

	Portugal	Cabo/ONI	PT	ISL	DR	OTHERS	Telco OI	Total Proforma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
Adjusted EBITDA....	640.7	(52.0)	380.5	429.7	360.4	171.0	(9.9)	1,920.4

**(d) Capital Expenditure**

	Portugal	Cabo/ONI	PT	ISL	DR	OTHERS	Telco OI	Total Proforma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
Fixed Capex .....	134.1	(24.4)	111.5	186.7	57.4	37.3	(1.5)	470.6
Mobile Capex .....	19.9	—	12.3	55.9	39.6	18.9	—	107.0
Other Capex.....	54.6	—	23.1	42.4	27.2	36.2	—	253.6

	Portugal	Cabo/ ONI	PT	ISL	DR	OTHERS	Telco OI	Total Pro- forma consolidated information
	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to May 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to Dec 31, 2015	Jan 1, 2015 to July 31, 2015	Jan 1, 2015 to Dec 31, 2015
<b>Total Capex.....</b>	<b>208.6</b>	<b>(24.4)</b>	<b>146.9</b>	<b>285.0</b>	<b>124.1</b>	<b>92.4</b>	<b>(1.5)</b>	<b>832.1</b>

### 5-Other Information

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 23% for companies based in Portugal, for the year ended December 31, 2015.

**PT PORTUGAL UNAUDITED COMBINED ADJUSTED FINANCIAL INFORMATION**

The unaudited combined adjusted financial information of PT Portugal's current consolidation perimeter (as defined below) includes (1) unaudited combined balance sheets as of May 31, 2015 and as of December 31, 2014, and (2) unaudited combined income statements for the five months period ended May 31, 2015 and for the year ended December 31, 2014.

Unaudited Consolidated Balance Sheet as of May 31, 2015	PT OpCo Standalone	Contribution from other entities	Consolidation eliminations and adjustments	Consolidated Balance Sheet
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Goodwill .....	1,885.6	1,357.7	(388.6)	2,854.7
Intangible Assets .....	2,218.7	17.7	(1,592.1)	644.3
Property, plant & equipment .....	2,883.5	111.4	(17.1)	2,977.8
Investment in associates .....	1.8	7.2	—	9.0
Financial assets .....	74.3	9.0	(51.3)	32.0
Deferred tax assets.....	—	122.9	298.3	421.3
Other non-current assets .....	2.7	1.4	—	4.1
<b>Total Non-Current Assets .....</b>	<b>7,066.6</b>	<b>1,627.4</b>	<b>(1,750.8)</b>	<b>6,943.2</b>
<b>Current Assets</b>				
Inventories .....	40.8	17.3	0.0	58.1
Trade and other receivables.....	806.0	81.3	(31.6)	855.8
Current tax assets.....	1.0	19.0	—	20.1
Cash and cash equivalents .....	29.6	51.0	0.0	80.6
<b>Total Current Assets .....</b>	<b>877.5</b>	<b>168.7</b>	<b>(31.6)</b>	<b>1,014.6</b>
<b>Total Assets .....</b>	<b>7,944.1</b>	<b>1,796.2</b>	<b>(1,782.4)</b>	<b>7,957.8</b>
<b>LIABILITIES</b>				
<b>Non-Current liabilities</b>				
Long term borrowings.....	5,364.5	4,361.4	(5,364.5)	4,361.4
Other non-current financial liabilities .....	56.7	1.6	—	58.3
Non-current provisions.....	997.0	2.6	(0.3)	999.3
Deferred tax liabilities .....	59.8	—	(59.8)	—
Other non-current liabilities.....	4.9	9.5	—	14.4
<b>Total Non-Current Liabilities .....</b>	<b>6,482.8</b>	<b>4,375.2</b>	<b>(5,424.6)</b>	<b>5,433.4</b>
<b>Current Liabilities</b>				
Short-term borrowings .....	9.6	1,211.1	(9.6)	1,211.1
Other financial liabilities .....	99.3	61.8	(81.2)	79.9
Trade and other payables.....	924.9	87.9	(171.2)	841.6
Current tax liabilities .....	1.7	8.9	—	10.6
Current provisions.....	42.0	15.8	—	57.8
Other current liabilities .....	181.8	9.8	(0.6)	191.0
<b>Total Current Liabilities .....</b>	<b>1,259.3</b>	<b>1,395.2</b>	<b>(262.7)</b>	<b>2,391.8</b>
<b>Total Liabilities.....</b>	<b>7,742.1</b>	<b>5,770.3</b>	<b>(5,687.2)</b>	<b>7,825.2</b>
<b>Net Assets .....</b>	<b>202.0</b>	<b>(3,974.2)</b>	<b>3,904.8</b>	<b>132.6</b>

Unaudited Consolidated Balance Sheet as of December 31, 2014	PT OpCo Standalone	Contribution from other entities	Consolidation eliminations and adjustments	Combined pre carve-out adjustments	Assets carve-out	Combined after carve-out adjustments
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Goodwill .....	1,885.6	1,359.7	(388.6)	2,856.7	—	2,856.7
Intangible Assets .....	2,267.8	25.1	(1,671.8)	621.0	—	621.0
Property, plant & equipment .....	2,955.9	120.5	(1.3)	3,075.1	—	3,075.1
Investment in associates .....	1.8	7.2	—	9.1	—	9.1
Financial assets.....	1,570.8	3,414.6	(1,546.8)	3,438.5	—	3,438.5
Deferred tax assets .....	—	68.3	190.0	258.3	—	258.3
Other non-current assets .....	2.7	1.5	—	4.2	—	4.2

<b>Unaudited Consolidated Balance Sheet as of December 31, 2014</b>	<b>PT OpCo Standalone</b>	<b>Contribution from other entities</b>	<b>Consolidation eliminations and adjustments</b>	<b>Combined pre carve-out adjustments</b>	<b>Assets carve-out</b>	<b>Combined after carve-out adjustments</b>
<b>Total Non-Current Assets .....</b>	<b>8,684.6</b>	<b>4,996.8</b>	<b>(3,418.6)</b>	<b>10,262.9</b>	<b>—</b>	<b>10,262.9</b>
<b>Current Assets</b>						
Inventories.....	43.4	17.4	(0.0)	60.8	—	60.8
Trade and other receivables .....	914.4	126.0	(39.9)	1,000.5	—	1,000.5
Current tax assets .....	21.8	44.7	—	66.5	—	66.5
Cash and cash equivalents.....	25.5	143.9	(0.0)	169.3	—	169.3
<b>Total Current Assets .....</b>	<b>1,005.1</b>	<b>332.0</b>	<b>(39.9)</b>	<b>1,297.2</b>	<b>—</b>	<b>1,297.2</b>
Assets classified as held for sale ..	(0.0)	1,457.0	—	1,457.0	(1,457.0)	—
<b>Total Assets .....</b>	<b>9,689.8</b>	<b>6,785.9</b>	<b>(3,458.5)</b>	<b>13,017.1</b>	<b>(1,457.0)</b>	<b>11,560.1</b>
<b>LIABILITIES</b>						
<b>Non-Current liabilities</b>						
Long term borrowings.....	6,858.8	6,896.9	(6,045.4)	7,710.3	—	7,710.3
Other non-current financial liabilities .....	13.9	10.1	—	24.1	—	24.1
Non-current provisions.....	1,054.7	3.5	(0.3)	1,057.9	—	1,057.9
Deferred tax liabilities .....	186.2	—	(186.2)	—	—	—
Other non-current liabilities .....	10.4	9.1	—	19.5	—	19.5
<b>Total Non-Current Liabilities.....</b>	<b>8,123.9</b>	<b>6,919.6</b>	<b>(6,231.8)</b>	<b>8,811.7</b>	<b>—</b>	<b>8,811.7</b>
<b>Current Liabilities</b>						
Short-term borrowings .....	10.7	1,781.8	(10.7)	1,781.8	—	1,781.8
Other financial liabilities .....	108.8	28.2	(94.2)	42.8	—	42.8
Trade and other payables.....	1,017.0	147.7	(230.0)	934.7	—	934.7
Current tax liabilities .....	—	6.4	—	6.4	—	6.4
Current provisions .....	46.3	12.0	—	58.2	—	58.2
Other current liabilities.....	181.0	10.3	(0.3)	191.1	—	191.1
<b>Total Current Liabilities.....</b>	<b>1,363.9</b>	<b>1,986.3</b>	<b>(335.3)</b>	<b>3,015.0</b>	<b>—</b>	<b>3,015.0</b>
<b>Total Liabilities .....</b>	<b>9,487.9</b>	<b>8,905.9</b>	<b>(6,567.1)</b>	<b>11,826.7</b>	<b>—</b>	<b>11,826.7</b>
<b>Net Assets.....</b>	<b>201.9</b>	<b>(2,120.0)</b>	<b>3,108.6</b>	<b>1,190.4</b>	<b>(1,457.0)</b>	<b>(266.6)</b>

<b>Consolidated Income Statement for the five months period ended May 31, 2015</b>	<b>PT OpCo Standalone</b>	<b>Contribution from other entities</b>	<b>Consolidation eliminations and adjustments</b>	<b>Combined pre carve-out adjustments</b>	<b>Carve-out adjustments</b>	<b>COMBINED</b>
<b>Revenues .....</b>	<b>973.3</b>	<b>18.2</b>	<b>(8.1)</b>	<b>983.4</b>	<b>—</b>	<b>983.4</b>
<b>Operating expenses</b>						
Purchasing and subcontracting costs.....	(207.7)	(1.7)	1.3	(208.1)	—	(208.1)
Salaries and social cost.....	(139.2)	(21.2)	2.5	(157.9)	—	(157.9)
Other operating expenses ..	(250.2)	(49.5)	55.7	(244.1)	—	(244.1)
	<b>(597.1)</b>	<b>(72.4)</b>	<b>59.4</b>	<b>(610.0)</b>	<b>—</b>	<b>(610.0)</b>
<b>Adjusted EBITDA.....</b>	<b>376.3</b>	<b>(54.2)</b>	<b>51.3</b>	<b>373.4</b>	<b>—</b>	<b>373.4</b>
Depreciation and amortisation .....	(315.6)	(10.0)	82.5	(243.1)	—	(243.1)
Other (expenses)/income ...	(71.9)	(24.6)	(2.2)	(98.7)	—	(98.7)
<b>Operating profit .....</b>	<b>(11.2)</b>	<b>(88.9)</b>	<b>131.6</b>	<b>31.5</b>	<b>—</b>	<b>31.5</b>
Finance income .....	2.7	16.5	(0.3)	18.9	—	18.9
Interest relative to gross financial debt.....	(130.4)	(117.3)	113.6	(134.1)	—	(134.1)
Other financial profits and expenses .....	(6.8)	(54.8)	0.0	(61.6)	—	(61.6)
Share of profit of associates....	28.9	0.4	(28.9)	0.5	—	0.5
<b>Profit/(Loss) before income tax .....</b>	<b>(116.8)</b>	<b>(244.0)</b>	<b>216.0</b>	<b>(144.9)</b>	<b>—</b>	<b>(144.9)</b>
Income tax (expenses)/income .....	131.8	(43.9)	(17.9)	70.0	—	70.0
<b>Net income from continuing operations .....</b>	<b>15.0</b>	<b>(288.0)</b>	<b>198.1</b>	<b>(74.9)</b>	<b>—</b>	<b>(74.9)</b>
Net income from discontinued operations ..	—	220.5	—	220.5	(220.5)	—



<b>Consolidated Income Statement for the five months period ended May 31, 2015</b>	<b>PT OpCo Standalone</b>	<b>Contribution from other entities</b>	<b>Consolidation eliminations and adjustments</b>	<b>Combined pre carve-out adjustments</b>	<b>Carve-out adjustments</b>	<b>COMBINED</b>
<b>Profit/(Loss) for the period ...</b>	<b>15.0</b>	<b>(67.4)</b>	<b>198.1</b>	<b>145.6</b>	<b>(220.5)</b>	<b>(74.9)</b>
<b>Consolidated Income Statement for the year ended December 31, 2014</b>						
	<b>PT OpCo Standalone</b>	<b>Contribution from other entities</b>	<b>Consolidation eliminations and adjustments</b>	<b>Combined pre carve-out adjustments</b>	<b>Carve-out adjustments</b>	<b>COMBINED</b>
<b>Revenues .....</b>	<b>2,456.6</b>	<b>92.7</b>	<b>(14.3)</b>	<b>2,533.0</b>	<b>—</b>	<b>2,533.0</b>
<b>Operating expenses</b>						
Purchasing and subcontracting costs .....	(569.0)	(13.9)	36.6	(546.3)	—	(546.3)
Salaries and social cost .....	(261.3)	(123.9)	3.9	(381.3)	—	(381.3)
Other operating expenses .....	(751.7)	(216.2)	296.8	(671.1)	—	(671.1)
	<b>(1,588.0)</b>	<b>(354.0)</b>	<b>337.4</b>	<b>(1,598.7)</b>	<b>—</b>	<b>(1,598.7)</b>
<b>Adjusted EBITDA.....</b>	<b>872.6</b>	<b>(261.3)</b>	<b>323.0</b>	<b>934.3</b>	<b>—</b>	<b>934.3</b>
Depreciation and amortisation .....	(789.3)	39.8	(91.4)	737.7	—	737.7
Other (expenses)/income ..	(1,054.5)	(6.3)	(211.1)	837.2	—	837.2
<b>Operating profit .....</b>	<b>(971.3)</b>	<b>(294.8)</b>	<b>625.5</b>	<b>(640.6)</b>	<b>—</b>	<b>(640.6)</b>
Finance income .....	7.3	60.1	(0.6)	66.7	—	66.7
Interest relative to gross financial debt.....	(342.8)	(276.2)	259.9	(359.1)	—	(359.1)
Other financial profits and expenses .....	(31.5)	(17.2)	0.0	(48.8)	—	(48.8)
Share of profit of associates.....	(1,016.4)	2.9	1,016.5	3.1	—	3.1
<b>Profit/(Loss) before income tax .....</b>	<b>(2,354.8)</b>	<b>(525.2)</b>	<b>1,901.3</b>	<b>(978.7)</b>	<b>—</b>	<b>(978.7)</b>
Income tax (expenses)/income .....	83.4	50.8	(136.5)	(2.3)	—	(2.3)
<b>Net income from continuing operations.....</b>	<b>(2,271.4)</b>	<b>(474.4)</b>	<b>1,764.8</b>	<b>(981.0)</b>	<b>—</b>	<b>(981.0)</b>
Net income from discontinued operations .....	—	(1,598.1)	—	(1,598.1)	1,598.1	—
<b>Profit/(Loss) for the period ..</b>	<b>(2,271.4)</b>	<b>(2,072.4)</b>	<b>1,764.8</b>	<b>(2,579.1)</b>	<b>1,598.1</b>	<b>(981.0)</b>

## Basis of Preparation

On December 9, 2014 Altice, S.A. entered into an agreement to acquire from Oi, S.A. 100% of the issued share capital of PT Portugal, SGPS, S.A. (“PT Portugal”) (the “Transaction”), and accordingly, the PT Portugal Group and its assets. Prior to the consummation of the Transaction and as a condition precedent to its closing, certain corporate reorganizations (the “Carve Out Reorganization”) took place in order to delineate the operations to be transferred as well as to separate PT Portugal’s investments in Africatel GmbH & Co. KG and Timor Telecom, S.A. and the investments held by PT Portugal in Rio Forte Investments, S.A., which were not included in the Transaction, as well as all or part of PT Portugal’s indebtedness. The PT Portugal Group comprises the entities presented in the table below, some of which became subsidiaries of PT Portugal following the completion of the Carve Out Reorganization. The table below also includes the entities in which the PT Portugal Group became owner of an interest of less than 50%.

### ENTITIES WITHIN THE TRANSACTION PERIMETER<sup>(1)</sup>

CONSOLIDATED		EQUITY METHOD OR AT COST	
Name	Interest	Name	Interest
PT Portugal, SGPS, S.A.		ADRAL—Agência de Desenvolvimento Regional do Alentejo, S.A.....	1.00%
MEO—Serviços de Comunicações e Multimédia, S.A.	100%	Apor—Agência para Modernização do Porto, S.A. ....	2.66%
Contact Cabo Verde—Telemarketing e Serviços de Informação, S.A.....		Auto Venda Já, S.A. ....	50.00%
Open Idea (Angola).....	100%	Caixanet—Telemática e Comunicações, S.A. ....	15.00%
Openidea—Tecnologias de Telecomunicações e Sistemas de Informação, S.A. ....	100%	Capital Criativo, SCR, S.A. ....	10.00%
Open Idea (Morocco) .....	100%	Coimbravita—Agência de Desenvolvimento Regional, S.A. ....	4.48%
Postal Network—Prestação de Serviços de Gestão de Infra-estrutura de comunicações, A.C.E.	51.00%	Ericsson Inovação, S.A.....	49.00%
Previsão—Sociedade Gestora de Fundos de Pensões, S.A.....	82.05%	Fibroglobal—Comunicações Electrónicas, S.A. ....	5.00%
PT Blueclip—Serviços de Gestão, S.A.....	100%	Hungaro DigiTel Kft. ....	44.62%
Portugal Telecom Brasil, S.A. ....	100%	INESC—Instituto de Engenharia de Sistemas e Computadores, S.A.....	41.38%
Portugal Telecom Data Center, S.A. ....	100%	Itexample, A.C.E.....	5.17%
Portugal Telecom Inovação Brasil, S.A. ....	100%	Janela Digital—Informativo e Telecomunicações, Lda.....	50.00%
PT Centro Corporativo, S.A. <sup>(2)</sup> .....	100%	Multicert—Serviços de Certificação Electrónica, S.A. ....	20.00%
PT Cloud e Data Centers, S.A. ....	100%	NP—Notícias de Portugal, CRL.....	6.66%
PT Contact—Telemarketing e Serviços de Informação, S.A.....	100%	Open Labs Pesquisa e Desenvolvimento Ltda.....	99.80%
PT Imobiliária, S.A.....	100%	Parkubis—Parque de Ciência e Tecnologia da Covilhã S.A. ....	2.00%
PT Inovação e Sistemas, S.A.....	100%	PCI—Parque Ciência Tecnologia, S.A. ....	5.00%
PT Móveis—Serviços de Telecomunicações, SGPS, S.A.....	100%	PT P&F, A.C.E.....	49.00%
PT Pay, S.A.....	100%	SIRESP—Gestão de Redes Digitais de Segurança e Emergência, S.A.....	30.55%
PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A. ....	100%	Sportinveste Multimédia, SGPS, S.A.....	50.00%
PT PRO—Serviços Administrativos e de Gestão Partilhados, S.A. <sup>(2)</sup> .....	100%	Startec Global Communication .....	0.70%
PT Sales—Serviços de Telecomunicações e Sistemas de Informação, S.A. ....	100%	Taguspark—Sociedade de Promoção e Desenvolvimento do Parque de Ciência e Tecnologia da Área de Lisboa, S.A.....	9.43%
PT Multimédia.com Brasil, Lda.....	100%	Vortal, SGPS, S.A. ....	8.54%
		Yunit Serviços, S.A.....	33.33%

(1) The interest ownerships presented in this table are as of December 31, 2015.

(2) These entities were merged into MEO—Serviços de Comunicações e Multimédia, S.A. as of December 29, 2015 with effects reported to January 1, 2015.

This combined financial information has been prepared to present the financial information of the PT Portugal’s perimeter companies as of 31 December 2015 because for the applicable periods, the consolidated

information of PT Portugal, SGPS, S.A. also included certain entities and assets that are currently not part of the PT Portugal Group.

The combined financial information presented above represents an aggregation of the historical financial information extracted from the accounting records of the PT Portugal Group, basically adjusted for (1) consolidation adjustments and (2) adjustments to remove from the balance sheet and income statements the effects related to the companies and other assets that were not part of the Transaction described above.

In the following paragraphs we will describe in more detail the basis of presentation of each piece of the combined financial information presented above.

The unaudited combined balance sheets as of May 31, 2015 and December 31, 2014 reflect the aggregation of the following:

1. PT OpCo Standalone: Condensed balance sheets of PT OpCo as of May 31, 2015 (unaudited) and December 31, 2014, all of which prepared in accordance with Portuguese GAAP (“PGAAP”), which for purposes of this combined financial information were presented under the same format as that used for financial information published by Altice Group (the “International format”), reflecting certain reclassifications as compared to the balance sheet format presented for PGAAP purposes.
2. Contribution from other entities: Unaudited financial information (assets and liabilities) of the other companies included in the PT Portugal’s current perimeter. As of December 31, 2014, these other companies’s financial information include the investments of PT Portugal and its subsidiaries in the net assets of Portugal Telecom Internacional Finance B.V (PT Finance BV), PT Investimentos, S.A. (PT Investimentos), PT Participações, SGPS, S.A. (PT Participações) (companies that were excluded from the perimeter acquired by Altice) and in Rio Forte Investments, S.A., which are eliminated in the column “Carve-out adjustments”—see point 4 below. This financial information has been extracted from the accounting records of PT Portugal’s consolidation system included in the transaction perimeter, adjusted for intercompany eliminations.
3. Consolidation eliminations and adjustments include:
  - (a) the elimination of intercompany balances between PT OpCo and the other subsidiaries of the PT Portugal Group, which relate mainly to trade payables due by PT OpCo to support companies and intercompany debt and related accrued interest due by PT OpCo to PT Portugal;
  - (b) the elimination of the financial investments held by PT OpCo in the other subsidiaries of the PT Portugal Group; and
  - (c) the elimination of goodwill, intangible assets and related deferred tax liabilities that were recorded in connection with the purchase price allocation of sale and purchase agreements between companies within the PT Portugal Group.
4. Carve-out adjustments reflect the carve-out of certain assets in order to adjust the balance sheet to reflect only the assets and liabilities of the PT Portugal’s current perimeter. These adjustments reflect (i) the carve-out of the financial investment in PT Finance BV (a finance vehicle) and PT Investimentos (holding company for foreign investments), which were recorded at PT Portugal standalone financial statements, (ii) the carve-out of the financial investment in PT Participações (holding company that held the investments in Africa and Timor), which was recorded at PT Móveis, and (iii) the elimination of the Rio Forte investment (commercial paper issued by Rio Forte) recorded at PT Portugal. The table below presents a breakdown of the carve-out adjustments as of December 31, 2014:

<b>Carve-out adjustments to the combined balance sheet as of December 31, 2014</b>	<b>Net assets</b>
Carve-out of PT Participações.....	(1,537.3)
Carve-out of PT Finance .....	168.4
Carve-out of PT Investimentos .....	(2.6)
Carve-out of Carrigans and CV TEL.....	(0.0)
Carve-out of Rio Forte .....	(85.5)
	<b><u>(1,457.0)</u></b>

The PT Portugal unaudited combined income statements for the five months period ended May 31, 2015 and year ended December 31, 2014 reflect the aggregation of the following:

1. PT OpCo Standalone: Income statements of PT OpCo for the five months period ended May 31, 2015 (unaudited) and the year ended December 31, 2014. As already explained above in relation to the balance sheet, the income statements are also prepared in accordance with Portuguese GAAP but for purposes of this combined financial information of PT Portugal perimeter were presented under the

International format, reflecting certain reclassifications as compared to the statutory income statement format presented for PGAAP purposes. The reclassifications primarily reflect certain captions that under Portuguese GAAP are included within EBITDA while under International format are presented below Adjusted EBITDA, namely impairment losses, work force reduction costs, disposal of assets and others, provision for contingencies, gains and losses related to equity investments in associates and certain other non-recurring items. Adjusted EBITDA presented under the International format corresponds to the operating profit plus depreciation and amortization and certain other expenses and income, namely those mentioned above.

2. Contribution from other entities: Aggregation of financial information extracted from PT Portugal's consolidation system (revenues and costs) of the other subsidiaries included in the PT Portugal current perimeter for the five months period ended May 31, 2015 and the year ended December 31, 2014 (all unaudited), which was presented net of intercompany eliminations.
3. Consolidation eliminations and adjustments include:
  - (a) the elimination of intercompany revenues and costs between PT OpCo and the other entities within the PT Portugal Group, which relate mainly to operating costs incurred by PT OpCo with support companies and interest expenses in connection with intercompany debt due by PT OpCo to PT Portugal;
  - (b) the elimination of PT OpCo's equity method effect in the earnings from the other subsidiaries of the PT Portugal Group; and
  - (c) the elimination of the amortization of intangible assets (and related tax effect) that were recorded in connection with the purchase price allocation of sale and purchase agreements between companies within the PT Portugal Group.
4. Carve-out adjustments include the elimination adjustments of the gains and costs incurred with the companies that have been excluded from PT Portugal's current perimeter, reflecting the reversal of the gains and losses resulting from either the equity method of accounting in or the disposal of entities that are outside PT Portugal's current perimeter. These adjustments primarily include (1) the equity in the earnings or losses of PT Finance and PT Investimentos, both of which recorded at PT Portugal, and (2) the equity in the earnings or losses of Bratel BV (an entity not included in PT Portugal's current perimeter that held the investments in Oi and Contax) and PT Participações, both of which recorded at PT Móveis. The table below presents a summary of these carve-out adjustments for the five months period ended May 31, 2015, and the year ended December 31, 2014:

	5M 2015	FY 2014
Reversal of equity accounting over entities outside perimeter		
PT Finance <sup>(i)</sup> .....	116.5	418.5
PT Participações <sup>(i)</sup> .....	(6.7)	17.9
PT Investimentos <sup>(i)</sup> .....	(3.2)	(3.5)
Carrigans and CV TEL .....	0.0	(0.0)
Bratel BV <sup>(ii)</sup> .....	—	25.2
Contax <sup>(ii)</sup> .....	—	1.1
CTX <sup>(ii)</sup> .....	—	0.9
Disposal of financial investments		
PT Participações <sup>(i)</sup> .....	(23.4)	—
PT Finance, net of tax effect <sup>(i)</sup> .....	(338.4)	—
PT Investimentos <sup>(i)</sup> .....	7.1	—
Loss recorded by PT Móveis in connection with the disposal of Bratel BV.....	—	949.9
Loss recorded by PT Móveis relating to the investment in PT Participações <sup>(iv)</sup> .....	—	68.7
Loss recorded by PT Portugal relating to the investment in PT Finance <sup>(iv)</sup> .....	—	4.8
Fair value adjustment related to the debt securities issued by Rio Forte <sup>(v)</sup> .....	27.5	114.5
<b>Total impact in net income</b> .....	<b>(220.5)</b>	<b>1,598.1</b>

(i) Represents the equity accounting in losses (gains) of these entities recorded by PT Móveis (investment in PT Participações) and PT Portugal (PT Finance and PT Investimentos) between May 2014 and April 2015, which were excluded from the combined income statement since these investments are outside PT Portugal's current perimeter. PT Móveis and PT Portugal acquired these investments in the beginning of May 2014, which were subsequently sold to Oi in April 2015.

(ii) Represents the equity accounting in losses (gains) of these entities recorded by PT Móveis (investment in Bratel BV, entity that held the investment in Oi) and PT Brasil (investments in Contax and CTX). The investments in Bratel BV, Contax and CTX were disposed to Pharol, SGPS, S.A. (former Portugal Telecom, SGPS, S.A.) in the beginning of May 2014 and therefore, in relation to the year ended December 31, 2014, these captions correspond only to the losses for the four months period ended April 30, 2014.

- (iii) This caption corresponds to the net loss recorded by PT Móveis in connection with the sale of Bratel, BV to Pharol SGPS, S.A., including (1) a capital gain of €50.0 million corresponding to the difference between the sale price and the carrying value of the investment, and (2) foreign currency losses of €1,000.0 million relating to the depreciation of the Brazilian Real against the Euro since the acquisition of the investment in Oi in March 2011, which were recycled to net income upon the disposal of the investment. This net loss was excluded from the combined income statement as it relates to an entity outside PT Portugal's current perimeter.
- (iv) These captions correspond to non-recurring losses recorded by PT Móveis and PT Portugal in connection with the acquisitions of PT Participações and PT Finance in order to adjust the carrying value of these investments to the correspondent recoverable amounts. These losses were also excluded from the combined income statement as they relate to entities outside PT Portugal's current perimeter.
- (v) This caption corresponds to losses recorded by PT Portugal relating to the devaluation of the investments in debt securities issued by Rio Forte. These losses were excluded from the combined income statement as those debt securities were not included in the transaction between Altice and Oi, as mentioned previously.

## Selected Notes to the Combined Adjusted Balance Sheet and Income Statements

The tables below present unaudited selected disclosures to the main captions of the combined balance sheet as of May 31, 2015 and December 31, 2014 (amounts in Euro million):

<b>Trade and other receivables</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Trade receivables .....	635.2	748.4
Non-trade receivables.....	194.6	214.7
Prepaid expenses .....	25.9	37.4
<b>Total .....</b>	<b>855.8</b>	<b>1,000.5</b>

<b>Deferred tax assets, net of deferred tax liabilities</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Post-retirement benefits .....	334.8	274.1
Tax losses carryforward .....	179.6	65.4
Provisions and adjustments.....	63.8	46.7
Revaluations of fixed assets.....	(165.4)	(135.7)
Other .....	8.5	7.8
<b>Total .....</b>	<b>421.3</b>	<b>258.3</b>

<b>Property, plant &amp; equipment</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Land .....	177.8	173.6
Buildings and other constructions.....	517.5	519.7
Basic equipment .....	2,042.8	2,151.9
Other tangible assets.....	142.2	144.8
In-progress tangible assets .....	97.5	85.2
<b>Total .....</b>	<b>2,977.8</b>	<b>3,075.1</b>

<b>Intangible assets</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
3G and 4G mobile licences .....	317.6	325.0
Acquisition of the Basic fixed network .....	148.1	154.5
Vodafone fiber sharing agreement .....	54.7	55.0
Other .....	123.9	86.5
<b>Total .....</b>	<b>644.3</b>	<b>621.0</b>

<b>Other financial liabilities</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Finance lease obligations .....	17.5	15.5
Accrued interest on loans .....	15.8	21.4
Other .....	46.6	5.8
<b>Total .....</b>	<b>79.9</b>	<b>42.8</b>

<b>Trade and other payables</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Trade payables .....	379.8	447.3
Accrued expenses .....	376.3	309.1
Indirect taxes .....	45.9	37.2
Social security.....	10.7	10.4
Other payables .....	28.9	130.7
<b>Total .....</b>	<b>841.6</b>	<b>934.7</b>

<b>Provisions</b>	<b>May 31, 2015</b>	<b>Dec 31, 2014</b>
Post retirement benefit obligations .....	978.5	1,037.4
Provisions for taxes .....	26.2	40.4
Provisions for legal actions .....	31.2	17.1
Assets retirement obligation .....	19.7	19.3
Other provisions.....	1.5	2.0
<b>Total .....</b>	<b>1,057.1</b>	<b>1,116.1</b>

The tables below present the breakdown of total revenues and other operating expenses for the five months period ended May 31, 2015 and year ended December 31, 2014 (amounts in Euro million):

<b>Revenues</b>	<b>5M15</b>	<b>FY14</b>
B2C Fixed.....	293.8	699.2
B2C Mobile.....	233.9	627.5
B2B Fixed.....	192.7	493.6
B2B Mobile.....	92.2	222.9
Wholesale Revenues .....	125.7	326.9
Other Revenues .....	45.1	163.0
<b>Total .....</b>	<b>983.4</b>	<b>2,533.0</b>

<b>Other operating expenses</b>	<b>5M15</b>	<b>FY14</b>
Customer service .....	36.3	108.8
Sales and marketing.....	70.1	190.7
Network operations and maintenance.....	85.5	212.2
General and administrative expenses.....	36.9	120.2
Taxes.....	15.3	39.1
<b>Total .....</b>	<b>244.1</b>	<b>671.1</b>

## 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 Pro Forma Financial Information and the Illustrative Aggregated Selected Financial Information, including the accompanying notes, included elsewhere in these Listing Particulars. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-looking statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with an investment in the Notes.*

*In this section, we use "pro forma basis" and "aggregated basis" or similar terms to describe financial information derived from the Pro Forma Financial Information or the Illustrative Aggregated Selected Financial Information as the case may be. When used in this section, the terms "we", "our", "Altice International", "Company", the "Group", and "us" refer to the business constituting the Group as of the date of these Listing Particulars even though we may not have owned such business for the entire duration of the periods presented.*

*In the subsections "—Year Ended December 31, 2015 compared to the Year Ended December 31, 2014" and "—Capital Expenditures—Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis—Year Ended December 31, 2015 compared to the Year Ended December 31, 2014" below, we compare certain financial information as of and for the year ended December 31, 2014 derived from the Illustrative Aggregated Selected Financial Information with the corresponding financial information as of and for the year ended December 31, 2015 derived from the Pro Forma Financial Information. While we do not present any pro forma financial information for the year ended December 31, 2014, the adjustments used to prepare the selected information included in the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014 are substantially similar to the adjustments used to prepare the corresponding information in the Pro Forma Financial Information for the year ended December 31, 2015 and therefore a comparison between the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014 and the corresponding information in the Pro Forma Financial Information for the year ended December 31, 2015 is on a like-for-like basis for items above Adjusted EBITDA. However, we do not present any Illustrative Aggregated Selected Financial Information below the line item Adjusted EBITDA, and therefore do not compare any such financial information appearing in the Pro Forma Financial Information. In addition, the Illustrative Aggregated Selected Financial Information does not provide for certain pro forma adjustments included in the Pro Forma Financial Information which affect the line items in the pro forma income statement below Adjusted EBITDA.*

### **Basis of Presentation**

This discussion and analysis for each of the periods presented is based on the financial information derived from the audited consolidated financial statements of Altice International as of and for the years ended December 31, 2015 and 2014 (including comparative numbers as of and for the year ended December 31, 2013) (the "Historical Consolidated Financial Information").

Altice International is a holding company which, since its formation in 2008, has from time to time made significant equity investments in a number of cable and telecommunication businesses in various jurisdictions. The following is an overview of key investments and disposals made by Altice International since 2013, which have had a significant impact on the Historical Consolidated Financial Information.

Prior to 2013, Altice acquired substantially all of the equity interests in HOT-Telecommunication Systems Ltd. as well as an indirect controlling interest in Coditel Brabant S.p.r.l, a company with cable television operations in Belgium, and Coditel Holding S.A. Altice International also sold a 5% equity interest in MIRS Communications Limited during the course of 2011.

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 Outremer, a telecommunications company with operations in the French Overseas Territories (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International 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, the owner of the Portuguese telecommunications holding company ONI and its subsidiaries (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International 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 S.A.S. ("Valvision") and acquired Ma Chaîne Sport S.A.S. ("Ma Chaîne Sport") and Altice Entertainment News &

Sport S.A. (“Altice Entertainment News & Sport”, formerly known as SportV). During 2013 Altice International also initiated its equity investment in Wananchi (“Wananchi”), a Kenyan cable operator.

In 2014, Altice International consummated the acquisitions of (i) Mobius, a telecommunications operator in the French Overseas Territory of La Réunion (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014), (ii) Tricom, a cable, fixed-line and mobile services provider in the Dominican Republic (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014) and (iii) Altice Hispaniola, a mobile and wireless broadband services provider in the Dominican Republic (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 9, 2014). On March 11, 2014, we entered into arrangements pursuant to which Altice Caribbean, acquired a substantial proportion of the minority interests in Altice Blue Two.

In 2015, Altice International acquired PT Portugal, the incumbent telecommunication services provider in the Portuguese market (the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from June 2, 2015). As part of the regulatory conditions relating to the PT Portugal Acquisition, Altice International completed the Cabovisão Disposal on January 22, 2016. The disposed assets in aggregate contributed €150.5 million, €182.9 million and €140.3 million to our revenues and €49.0 million, €57.8 million and €50.2 million to Adjusted EBITDA for the fiscal years ended 2013, 2014 and 2015, respectively.

In addition, on July 31, 2015 and in connection with the acquisition of SFR by the NSFR Group (which is indirectly controlled by our parent, Altice, and therefore an affiliate of the Group), we disposed the mobile network assets of Outremer in Mayotte and La Réunion which were part of our Group’s business in the French Overseas Territories and which in aggregate contributed €50.8 million and €21.6 million to our revenues and €12.8 million and €8.8 million to Adjusted EBITDA for the fiscal years ended 2014 and 2015, respectively.

Therefore, in order to facilitate an understanding of the Group’s results of operations and financial condition, this discussion and analysis is being supplemented by the following information:

*For the year ended December 31, 2015*

- (i) financial information derived from the unaudited Pro Forma Consolidated Financial information of Altice International for the year ended December 31, 2015, giving effect to each of the significant acquisitions described above and giving effect to the Outremer Mobile Disposal and the Cabovisão Disposal (the “Pro Forma Financial Information”);

*For the years ended December 31, 2014*

- (ii) financial information derived from the Illustrative Aggregated Selected Financial Information as of and for the year ended December 31, 2014 (the “Illustrative Aggregated Selected Financial Information”), which aggregates financial information of each of the business undertakings the acquisition of which was consummated by Altice International prior to December 31, 2015 and giving effect to the Outremer Mobile Disposal and the Cabovisão Disposal.

For further details regarding the basis of presentation of the 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 these Listing Particulars.

*Geographic Segments*

Following the PT Portugal Acquisition, we discuss the results of operations for our business based on the following geographic segments: Portugal (which includes PT Portugal and its subsidiaries for the year ended December 31, 2015 but excludes the Cabovisão Group as a result of the Cabovisão Disposal); Israel (which includes HOT and HOT Mobile); the Dominican Republic (which includes Altice Hispaniola and Tricom) and Others (which includes our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our B2B telecommunications solutions business and datacenter operations in Switzerland (Green and Green Datacenter), and our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport in France).

We have revised the presentation of our businesses for prior periods discussed in this “*Management’s Discussion and Analysis of the Financial Condition and Results of Operations of the Group*” accordingly.



## **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, 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 multi-play services. For further discussions of the factors affecting our results of operations, see “*Risk Factors*”.

## **Acquisitions and Integration of Businesses**

Since our formation in 2008, we have from time to time made significant direct and indirect equity investments in a number of cable and telecommunication businesses in various jurisdictions. Due to the significant nature of certain of these acquisitions, the comparability of our results of operations based on the Historical Consolidated Financial Information is limited. Our revenues and Adjusted EBITDA increased from €1,286.8 million and €518.8 million in the year ended December 31, 2013 to €3,492.8 million and €1,601.8 million in the year ended December 31, 2015, 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 years ended December 31, 2014 and 2015, we incurred restructuring and other non-recurring costs of €126.7 million and €101.5 million, respectively, which primarily include costs with respect to renegotiations or termination of contractual arrangements, employee redundancies, fees paid to external counsel and other administrative expenses related to re-organization of existing or newly acquired businesses. In addition, we generally record goodwill in connection with such acquisitions. As of December 31, 2015, the goodwill recorded on our balance sheet amounted to €3,860.0 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/net operating income.

## **Network Upgrades**

Our ability to provide new or enhanced cable-based services, including HDTV and VoD television services, broadband internet network access at increasing speeds and fixed-line telephony services as well as UMTS, 3G and 4G for our mobile-based services to additional subscribers depends in part on our ability to upgrade our (i) 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 and (ii) mobile networks by building-out our UMTS-network and investing in LTE as well as maintaining agreements with third parties to share mobile networks. During each of 2013, 2014 and 2015, we have increased our fiber deployment and upgraded a substantial part of our cable networks. For example, as of December 31, 2015, our cable networks are, on a blended basis, 99.8% Docsis 3.0 enabled, which allows us to offer our customers high broadband internet access speeds and better HDTV services across our regions, excluding the Dominican Republic. Following the PT Portugal Acquisition, we were able to benefit from its FTTH network. As of December 31, 2015 and pursuant to our network sharing agreement with Vodafone Portugal, we have extended our fiber network by 450,000 homes. We also initiated the implementation of our fiber rollout strategy in Portugal, pursuant to which we aim to extend our fiber coverage by 600,000 homes per year between 2015 and 2020. For our cable-based services we made investments of €459.6 million for the year ended December 31, 2015 on a pro forma basis and €501.2 million for the year ended December 31, 2014 on an aggregated basis related to our our cable network and construction. For our mobile-based-service, we made investments of €146.5 million for the year ended December 31, 2015 on a pro forma basis and €117.5 million for the year ended December 31, 2014 on an aggregated basis. We continue to evaluate the need to upgrade our cable networks, for advancements in technologies such as Docsis 3.1 and for the deployment of additional fiber, and our mobile networks, for advancements in LTE technology, on an ongoing basis. For example, in August 2015, following the completion of the tender process related to the allocation of 1.8 GHz spectrum rights, the Israeli Ministry of Communications allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum, enabling HOT Mobile to provide 4G LTE services to its customers. Pursuant to its network sharing agreement with

Partner, HOT has committed to share the investment costs associated with the upgrade of 4G network infrastructure with Partner. It is also 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 the near term. In the event of a successful tender bid, our ability to provide LTE mobile services to complement our existing mobile services in Portugal, 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 in the French Overseas Territories and maintain our LTE technology in Portugal. Such further investments would involve additional capital expenditure. In Israel, further investment in a newly formed limited partnership may be necessary, subject to regulatory approval.

### **Competition**

Our Cable/Fiber Customer Relationships, RGUs and ARPU are impacted by the levels of competition that we experience in each of our operational regions and we continue to face significant competition in most of these regions from both fixed-line operators (including VoIP providers) as well as from mobile players. Although we saw an increase in our total cable/fiber RGUs by approximately 109,000 RGUs (or 2.8%) for the year ended December 31, 2015, we face aggressive pricing in most of the geographies in which we operate and compete with sophisticated services, which are often offered as part of multi-play product packages. For details regarding our key competitors, see "*Industry and Market Overview*".

The fixed- and mobile-based services 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 costs related to breaches of subscription contracts by customers and changes in regulations. Moreover, we have also seen changes in traffic trends on our fixed network primarily as a result of consumer trends shifting to the use of mobile-based services as well as competition from other mobile-service providers, fixed-line operators, and more recently, cable and VoIP providers. This trend has negatively affected both our B2C and wholesale revenues. With respect to our mobile-based service in Portugal, we face substantial competitive challenges as a result of the aggressive price competition between service providers in the market as well as the increasing popularity of flat-fee plans offered by our competitors. Our customers in Portugal also attribute less value to standalone mobile offerings, instead opting for bundled packages which include data and TV services. In Israel, we have seen a rise in our mobile churn rate in 2015 as a result of our switch-over to a UMTS network from our exiting iDEN network, which had a lower churn rate. Competitive pricing has also affected mobile ARPU in the other jurisdictions in which we operate.

Our ability to increase or maintain the competitive 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 Portugal, we face regulatory challenges related to the reduction of mobile termination rates by ANACOM which have had, and are expected to continue to have, a significant impact on our interconnection revenues and consequently our overall revenue and cash flow. The EU's proposed abolition of roaming charges applicable to traffic between EU member states may also negatively affect the revenue generated from our mobile offerings. In Israel, the Israeli Ministry of Communications has in recent years taken certain measures to increase competition. It introduced a policy in 2014 to establish wholesale broadband internet infrastructure access, whereby we would be required to provide access to our network infrastructure to other service providers. Although the price for such access would be determined between us and any such service provider, the Israeli Ministry of Communications reserves the right to intervene should it find that the arrangement (e.g. pricing) is unreasonable or harmful to competition. In January 2016, the Israeli Ministry of Communication published a report with respect to maximum tariffs which it considers applicable for wholesales services provided by HOT. Furthermore, steps taken by the Israeli Ministry of Communications to prohibit exit fees and set guidelines for both fixed-line and mobile-based service pricing could have a further negative impact on our churn rate and ARPU.

### **Multi-Play Strategy**

Across the jurisdictions in which we operate, we have implemented a business strategy focused on the provision and expansion of multi-play product offerings, including triple- and quad-play bundles. Customers who elect to subscribe for our multi-play bundles rather than our individual services realize comparative cost savings on their monthly bill. We believe that the enhanced value proposition associated with our bundled services enables us to meet our customers' communication and entertainment requirements while concurrently both increasing customer loyalty and attracting new customers. As a result of our focus on providing subscribers with multi-play bundles, we have experienced an increase in the number of Cable/Fiber Customer Relationships subscribing to our multi-play services, with the number of multi-play subscribers increasing from 912,000 as of December 31, 2014, to 980,000 as of December 31, 2015. This has driven growth in our cable based services ARPU. Our cable- and fiber- based services ARPU for the years ended December 31, 2014 and 2015 were €38.5 and €39.7, in Portugal, €48.5 and €53.6 Israel, and €30.2 and €35.9

in the Dominican Republic. In Portugal, for example, we provide multiplay offers through our “Meo” brand through “M<sub>4</sub>O” and “M<sub>5</sub>O”, Meo’s converged fixed- and mobile-based services. Furthermore, we believe our bundled service offerings will be an important driver of our fixed-based services, partially offsetting the continued pressure on traditional fixed-based services.

### ***Introduction of New Products and Services***

We have significantly expanded our presence and product and service offerings in the past. In Portugal, the launch of “M<sub>4</sub>O”, “M<sub>4</sub>O Light” and “M<sub>5</sub>O” in 2013 and 2014 has helped us increase our total fiber RGUs to 1,166,000 for the year ended December 31, 2015. HOT has been a leader in bringing cable-based and telecommunication services to the Israeli market, having launched UMTS-based 3G mobile services in 2012 and 4G-LTE Services in August 2015. In addition, we regularly review and invest in the content we offer in order 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. quad-play and our fiber rollout plan in Portugal, which involves extending our fiber network to 600,000 additional homes per year between 2015 and 2020) and, in certain cases, increasing operating expenses and capital expenditures (e.g. UMTS and LTE network build out costs and roaming costs in Israel relating to our 3G and 4G mobile services). With the increasing use of data services linked to the popularity of smartphones in the Dominican Republic, we have seen a decline in our mobile-based services as we try to successfully address the surge in demand for internet-based communication platforms. In Israel, we rolled out LaBox, our advanced set top box, under the commercial name “FiberBox” in 2014. HOT’s FiberBox is a communication box that enhances user experience by allowing customers to record their favorite TV programs in HD quality through a set top box that is also an internet cable modem, router, and an EMTA (telephone modem). It also includes innovative user interfaces, improved recording abilities (“Multi-Record”), a Media Center application enabling direct access to personal media files stored on various devices on the home network, an advanced remote application (“Remote App”, including a variation for children) and a split picture feature allowing the user to watch two channels in parallel (“Picture in Picture”). We expect to develop and launch multi-share services in the future. Users can also access a “Youtube” application and enjoy a “Start Next” feature, further enhancing the TV experience. Over the course of 2015, (i) HOT launched “Mini FiberBox”, a unit that interacts with FiberBox, and (ii) in the Dominican Republic we launched “Smartbox,” an integrated set-top box and cable router.

### ***Pricing***

We focus our product offerings on multi-play offers. Due to the highly competitive market in Portugal, we aggressively price our multi-play offers at competitive prices. In Israel, we believe that our ability to offer triple-play services provides us with a competitive price advantage. The cost of a multi-play subscription package generally depends on market conditions, our competitors’ pricing of similar offerings and the content and add-ons available on each platform. In general, the greater the optionality, content and usage time included in the offering, the higher the price of the multi-play package. In Portugal, a trend of steadily decreasing B2C call prices has emerged in recent years. This has had a negative effect on our B2C revenues. Our strategy to overcome this trend has been to aggressively market a variety of price plans to promote customer loyalty in a competitive market. As result, we have seen a decrease in our fixed and mobile traffic revenues, and therefore ARPU, in particular for our price plans offering flat rate calls. 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 Portugal for example, the imposition by ANACOM of price controls on interconnection charges as well as the continuous reduction of mobile termination rates have caused interconnection costs for fixed-line telephony and mobile telephony to steadily decline, although this has been partially offset by the lower interconnection costs we incur. The prices of B2B contracts are negotiated individually with each customer. The B2B market for voice services is extremely price-sensitive and entails very low margins, 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 corporate and public sector segments, whereas customer-adapted solutions are an important competitive focus in the medium and small business segments. We have tailored our targeted pricing strategy to account for these dynamics in Portugal.

### ***Cost Structure***

We generally work towards achieving satisfactory operating margins in our businesses and focus on revenue-enhancing measures once we have achieved such margins. We continuously work towards optimizing our cost base by implementing initiatives to improve our cost structure across the various regions in which we operate. We are implementing common technological platforms across our networks in order to gain economies of scale, notably with respect to billing systems, network improvements and cable customer

premises equipment. We have also achieved and expect to continue to achieve substantial reductions in our operating expenses as we implement the same best practice operational processes across our organization. We have simplified the services we offer, increased the outsourcing of customer service, customer installations and network maintenance and reduced costs through the negotiation of attractive interconnection rates and television content pricing. As a result, we have generally managed to achieve growth in the Adjusted EBITDA, profitability and operating cash flow of businesses that we have acquired. For example, on a pro forma and aggregate basis, respectively, in our Portuguese business PT Portugal's Adjusted EBITDA margin increased to 41.3% in 2015 from 36.9% in 2014, in our Israeli business, following the acquisition by Altice International of HOT in 2011, HOT's Adjusted EBITDA margin increased to 46.5% in 2015 from 41.8% in 2011. Likewise, in our Dominican Republic business, following the acquisition by Altice International of Altice Hispaniola in April 2014, Altice Hispaniola's Adjusted EBITDA margin increased to 51.9% in 2015 compared to 46.7% in 2014.

We make expansion-related capital expenditure decisions by applying strict investment return and payback criteria. For the year ended December 31, 2015 and for the year ended December 31, 2014, respectively, we incurred capital expenditure of €795.0 million and €832.1 million, in each case on a pro forma and aggregated basis, respectively.

We have recently incurred significant capital expenditures related to the building-out of our LTE network in Portugal and our UMTS network in Israel. In Portugal, we have incurred, and will continue to incur, significant capital expenditure in pursuit of our goal of total fiber coverage by 2020, by rolling our fiber network to 600,000 additional homes per year over the next five years, which we initiated in 2015. In Israel, we entered into a network sharing agreement with Partner in 2013, pursuant to which HOT Mobile and Partner each own equal shares of a newly formed limited partnership, which aims to hold, develop and operate an advanced shared mobile network for both companies. This agreement enables HOT Mobile and Partner to share antennas and frequencies and facilitate optimum utilization of the spectrum. We expect that it will result in savings related to network and maintenance expenses and will optimize capital expenditures incurred in relation to the mandatory build-out of our UMTS network. In August, 2015, following the completion of the tender process of the 1.8 GHz spectrum, the Israeli Ministry of Communication allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum. As a result, HOT Mobile launched the LTE service to its customers. After we entered into the Network Sharing Agreement, we invested alongside Partner, to maintain, operate and develop the advanced shared network. For further details on the network sharing agreement and the RoU agreement, see "*Description of Our Business—Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*".

### **Macroeconomic and Political Developments**

Our operations are subject to macroeconomic 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, we are subject to the inherent risks associated with the political and military conditions there and the potential for armed conflicts with Israel's neighbors.

### **Service Debt Obligations**

We have significant outstanding debt and debt services requirements and may incur additional debt in the future. As of December 31, 2015, we had a total third party debt (excluding other long term and short term liabilities, other than finance leases) of €8,373 million. In addition, we have access to Revolving Credit Facilities and as of December 31, 2015, were able to draw €984.5 million under the various facilities. As of the date of these Listing Particulars, we have drawn €435 million under the Existing Revolving Credit Facility Agreements. For further details on our indebtedness, see "*Description of Other Indebtedness*". Our significant level of debt could have important consequences, including, but not limited to, our ability to invest in new technologies, products and content as well as restrict us from exploiting other business opportunities or making acquisition. It could also increase our vulnerability to, and reducing our flexibility to respond to, adverse general economic or industry conditions. Our inability to make additional investments and acquisitions could also affect our ability to compete with other operators in the jurisdictions in which we operate. See "*Risk Factors—Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our debt obligations or the ability to raise additional capital to fund our operations*".

## Fluctuations in Currency Exchange Rates and Interest Rates

Our reporting currency is euros but a majority of our revenue and expenses are currently earned or incurred in other currencies. In Israel, which accounted for approximately 19.8% and 21.4% of the total revenue of the Group in the year ended December 31, 2014 and 2015, respectively, on an aggregated and pro basis, respectively, 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, 2014 and 2015, respectively, approximately 17.5% and 20.6% of our total operating expenses in Israel and approximately 28.2% and 34.2% 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, the euro and NIS and U.S. dollars and Dominican pesos 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 Altice International's consolidated financial statements and with effect from March 12, 2014 and April 9, 2014, respectively, the consolidation of our operations in the Dominican Republic into Altice International's consolidated financial statements. In the year ended December 31, 2014, compared to 2015, foreign exchange translation movements between the NIS and the euro had a positive impact of €84.2 million on our total revenues and €39.2 million on our EBITDA. Further, as adjusted to give effect to the Refinancing Transactions, as of December 31, 2015, we had approximately €1,070 million of outstanding indebtedness, which bears interest at a floating rate and is therefore subject to interest rate risk. In addition, any indebtedness that we incur under the Revolving Credit Facilities and the 2013 Guarantee Facility will bear interest at a floating rate.

## Key Operating Measures

We use several key operating measures, including number of homes passed, Cable/Fiber Customer Relationships, RGUs, RGUs per Cable/Fiber 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.

The tables below set forth our key operating measures for the years ended December 31, 2015 and 2014:

	As of and for the year ended December 31, 2015 in thousands except percentages and as otherwise indicated				
	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
<b>CABLE/FIBER/OTHER SYSTEMS B2C</b>					
<b>Homes Passed<sup>(1)</sup></b> .....	<b>4,742</b>	<b>2,395</b>	<b>655</b>	<b>413</b>	<b>8,205</b>
Cable/Fiber Homes Passed .....	2,237	2,395	512	406	5,549
<b>Cable/fiber unique customers<sup>(2)</sup></b> .....	<b>404</b>	<b>1,027</b>	<b>143</b>	<b>159</b>	<b>1,733</b>
Cable/fiber customer net adds .....	20	(37)	20	8	11
Multi-play customers .....	364	483	40	93	980
Multi-play penetration <sup>(3)</sup> .....	90	47	28	58	57
	%	%	%	%	%
<b>Total Cable/fiber RGUs<sup>(4)</sup></b> .....	<b>1,166</b>	<b>2,178</b>	<b>277</b>	<b>329</b>	<b>3,950</b>
Pay TV .....	396	824	128	145	1,493
Pay TV net adds .....	22	(22)	10	5	10
Pay TV penetration .....	18	34	25	36	27
	%	%	%	%	%
Broadband .....	371	694	69	95	1,229
Broadband net adds .....	28	(18)	21	10	34
Broadband penetration .....	17	29	13	24	22
	%	%	%	%	%
Telephony .....	399	660	81	88	1,228
Telephony net adds .....	23	(12)	26	9	41
Telephony penetration .....	18	28	16	22	22
	%	%	%	%	%
RGUs per fiber customer .....	2.9	2.1	1.9	2.1	2.3

As of and for the year ended December 31, 2015  
in thousands except percentages and as otherwise  
indicated

	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
Fiber ARPU (EUR) (5) .....	39.7	53.6	35.9	—	—
<b>Total DSL/Other RGUs (Incl. DTH) .....</b>	<b>2,763</b>	<b>—</b>	<b>300</b>	<b>138</b>	<b>3,201</b>
Broadband .....	741	—	93	52	886
Telephony .....	1,169	—	207	75	1,451
TV .....	852	—	—	11	863
<b>MOBILE B2C</b>					
<b>Total mobile subscribers<sup>(6)</sup> .....</b>	<b>6,252</b>	<b>1,229</b>	<b>3,894</b>	<b>223</b>	<b>11,598</b>
Postpaid subscribers .....	2,676	1,199	803	153	4,831
Postpaid net adds .....	283	229	61	14	176
Prepaid subscribers .....	3,576	30	3,092	70	6,767
Mobile ARPU (EUR) .....	7.0	11.9	9.7	—	—

As of and for the year ended December 31, 2014  
in thousands except percentages and as otherwise indicated

	Portugal <sup>(7)</sup>	Israel <sup>(6)</sup>	Dominican Republic	Others <sup>(8)</sup>	Total
<b>CABLE/FIBER/OTHER SYSTEMS</b>					
<b>B2C</b>					
<b>Homes Passed<sup>(1)</sup> .....</b>	<b>—</b>	<b>2,343</b>	<b>473</b>	<b>412</b>	<b>3,228</b>
Fiber Homes Passed <sup>(1)</sup> .....	1,732	2,343	330	403	4,808
<b>Cable/fiber Unique Customers<sup>(2)</sup> .....</b>	<b>384</b>	<b>1,064</b>	<b>123</b>	<b>156</b>	<b>1,727</b>
Cable/fiber customer net adds .....	31	(63)	14	6	(11)
Multi-play customers .....	332	482	17	81	912
Multi-play penetration <sup>(3)</sup> .....	86	45	14	52	53
	%	%	%	%	%
<b>Total Cable/fiber RGUs<sup>(4)</sup> .....</b>	<b>1,094</b>	<b>2,237</b>	<b>210</b>	<b>300</b>	<b>3,841</b>
Pay TV .....	374	853	118	143	1,488
Pay TV net adds .....	38	(19)	7	8	26
Pay TV penetration .....	22	36	36	35	31
	%	%	%	%	%
Broadband .....	343	713	44	82	1,182
Broadband net adds .....	44	(26)	9	13	25
Broadband penetration .....	20	30	13	20	25
	%	%	%	%	%
Telephony .....	376	671	48	76	1,171
Telephony net adds .....	43	(9)	16	12	46
Telephony penetration .....	22	29	15	19	24
	%	%	%	%	%
RGUs per cable/fiber customer .....	2.8	2.1	1.7	1.9	2.2
<b>ARPU<sup>(5)</sup></b>					
Fiber ARPU (EUR) .....	38.5	48.5	30.2	—	—
<b>Total DSL/Other RGUs (Incl. DTH) .....</b>	<b>2,859</b>	<b>—</b>	<b>335</b>	<b>185</b>	<b>3,379</b>
<b>RGUs</b>					
Broadband .....	752	—	99	68	919
Telephony .....	1,251	—	236	103	1,590
TV .....	857	—	—	14	871
<b>MOBILE B2C</b>					
<b>Subscribers</b>					
<b>Total mobile subscribers<sup>(6)</sup> .....</b>	<b>6,380</b>	<b>974</b>	<b>3,574</b>	<b>217</b>	<b>11,146</b>
Postpaid subscribers .....	2,394	970	(36)	(12)	3,316

**As of and for the year ended December 31, 2014**  
in thousands except percentages and as otherwise indicated

	<u>Portugal<sup>(7)</sup></u>	<u>Israel<sup>(6)</sup></u>	<u>Dominican Republic</u>	<u>Others<sup>(8)</sup></u>	<u>Total</u>
Postpaid net adds .....	824	(3)	61	2	768
Prepaid subscribers .....	3,987	4	2,846	77	6,914
<b>ARPU<sup>(5)</sup></b>					
Mobile ARPU (EUR) .....	7.3	14.9	9.2	31.4	—

- (1) In Portugal, total Homes Passed includes DSL homes enabled for IPTV outside of PT Portugal's fiber footprint. In the Dominican Republic, total Homes Passed includes DSL homes outside of the fiber footprint. Homes passed in Israel represents the total number of homes in the country.
- (2) Fiber unique customers represents the number of individual end users who have subscribed for one or more of our fiber based services (including pay television, broadband or telephony), without regard to how many services to which the end user subscribed. It is calculated on a unique premises basis. The total number of Fiber customers does not include subscribers to either our mobile or ISP services.
- (3) Fiber penetration rates for our pay television, broadband and telephony services are presented as a percentage of fiber homes passed.
- (4) RGUs, or Revenue Generating Units, 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 are counted on a per service basis and RGUs for telephony are counted on a per line basis.
- (5) ARPU is an average monthly measure that we use to evaluate how effectively we are realizing revenue from subscribers. ARPU is calculated by dividing the revenue for the service provided after certain deductions for non-customer related revenue (such as hosting fees paid by channels) for the respective period by the average number of customer relationships for that period and further by the number of months in the period. The average number of customer relationships is calculated as the number of customer relationships on the first day in the respective period plus the number of customer relationships on the last day of the respective period, divided by two. For Israel and the Dominican Republic, ARPU has been calculated by using the following exchange rates: average rate for Q4-15, EUR 0.2319 = ILS 1.00, EUR 0.020 = 1 DOP.
- (6) Mobile subscribers is equal to the net number of lines or SIM cards that have been activated on our mobile networks. In Israel, the total number of mobile subscribers includes B2C and B2B (B2B is not disclosed separately) split between iDEN and UMTS services as follows:

	<u>As of 31 December</u>	
	<u>2014</u>	<u>2015</u>
	<u>in thousands</u>	
<b>Mobile Subscribers</b>		
iDEN .....	172	138
UMTS .....	802	1,091
<b>Total</b> .....	<b><u>974</u></b>	<b><u>1,229</u></b>

- (7) Portugal represents operating measures of the PT Portugal Group (which we acquired on June 2, 2015). We disposed of our interests in the Cabovisão Group pursuant to regulatory conditions attached to the PT Portugal Acquisition on January 20, 2016.
- (8) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories.

### Key Income Statement Items

In 2014, in the context of the anticipated acquisition and integration of the French mobile operator Société Française du Radiotéléphone S.A. ("SFR") into the Altice S.A. Group (Altice S.A. being the predecessor entity of Altice N.V., the new ultimate controlling entity of the Group), the board of directors of Altice S.A. decided to amend the presentation of its operational segments, by regrouping the cable-based services segment and B2B segment into a single line called 'Fixed', and by maintaining the mobile segment. Other activities such as content, datacenters and holding company operations are classified under "Others". With effect from January 1, 2015, the Group now follows the same segmentation as Altice N.V. for financial reporting purposes. See Note 2.27 to the historical consolidated financial statement of Altice International as of and for the twelve months ended December 31, 2015. However, for comparative purposes, we have continued to present the discussion and analysis of the results of operations of Altice International for all periods in line with the historical segmentation of the business, i.e., fixed-based services, mobile-based services, wholesale and others.

## Revenue

Revenue consists of income generated from the delivery of fixed-based services to our B2C and B2B customers, mobile-based services to our B2C and B2B customers, wholesale and other services. 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 have presented revenue generated from the following services:

*Fixed-based B2C and B2B services:* Revenue from fixed-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-based B2C and B2B 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.

*Wholesale:* Revenues from wholesale services primarily consist of revenues derived from renting our network infrastructure services, including IRUs and bandwidth capacity on its network, to other telecommunications operators (including the Mobile Virtual Network Operations, “MVNOs”) as well as the related maintenance services.

*Others:* Revenue from our Others primarily consists of revenue from other businesses such as, (i) content based activities, (ii) datacenter activities and other activities that are not related to our core fixed or mobile businesses.

## Purchasing and subcontracting services

Purchasing and subcontracting services consists of direct costs associated with the delivery of fixed-based services to our B2C and B2B customers, mobile-based services to our B2C and B2B customers, wholesale and other services. We present purchasing and subcontracting services paid for the procurement of the following services:

*Fixed-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 television content from third party providers were included in purchasing and subcontracting services for cable based services until March 31, 2013, but these costs have been capitalized thereafter.

*Mobile-based 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.

*Wholesale:* Purchasing and subcontracting services associated with wholesale primarily consist of costs associated with delivering wholesale services to other operators.

*Others:* Purchasing and subcontracting services associated with other services consist of, (i) cost of renting space for datacenters (subject to certain exceptions), and (ii) utility costs related to the operation of datacenters (such as power and water supply costs). 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

In the consolidated financial statements for the year ended December 31, 2015, the Group made changes to the presentation of its line items related to cost. These revisions were also made to the comparative information for the year ended December 31, 2014. In the year ended December 31, 2013, the line item ‘other operating expenses’ included customer service costs, technical and maintenance costs and business taxes.



Other sales and marketing expenses and general and administrative expenses were shown as separate line items in the consolidated statement of income.

Subsequently, other operating expenses consist mainly of the following subcategories.

*Customer service costs:* Customer service costs include all costs related to billing systems, bank commissions, external costs associated with operating call centers, allowances for bad customer debts and recovery costs associated therewith.

*Technical and maintenance:* Technical and maintenance costs include all costs related to infrastructure rental, equipment, equipment repair, costs of external subcontractors, maintenance of backbone equipment and datacenter equipment, maintenance and upkeep of the cable and mobile networks, costs of utilities to run network equipment and those costs related to customer installations that are not capitalized (such as service visits, disconnection and reconnection costs).

*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.

*Other sales and marketing expenses:* Other sales and marketing expenses consist of advertising and sales promotion, office rent and maintenance, commissions for marketers, external sales and storage and other expenses related to sales and marketing efforts.

#### ***Staff costs and employee benefits***

Staff costs and employee benefits, comprised of all costs related to wages and salaries, bonuses, social security, pension contribution and other outlays paid to Group employees.

#### ***Depreciation and amortization***

Depreciation and amortization includes depreciation of tangible assets related to production, sales and administrative functions and amortization of intangible assets.

#### ***Impairment losses***

Impairment losses includes the write off of any goodwill or tangible and intangible assets 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 and income***

Other expenses and income includes any one-off or non-recurring income or expenses incurred during the ongoing financial year, excluding restructuring and other non-recurring costs. This includes deal fees paid to external consultants for merger and acquisition activities. Furthermore, it also includes non-cash operating gains and losses realized on the disposal of tangible and intangible assets and management fees paid to related parties.

#### ***Interest relative to gross financial debt***

Interest relative to gross financial debt includes interest expenses recognized on third party debt, excluding other long term liabilities, short term liabilities and other finance leases, incurred by the Group.

#### ***Other financial expenses***

Other financial expenses include other financial expenses not related to the third party debt (excluding other long term liabilities and short term liabilities, other than finance leases) incurred by the Group. Such expenses mainly include interest costs of finance leases, variations in the fair value of non-hedged derivative instruments and the inefficient portion of hedged derivative instruments.

#### ***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.

#### ***Gain on disposal of business***

Gain on disposal of business include the gain/loss recognized on the disposal of our subsidiaries. This line item is presented separately in the consolidated statement of income as management believes that the

disposal of subsidiaries is a non-recurring item mandated by regulatory authorities as part of the approvals given for the acquisition of different entities (such as PT in Portugal) and hence should be stated outside the operating income.

### **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.

### **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, 2015 compared to the Year Ended December 31, 2014**

The below table sets forth our Consolidated Statement of Income for the year ended December 31, 2015 and 2014, in millions of euros and as a percentage of revenues for the periods in question:

	<b>Historical Consolidated Financial Information</b>			
	<b>For the year ended December 31,</b>		<b>Change</b>	
	<b>2014<sup>(1)</sup></b>	<b>2015</b>	<b>Amount</b>	<b>%</b>
	<b>(€ in millions except percentages)</b>			
Revenues.....	1,893.2	3,492.8	1,599.6	84.5
Purchasing and subcontracting costs.....	(448.7)	(786.2)	(337.5)	75.2
Other operating expenses .....	(423.8)	(764.9)	(341.1)	80.5
Staff costs and employee benefit expenses .....	(152.0)	(339.9)	(187.9)	123.6
Depreciation and amortization.....	(566.5)	(1,087.9)	(521.4)	92.0
Impairment losses.....	(13.7)	(20.9)	(7.2)	52.6
Other expenses and income.....	(126.7)	(101.5)	25.2	(19.9)
<b>Operating profit.....</b>	<b>161.8</b>	<b>391.6</b>	<b>229.8</b>	<b>142.0</b>
Interest relative to gross financial debt.....	(156.2)	(543.1)	(386.9)	247.7
Other financial expenses .....	(192.3)	(149.0)	43.3	(22.5)
Finance income .....	3.3	73.6	70.3	2,130.3
<b>Finance costs, net .....</b>	<b>(345.2)</b>	<b>(618.4)</b>	<b>(273.2)</b>	<b>79.1</b>
Net result on disposal of businesses .....	—	27.5	27.5	—
Share of profit of associates .....	—	2.1	2.1	—
<b>Profit before income tax .....</b>	<b>(183.4)</b>	<b>(197.3)</b>	<b>(13.9)</b>	<b>7.6</b>
Income tax (expenses)/income.....	(12.1)	(79.7)	(67.6)	558.7
<b>Loss for the year.....</b>	<b>(195.5)</b>	<b>(276.9)</b>	<b>(81.4)</b>	<b>41.6</b>
<i>Attributable to equity holders of the parent.....</i>	<i>(189.4)</i>	<i>(272.9)</i>	<i>(83.5)</i>	<i>44.1</i>
<i>Attributable to non-controlling interests .....</i>	<i>(6.1)</i>	<i>(4.0)</i>	<i>2.1</i>	<i>34.4</i>

(1) With effect from January 1, 2015, we have revised the presentation of the consolidated statement of income and the consolidated statement of financial position to further enhance the presentation of the Group's result and financial position, providing additional details. The Historical Financial Statements as of and for the year ended December 31, 2015 include comparative figures as of and for the year ended December 31, 2014 giving effect to such revised presentation. In addition, in order to aid comparability of financial information with previous periods, for the purposes of the sections "Summary Financial Information and Other Data" and this "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group", we have presented financial information as of and for the year ended December 31, 2014 taking into account the abovementioned presentational changes. See Note 2.27 and Note 30 to the Historical Financial Statements for the year ended December 31, 2015 for more details.

	Illustrative Aggregated Financial Information <sup>(1)</sup> for the year ended December 31,	Pro Forma Financial Information <sup>(2)</sup> for the year ended December 31,	Change	
	2014 <sup>(3)</sup>	2015 <sup>(1)</sup>		
	Total	(in € millions) Total	Amount	%
<b>Revenue</b> .....	4,334.9	4,321.5	(13.4)	(0.3)
Purchasing and subcontracting services costs	(939.8)	(942.4)	(2.6)	0.3
Other operating expenses .....	(1,084.8)	(978.3)	106.5	(10.8)
Staff costs and employee benefit expenses .....	(520.2)	(480.5)	39.7	(8.3)
<b>Adjusted EBITDA</b> .....	<b>1,790.0</b>	1,920.4	130.4	6.8

- (1) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. Illustrative Aggregated Selected Financial Information is only presented for certain line items and no such information is presented below the Adjusted EBITDA line item. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.
- (2) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.
- (3) With effect from January 1, 2015, we have revised the presentation of the consolidated statement of income and the consolidated statement of financial position to further enhance the presentation of the Group’s result and financial position, providing additional details to users. The Historical Financial Statements as of and for the year ended December 31, 2015 include comparative figures as of and for the year ended December 31, 2014 giving effect to such revised presentation. In addition, in order to aid comparability of financial information with previous periods, for the purposes of the sections “*Summary Financial Information and Other Data*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group*”, we have presented financial information as of and for the year ended December 31, 2014 taking into account the abovementioned presentational changes. See Note 2.27 and Note 30 to the Historical Financial Statements for the year ended December 31, 2015 for more details.

### Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2015 and December 31, 2014 were significantly impacted by the following events:

- In the first quarter of 2014, Altice International acquired a controlling interest in Mobius, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014. Mobius contributed €15.4 million to revenue, (€0.5) million to operating profit and €5.8 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014.
- Furthermore, during the first quarter of 2014, Altice International also acquired a controlling interest in Tricom, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014. Tricom contributed €122.6 million to revenue, €7.3 million to operating profit and €64.4 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. Tricom was fully consolidated in the results of the Group for the year ended December 31, 2015.
- In the second quarter of 2014, Altice International acquired a controlling interest in Altice Hispaniola, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 9, 2014. Altice Hispaniola contributed €341.9 million to revenue, €46.4 million to operating profit and €161.2 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. Altice Hispaniola was fully consolidated in the results of the Group for the year ended December 31, 2015.
- On June 2, 2015, the Group, through its subsidiary Altice Portugal, completed the PT Portugal Acquisition. This acquisition enabled the Group to further expand its business operation in Western Europe. For the year ended December 31, 2015, PT Portugal contributed €1,353.0 million of revenue, €129.9 million of operating profit, and €588.6 million of Adjusted EBITDA to the Group. On January 20, 2016, the Group completed the Cabovisão Disposal, in compliance with the conditions set by the European Commission in connection with the approval of the PT Portugal Acquisition.
- In July 2015, the Group refinanced the amounts drawn under the 2013 Altice Financing Revolving Credit Facility, the 2014 Altice Financing Revolving Credit Facility, the 2015 Altice Financing Revolving Credit Facility pursuant to an incremental loan to Altice Financing for an aggregate amount of €450 million under 2013 Altice Financing Term Loan B Credit Agreement.

- Furthermore, on July 31, 2015, the Group concluded the Outremer Mobile Disposal for an enterprise value of €80 million. The disposal formed part of the conditions imposed by the European Commission on the Group as part of the approval of the 2014 SFR Acquisition.

## Revenue

### Historical Consolidated Basis

For the year ended December 31, 2015, we generated total revenues of €3,492.8 million, a 84.4% increase compared to €1,893.2 million for the year ended December 31, 2014. This increase in revenues was mainly due to the acquisition of PT Portugal (since 2 June 2015), having contributed €1,353.0 million to Group revenues. Additionally, revenues were also impacted by the full year contribution of certain entities acquired in 2014, more specifically Altice Hispaniola and Tricom. Foreign exchange translation movements between the NIS and the euro had a positive impact of €150.1 million on total revenue. Foreign exchange translation movements between Dominican pesos and the euro had a positive impact of €75.1 million on total revenue.

Revenues for our fixed-based services (including wholesale) increased from €1,174.2 million to €2,060.5 million, a 75.5% increase compared to the year ended December 31, 2014. This increase was driven by the contribution of the revenues of PT Portugal and the impact of the full year contribution of Altice Hispaniola and Tricom, for the year ended December 31, 2015.

Our mobile-based services revenue increased to €1,241.8 million for the year ended December 31, 2015, a 101.4% increase compared to €616.6 million in 2014. This increase was mainly due to the impact of the full year consolidation of the business of Altice Hispaniola and Tricom in 2015, as well as the contribution of the revenues of PT Portugal.

Revenues from our other activities totaled €190.6 million for the year ended December 31, 2015, a 83% increase as compared to €102.4 million for the year ended December 31, 2014. The increase in other revenues was mainly due to an increase in the activity of our content businesses.

### Pro Forma Consolidated Basis and Aggregated Basis

The table below sets forth our revenue by lines of activity in the various geographical segments in which we operate for the years ended December 31, 2015 on a pro forma basis and December 31, 2014 on an aggregated basis:

	Illustrative Aggregated Financial Information					Pro Forma Financial Information				
	For the year ended December 31,									
	2014					2015				
	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total
	(€ in millions)									
Fixed - B2C..	699.2	614.1	92.4	149.2	1,554.9	696.7	645.3	106.9	144.6	1,593.5
Fixed - B2B..	493.6	66.4	42.9	30.3	633.1	448.2	72.9	37.8	28.0	586.9
Wholesale ....	326.9	—	33.9	5.8	366.1	284.2	—	62.7	10.2	357.1
<b>Fixed total ...</b>	<b>1,519.7</b>	<b>680.5</b>	<b>169.1</b>	<b>185.9</b>	<b>2,554.4</b>	<b>1,436.2</b>	<b>718.2</b>	<b>207.4</b>	<b>182.8</b>	<b>2,537.6</b>
Mobile –										
B2C.....	627.5	128.6	370.7	77.9	1,204.5	581.7	151.0	414.0	68.8	1,215.6
Mobile – B2B	222.9	48.3	42.0	4.7	317.8	214.7	54.0	50.7	4.4	323.8
<b>Total .....</b>	<b>850.3</b>	<b>176.8</b>	<b>412.0</b>	<b>82.6</b>	<b>1,522.4</b>	<b>114.8</b>	<b>205.0</b>	<b>464.7</b>	<b>73.2</b>	<b>1,539.4</b>
Other .....	163.0	—	25.3	70.3	258.6	114.8	—	22.7	95.3	232.8
Intersegment transactions <sup>(2)</sup> .....	—	—	—	(0.6)	(0.6)	6.0	—	—	5.8	11.8
<b>Total .....</b>	<b>2,533.0</b>	<b>857.3</b>	<b>607.1</b>	<b>337.4</b>	<b>4,334.9</b>	<b>2,346.3</b>	<b>923.3</b>	<b>694.8</b>	<b>357.2</b>	<b>4,321.5</b>

(1) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter and Green.ch), our content production and distribution businesses (including Ma Chaîne Sport (France) and Altice Entertainment News & Sport (Luxembourg)) and other activities that are not related to our core fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) Intersegment transactions are limited to exchange of services and goods between the different operating segment of the Group.

**Portugal (PT Portugal only):** For the year ended December 31, 2015, we generated revenue in Portugal of €2,346.3 million; a 7.4% decrease compared to €2,533.0 million for the year ended December 31, 2014. Our

fixed-based revenues decreased by 6.3%, our mobile-based revenues decreased by 6.8% and other revenue decreased by 42.0%.

The decrease in our fixed-based services revenue was mainly driven by a decrease in our B2B fixed-based services revenue which declined by 9.2% as compared to the year ended December 31, 2014, mainly due to a reduction in the investments in new projects by the private sector, competitiveness of the market and losses of some corporate accounts in the end of 2014 and first half of 2015. Furthermore, we saw a slight decline in B2C fixed-based services revenue due to competitive pricing and dynamics, nevertheless B2C fixed-based services revenue remained broadly stable benefitting from Meo's quad- and multi-play offers. Lower international traffic revenues related to roaming agreements and lower revenues from the rental of Meo's infrastructure to other operators to allow them to provide broadband and voice services to their own customers, which has been decreasing as such other operators continue to deploy their own networks, were the causes of the decline of our wholesale revenues. The decrease in our fixed-based services revenue was offset by increased revenues from our multi-play offerings.

The mobile revenues decrease was mainly impacted by (i) price competition (ii) lower sales of handsets, and (ii) migration to convergent offers, namely in the B2C segment (a decline of 7.3% compared to the previous year). In addition, the decrease was further impacted by a decrease in B2B mobile revenues decreased by 3.7% compared to the year ended December 31, 2014, impacted by the losses of some corporate accounts and competitiveness of the market, however, offset by a slight improvement in revenue generation in the fourth quarter of 2015 (decrease of 1.8% as compared to the previous year).

The decrease in our other revenues was mainly due to non-telecommunications revenues, namely IT, technology and related engineering solutions services provided to telecom companies in Brazil.

*Israel:* For the year ended 31 December 2015, we generated revenue in Israel of €923.3 million, a 7.7% increase compared to €857.3 million for the year ended 31 December 2014. Our fixed-based services revenue increased by 5.3% and our mobile-based services revenue increased by 13.7%. On a constant currency basis, our revenues decreased by 2.1%. Fixed based revenue decreased by 4.1% on a constant currency basis, while mobile based revenue increased by 5.4%.

Despite seeing an increase in revenues due to the currency fluctuations, on a constant currency basis, we suffered a decline in fixed based revenues. However, having suffered a net decrease of 63,000 of our total cable cable/fiber unique customers in 2014, we were able to decrease the number of losses in our total cable cable/fiber unique customers to 37,000 for the year ended December 31, 2015, having seen the lowest decline since the initial public offering of Altice S.A. in total cable cable/fiber unique customers for the three months ended December 31, 2015 (4,000)(net) of. Our customer services had suffered significant disruptions in the second and third quarter of 2014 caused by the continuing impacts of the conflict in Gaza leading to closures of several of our service centres and procedural issues experienced by our third party customer service provider. During the second half of 2014, management implemented a series of changes in order to improve the quality of our service: a dedicated customer service team for new subscribers; two new customer service call centres; and the recruitment of over 500 new service representatives for our external call centres. Despite the decreasing revenue trend, we were able to slightly increase our multi-play customer base from 482,000 as of December 31, 2014 to 483,000 as of December 31, 2015. The decrease in our fixed-based services revenue was offset by an increase in ARPU of 10.4% (0.4% at a constant exchange rate).

The increase in mobile services revenue was mainly due to the increase in the mobile customer base (net adds of 255,000 customers) and an increase in handset sales for the year ended December 31, 2015, as compared to the year ended December 31, 2014 This increase was offset by a decrease in mobile blended ARPU by 13.7% (21.7% at a constant exchange rate), ARPU decrease that all Israeli mobile companies suffered due to strong competition.

*Dominican Republic:* For the year ended December 31, 2015, we generated revenue in the Dominican Republic of €694.8 million, a 14.0% increase compared to €607.1 million for the year ended December 31, 2014. Our fixed-based services revenue increased by 18.4% and our mobile-based services revenue increased by 11.2%. On a constant currency basis, our revenues increased by 1%. Fixed based revenue increased by 8% on a constant currency basis, whilst mobile based revenue remained stable.

The increase in our fixed-based services was mainly due to an increase in our cable/fiber unique customer base and the launch of our new set top boxes, "Smartbox" and "Minibox" in the Dominican Republic in January 2015 For the year ended December 31, 2015, we increased our cable customers to 143,000 as compared to 123,000 in 2014. The increase in mobile service revenue remained strong due to the high growth of postpaid services. We generated 61,000 net adds, growing our customer base from 803,000 postpaid customers for the year ended December 31, 2015, as compared to 728,000 postpaid customers for the year ended December 31, 2014.

*Others.* Revenues for our others segment increased to €357.2 million for the year ended December 31, 2015 as compared to €337.4 million for the year ended December 31, 2014. The increase in revenues was

mainly related to the increase in revenues for our French Overseas Territories business (€8.8 million) as a result of an increase in subscriptions to our fixed-based services as well as our content activities (€7.7 million).

## Adjusted EBITDA

### Historical Consolidated Basis

For the year ended December 31, 2015, our Adjusted EBITDA was €1,601.8 million, an increase of 84.4% compared to the year ended December 31, 2014 (€868.8 million). This increase can be attributed to the acquisition and integration of PT Portugal, and the full year impact of the acquisition of each of Altice Hispaniola and Tricom. We also experienced organic Adjusted EBITDA growth of 4.5% in Israel (from €411.3 million in 2014 to €429.7 million in 2015).

### Pro Forma Consolidated Basis and Aggregated Basis

	Illustrative Aggregated Financial Information <sup>(2)</sup>					Pro Forma Financial Information <sup>(3)</sup>				
	For the year ended December 31,									
	2014 <sup>(4)</sup>					2015				
	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total
<b>Revenue</b> .....	2,533.0	857.3	607.1	337.4	4,334.9	2,346.3	923.3	694.8	357.2	4,321.5
Purchasing and subcontracting services costs...	(546.3)	(173.5)	(141.9)	(78.1)	(933.8)	(486.0)	(222.1)	(141.3)	(93.0)	(942.4)
Other operating expenses.....	(671.1)	(191.9)	(151.9)	(69.9)	(1,084.8)	(545.1)	(197.8)	(166.0)	(69.4)	(978.3)
Staff costs and employee benefit expenses.....	(381.3)	(80.7)	(30.0)	(28.2)	(520.2)	(346.1)	(73.7)	(27.1)	(33.6)	(480.5)
<b>Total</b> .....	<b>934.3</b>	<b>411.2</b>	<b>283.3</b>	<b>161.2</b>	<b>1,790.0</b>	<b>969.1</b>	<b>429.7</b>	<b>360.4</b>	<b>161.1</b>	<b>1,920.4</b>
Other expenses/income .....	—	—	—	—	—	—	—	—	—	—
<b>Adjusted EBITDA</b> <sup>(5)</sup> .....	<b>934.3</b>	<b>411.2</b>	<b>283.3</b>	<b>161.2</b>	<b>1,790.0</b>	<b>969.1</b>	<b>429.7</b>	<b>360.4</b>	<b>161.1</b>	<b>1,920.4</b>

(1) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter and green.ch), our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport (France)) and other activities that are not related to our cored fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.

(3) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Caboviao Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.

(4) With effect from January 1, 2015, we have revised the presentation of the consolidated statement of income and the consolidated statement of financial position to further enhance the presentation of the Group’s result and financial position, providing additional details to users. The Historical Financial Statements as of and for the year ended December 31, 2015 include comparative figures as of and for the year ended December 31, 2014 giving effect to such revised presentation. In addition, in order to aid comparability of financial information with previous periods, for the purposes of the section “*Summary Financial Information and Other Data*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group*”, we have presented financial information as of and for the year ended December 31, 2014 taking into account the abovementioned presentational changes. See Note 2.27 and Note 23 to the Historical Financial Statements for the year ended December 31, 2015 for more details.

(5) Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is 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. “Adjusted EBITDA” of Altice International presented herein corresponds to “Adjusted EBITDA” as reported by Altice International for financial reporting purposes as of December 31, 2015. For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, see “*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*”.

**Portugal.** For the year ended December 31, 2015, our Adjusted EBITDA in Portugal was €969.1 million, an increase of 3.7% compared to €934.3 million for the year ended December 31, 2014. Operating costs decreased by 13.9% to €1,377.2 million in 2015 compared to €1,598.7 million in 2014. The reduction of

operating costs was a consequence of decreases in: (i) purchasing and subcontracting services costs of 8.7%, from €546.3 million in 2014 to €486 million in 2015, primarily reflecting the lower costs of goods sold due to the decline in handset sales as well as lower international traffic costs, (ii) staff costs of 9.2%, from €381.3 million in 2014 to €346.1 million in 2015 and (iii) other operating expenses of 18.8%, from €671.1 million in 2014 to €545.1 million in 2015, reflecting lower sales and marketing expenses, mainly due to the termination of certain football sponsorship contracts, lower customer service costs, lower network operation and maintenance expenses and lower general administration expenses.

*Israel.* For the year ended December 31, 2015, our Adjusted EBITDA in Israel was €429.7 million, an increase of 4.5% compared to €411.2 million for the year ended 31 December 2014. However, Adjusted EBITDA on a constant currency basis decreased by 5.2% compared to 2014 (owing mainly to decrease in our fixed segment revenue and strong competition in the mobile segment).

On a consolidated basis, the increase in Adjusted EBITDA can be attributed to a decrease in staff costs of 8.7% in 2015 as compared to 2014 (€73.7 million in 2015 compared to €80.7 million in 2014), resulting from on-going, phased restructuring in our business and transfer of employees to the JV Entity we own with Partner pursuant to the Network Sharing Agreement. This decrease was offset by a 3.0% increase in our other operating expenses (from €197.8 million in 2014 to €191.9 million in 2015), owing mainly to an increase in our customer service costs, in an effort to increase recovery following the customer service issues we faced in 2014. Our purchasing and subcontracting costs increased by 28.0%, from €173.5 million in 2014 to €222.1 million in 2015, mainly due to promotional efforts and attractive pricing policies to support post-paid mobile growth in an increasingly competitive market, in particular, due to increased spending on mobile handsets (connected to the increase in the sale of handsets,) as well as an increase in interconnection and roaming expenses (connected to the increase in the number of minutes used by our growing mobile customer base).

*Dominican Republic.* For the year ended December 31, 2015, our Adjusted EBITDA in the Dominican Republic was €360.4 million, in an increase of 27.2% compared to €283.3 million for the year ended December 31, 2014. Adjusted EBITDA on a constant currency basis increased by 12.6% in 2015, compared to the year ended December 31, 2014, due to operational performance by increasing our cable unique customer base and the launch of Smartbox/MiniBox; and synergies implemented by the Group.

On a consolidated basis, the increase in Adjusted EBITDA can be attributed to a decrease in staff costs by 9.9% in 2015, as compared to 2014 (€27.1 million in 2015 compared to €30 million in 2014), resulting from the synergies implemented by the Group, which offset the increase in purchasing and subcontracting costs, resulting from an increase in revenues.

Our other operating expenses increased by 9.3%, to €166.0 million in 2015 from €151.9 million in 2014, due to an increase in our commercial and communication efforts to support the launch of new fixed and mobile plans.

*Others.* For the year ended December 31, 2015, our Adjusted EBITDA in Others was €161.1 million, a decrease of 0.1% from €161.2 million compared to the year ended December 31, 2014. This increase can be attributed to an increase in EBITDA at our content business, following an increase in activity.

## **Depreciation and Amortization**

### *Historical Consolidated Basis*

For the year ended December 31, 2015, depreciation and amortization totalled €1,087.9 million, a 92.0% increase compared to €566.5 million for the year ended December 31, 2014. Depreciation and amortization in the year ended December 31, 2015 was impacted by (i) the acquisitions and subsequent consolidation of PT Portugal (with effect from June 2, 2015) and (ii) the impact of the inclusion of Altice Hispaniola and Tricom for the full year in 2015.

## **Impairment losses**

### *Historical Consolidated Basis*

For the year ended December 31, 2015, our impairment losses totalled €20.9 million, a 52.6% increase compared to €13.7 million for the year ended December 31, 2014. Impairment losses in the year ended December 31, 2015 was impacted by the impairment of the ONLY brand in our operations in the French Overseas Territories following the implementation of the SFR brand.

## **Other expenses and income**

### *Historical Consolidated Basis*

For the year ended December 31, 2015, our other expenses and income totalled €101.5 million, a 19.9% decrease compared to €126.7 million for the year ended December 31, 2014. Other expenses and income in

the year ended December 31, 2015 was impacted by a decrease in the fees paid to external advisors as a result of limited mergers and acquisitions in 2015.

### Interest relative to gross financial debt

#### *Historical Consolidated Basis*

For the year ended December 31, 2015, our interest relative to gross financial debt totaled €543.1 million, a 247.7% increase compared to €156.2 million for the year ended December 31, 2014. Interest relative to gross financial debt in the year ended December 31, 2015 was impacted by an increase in gross financial debt related to the acquisition of PT Portugal.

### Other financial expenses

#### *Historical Consolidated Basis*

For the year ended December 31, 2015, our other financial expenses totaled €149.0 million, a 22.5% decrease compared to €192.3 million for the year ended December 31, 2014. The decrease in other financial expenses was mainly due to a decrease in foreign exchange losses (€83.8 million) in 2015 as compared to the previous year. This decrease was offset by an impairment of our investment in Wananchi for an amount of €35.2 million.

### Finance costs (net)

#### *Historical Consolidated Basis*

Net finance costs amounted to €618.4 million for the year ended December 31, 2015, registering an increase of 79.1% compared to the year ended December 31, 2014 (€345.2 million). This increase was mainly related to the increase in interest expenses on the incurrence of new third party debt obligations (excluding other long term and short term liabilities, other than finance leases) in 2015 to finance the acquisition of PT Portugal.

### Gain on disposal of businesses

#### *Historical Consolidated Basis*

For the year ended December 31, 2015, we recognized a one off gain on the Outremer Mobile Disposal for an amount of €27.5 million (2014: nil).

### Share of profit of associates

#### *Historical Consolidated Basis*

For the year ended December 31, 2015, our share of profit of associates totaled €2.1 million compared to nil in the year ended December 31, 2014. Share of profit of associates in the year ended December 31, 2015 was impacted by the acquisition of associates of PT Portugal, as part of its acquisition.

### (Loss)/profit for the year

#### *Historical Consolidated Basis*

For the year ended December 31, 2015, the Group recorded a net loss of €276.9 million, as compared to a net loss of €195.5 million for the year ended December 31, 2014. This decrease was mainly attributable to the increase in finance costs as discussed elsewhere in these Listing Particulars.

### **Year Ended December 31, 2014 compared to the Year Ended December 31, 2013**

The below table sets forth our Consolidated Statement of Income for the year ended December 31, 2015 and 2014, in millions of euros and as a percentage of revenues for the periods in question:

	Historical Consolidated Financial Information			
	For the year ended		Change	
	December 31,			
	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	Amount	%
	(€ in millions except percentages)			
Revenues.....	1,286.8	1,893.2	606.4	47.1
Purchasing and subcontracting costs.....	(367.8)	(448.7)	(80.9)	22.0
Other operating expenses .....	(265.6)	(423.8)	(158.2)	59.5
Staff costs and employee benefit expenses .....	(134.7)	(152.0)	(17.3)	12.8
Depreciation and amortization .....	(399.6)	(566.5)	(166.9)	41.8



## Historical Consolidated Financial Information

	For the year ended December 31,		Change	
	2013 <sup>(1)</sup>	2014 <sup>(1)</sup>	Amount	%
	(€ in millions except percentages)			
Impairment losses.....	—	(13.7)	(13.7)	—
Other expenses and income.....	(76.8)	(126.7)	(49.9)	65.0
<b>Operating profit</b> .....	42.3	161.8	119.5	282.5
Interest relative to gross financial debt.....	(298.6)	(156.2)	142.4	(47.7)
Other financial expenses.....	(13.6)	(192.3)	(178.7)	1,314
Finance income.....	69.1	3.3	(65.8)	(95.2)
<b>Finance costs, net</b> .....	(243.1)	(345.2)	(102.1)	42.0
<b>Profit before income tax</b> .....	(201.0)	(183.4)	17.5	(8.7)
Income tax (expenses)/income.....	(7.4)	(12.1)	(4.7)	63.5
<b>Profit/(loss) for the period</b> .....	(208.4)	(195.5)	12.9	(6.2)
<i>Attributable to equity holders of the parent</i> .....	(186.2)	(189.4)	(3.2)	1.7
<i>Attributable to non-controlling interests</i> .....	(22.2)	(6.1)	16.1	(72.5)

(1) In order to aid comparability of financial information with previous periods, for the purposes of the sections “*Summary Financial Information and Other Data*” and this “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Group*”, we have presented financial information as of and for the year ended December 31, 2014 and 2013 taking into account the abovementioned presentational changes. See Note 2.27 and Note 23 to the Historical Financial Statements for the year ended December 31, 2014 and Note 22 to the Historical Financial Statements in the year ended December 31, 2014 for more details.

### Significant Events Affecting Historical Results

Our results of operations for the year ended December 31, 2014 and December 31, 2013 were significantly impacted by the following events:

- 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 €37.4 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2013 since July 5, 2013 compared to €192.8 million to revenue, €23.7 million to operating profit and €75.1 million to Adjusted EBITDA of Altice International on a consolidated basis for the year December 31, 2014. 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 Adjusted EBITDA, which are not consolidated in the Historical Consolidated Financial Information of Altice International.
- 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 Altice International with effect from August 8, 2013. ONI contributed €41.8 million to revenue, €5.0 million to operating loss and €5.7 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2013 since August 8, 2013 and €84.3 million to revenue, €13.9 million to operating loss and €18.9 million to EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. For the period from January 1 until August 8, 2013, ONI had €59.0 million of revenue, €2.7 million of operating loss and €9.4 million of Adjusted 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 Chaîne Sport and Altice Entertainment News & Sport, two content producers based in France and Luxembourg respectively, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from October 4, 2013. The two entities contributed €26.9 million to revenue, €2.8 million to operating profit and €13.9 million to the Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. These entities did not have an impact on the financial information of Altice International for the year ended December 31, 2013.
- In the first quarter of 2014, Altice International acquired a controlling interest in Mobius, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from January 1, 2014. Mobius contributed €15.4 million to revenue, €0.5 million to operating loss and €5.8 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014.

- Furthermore, during the first quarter of 2014, Altice International also acquired a controlling interest in Tricom, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from March 12, 2014. Tricom contributed €122.6 million to revenue, €6.1 million to operating profit and €64.4 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. Tricom was fully consolidated in the results of the Group for the year ended December 31, 2015.
- In the second quarter of 2014, Altice International acquired a controlling interest in Altice Hispaniola, the financial information of which is consolidated in the Historical Consolidated Financial Information of Altice International with effect from April 1, 2014. Altice Hispaniola contributed €341.9 million to revenue, €46.4 million to operating profit and €161.2 million to Adjusted EBITDA of Altice International on a consolidated basis in the year ended December 31, 2014. Altice Hispaniola was fully consolidated in the results of the Group for the year ended December 31, 2015.

#### *Historical Consolidated Basis*

For the year ended December 31, 2014, we generated total revenue of €1,893.2 million, a 47.1% increase compared to €1,286.8 million for the year ended December 31, 2013. Our total revenue by our key regions in the year ended December 31, 2014 and 2013, respectively, were: (i) in Israel, €857.4 million and €881.8 million, (ii) in Portugal, €182.9 million and €150.5 million (revenue for the year ended December 31, 2013 was impacted by the consolidation of ONI only with effect from August 8, 2013 and revenue for the year ended December 31, 2014 was impacted by the contribution from ONI for the entire period), (iii) in the French Overseas Territories, €236.0 million and €126.9 million (revenue for the year ended December 31, 2013 were impacted by the consolidation of Outremer only with effect from July 5, 2013 and revenue for the year ended December 31, 2014 was impacted by the contribution from Outremer and Mobius for the entire duration) and (iv) in the Dominican Republic, €464.5 million and nil (the Group did not have any activities in the Dominican Republic prior to March 12, 2014). Foreign exchange translation movements between the NIS and the euro had a negative impact of €8.8 million on total revenue.

### **Adjusted EBITDA**

#### *Historical Consolidated Basis*

For the year ended December 31, 2014, our Adjusted EBITDA was €868.8 million, an increase of 67.5% compared to the year ended December 31, 2013 (€518.8 million). This increase can be attributed to the acquisition and integration of Altice Hispaniola and Tricom and the full year impact of the acquisition of ONI and Outremer (which were only included in the 2013 consolidated financial statements since August 1, 2014 and July 1, 2014, respectively). We also experienced organic Adjusted EBITDA growth of 13.4% in Israel (from €362.7 million in 2013 to €411.3 million in 2014), mainly driven by a decrease in purchasing and subcontracting services due to (i) lower fixed line telephony call volumes as fixed line telephony customers switched to mobile services (the latter providing competitive prices and unlimited price plan packages), (ii) a decrease in the regulated interconnection fees for fixed line telephony services which came into effect in December 2013 and (iii) the decrease in content expenses mainly due to capitalization of costs arising from the purchase of exclusive third party content from April 1, 2013. The decrease was offset by an increase in our other operating expenses due to costs related to our outsourced customer services and an increase in advertising costs relating to the launch of Fiberbox.

### **Depreciation and Amortization**

#### *Historical Consolidated Basis*

For the year ended December 31, 2014, our depreciation and amortization totaled €566.5 million, a 41.8% increase compared to €399.6 million for the year ended December 31, 2013. Depreciation and amortization in the year ended December 31, 2014 was impacted by (i) the consolidation of Outremer and ONI for the entire duration of year ended December 31, 2014 and (ii) the impact of the consolidation of Tricom and ODO from March 12, 2014 and April 9, 2014, respectively.

### **Impairment losses**

#### *Historical Consolidated Basis*

For the year ended December 31, 2014, our impairment losses totalled €13.7 million, compared to nil for the year ended December 31, 2013. Impairment losses in the year ended December 31, 2014 was impacted by the impairment of the ONI brand in Portugal for an amount of €8.3 million and the impairment of the Numericable brand in Belgium and Luxembourg for an amount of €5.4 million.

## **Other expenses and income**

### *Historical Consolidated Basis*

For the year ended December 31, 2014, our other expenses and income totalled €126.7 million, a (65.0)% increase compared to €76.9 million for the year ended December 31, 2013. Other expenses and income in the year ended December 31, 2014 was impacted by an increase in fees paid to external advisors and increased restructuring costs as a result of higher merger and acquisition activity in 2014 as compared to 2013.

## **Interest relative to gross financial debt**

### *Historical Consolidated Basis*

For the year ended December 31, 2014, our interest relative to gross financial debt totalled €156.2 million, a 47.7% decrease compared to €298.6 million for the year ended December 31, 2013. Interest relative to gross financial debt in the year ended December 31, 2014 was impacted by the positive impact in the variation of the fair value of derivative hedge instruments.

## **Other financial expenses**

### *Historical Consolidated Basis*

For the year ended December 31, 2014 our other financial expenses totalled €192.3 million, a 1,314.0% increase compared to €13.6 million for the year ended December 31, 2013. Other financial expenses in the year ended December 31, 2014 were impacted by an increase in foreign exchange losses.

## **Finance costs (net)**

### *Historical Consolidated Basis*

Net finance costs amounted to €345.2 million for the year ended December 31, 2014, registering an increase of 42.0% compared to the year ended December 31, 2013 €243.1 million. This increase was mainly related to finance costs discussed elsewhere in these Listing Particulars.

## **Loss for the year**

### *Historical Consolidated Basis*

For the year ended December 31, 2014, the Group recorded a net loss of €195.5 million, as compared to a net loss of €208.4 million for the year ended December 31, 2013. This decrease was mainly attributable to the reasons highlighted above.

## **Liquidity and Capital Resources**

### *Cash and Debt Profile*

As of December 31, 2015, our consolidated cash and cash equivalents amounted to €266.0 million on an actual basis. Each of our operating subsidiaries maintains cash and cash equivalents to fund their day-to-day requirements.

Our most significant financial obligations are our debt obligations. As a result of the various acquisitions we have made since 2010 and the financing transactions that we entered into to fund such acquisitions, our financing profile has undergone a substantial change in this period. In particular, in December 2012, June 2013, December 2013 and January 2015 we entered into significant financing transactions, among other things, to finance investments in certain of our subsidiaries and to refinance certain existing indebtedness. Our total debt as of December 31, 2015 was €8,373 million, in each case including finance leases (which amounted €90.5 million) but excluding other long term and short term liabilities. In addition the Issuer will be able to draw up to \$80 million under the 2012 Revolving Credit Facility, up to €80 million under the 2013 Revolving Credit Facility, up to €330 million under the 2015 Super Senior Revolving Credit Facility, up to €501 million under the 2014 Pari Passu Revolving Credit Facility and up to €15 million under the 2013 Guarantee Facility. As of the date of these Listing Particulars, we have drawn €435 million under the Existing Revolving Credit Facility Agreements. In addition, the Issuer entered into the 2015 Term Loan Credit Agreement.

Our material indebtedness (excluding the Existing Revolving Credit Facility Agreements, the 2013 Guarantee Facility and finance leases and other long term and short term liabilities) and principal repayment obligations, giving effect to the Refinancing 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 Other Indebtedness*”.

	Period ending December 31,			Total
	2016	2017	2018 or later	
	€ in millions			
Existing HOT Unsecured Notes <sup>(1)</sup> .....	29	29	192	250
Green Datacenter Debt .....	5	5	29	40
2012 Senior Secured Notes <sup>(2)</sup> .....	0	0	0	0
2012 Senior Notes <sup>(2)</sup> .....	0	0	390	390
2013 June Senior Notes .....	0	0	250	250
2013 December Senior Notes <sup>(2)</sup> .....	0	0	367	367
2013 December Senior Secured Notes <sup>(2)</sup> .....	0	0	1,127	1,127
2015 Senior Secured Notes <sup>(2)</sup> .....	0	0	2,392	2,392
2015 Senior Notes <sup>(2)</sup> .....	0	0	354	354
Notes offered hereby .....	0	0	2,443	2,443
Other Exchange rate effect adjusted .....	0	0	83	83
2015 Term Loan .....	9	9	433	450
Existing Revolving Credit Facility Agreements Drawn .....	—	—	160	160
<b>Total</b> .....	<b>43</b>	<b>43</b>	<b>8,219</b>	<b>8,306</b>

(1) The amount is based on the exchange rate as of December 31, 2015 of €0.2354= NIS 1.00.

(2) The amount is based on the exchange rates as of December 31, 2015 of €0.91853 = \$1.00.

(3) To be refinanced as part of the Refinancing Transaction

### *Sources of Liquidity*

Our principal source of liquidity is expected to be the operating cash flows of our operating subsidiaries and if required borrowings under the Existing Revolving Credit Facility Agreements and €15 million under the 2013 Guarantee Facility. We will be able to draw an aggregate of €984 million (equivalent) under the 2012 Altice Financing Revolving Credit Facility, the 2013 Altice Financing Revolving Credit Facility, the 2013 Guarantee Facility, the 2014 Altice Financing Revolving Credit Facility and the 2015 Altice Financing Revolving Credit Facility. We expect to use these sources of liquidity to fund operating expenses, working capital requirements, capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our operating subsidiaries and any available borrowings under the Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. See “*Risk Factors—Risks Relating to Our Financial Profile*”.

The Existing Revolving Credit Facility Agreements, the 2013 Guarantee Facility and the Existing Term Loans, while there are any utilizations outstanding, requires us to maintain compliance with the leverage ratios specified therein, tested as of the end of each fiscal quarter. The Existing 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. Our ability to maintain compliance with our financial covenants is dependent primarily on our or the relevant operating subsidiaries’ ability to maintain or increase EBITDA and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence leverage covenants contained in our various debt instruments. See “*Description of Other Indebtedness*”. Further, if our EBITDA were to decline, we could be required to repay or limit borrowings under the Existing HOT Unsecured Notes, 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.

Altice International is a holding company with no direct source of operating income. It is therefore dependent on dividends, servicing of intercompany loans and other payments from its operating subsidiaries to meet its liquidity requirements.

### *Working Capital*

As of December 31, 2015 we had a negative net working capital position of €420.4 million compared to a negative working capital position of €240.7 million as of December 31, 2014. 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 Facility Agreements and the 2013 Guarantee Facility will be sufficient to meet our working capital requirements during the next 12 months.

### **Consolidated Cash Flow Statements**

	<b>Historical Consolidated Financial Information</b>		
	<b>For the year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
		<b>€ in millions</b>	
Cash and cash equivalents at beginning of year.....	129.7	61.3	188.1
Net cash provided by operating activities .....	439.2	742.4	1,460.3
Net cash used in investing activities.....	(678.8)	(478.3)	(1,261.3)
Net cash provided by (used in) financing activities .....	170.7	(143.3)	(116.7)
Effects of exchange rate changes on the balance of cash held in foreign currencies .....	0.1	5.9	2.4
Cash and cash equivalents linked to assets classified as held for sale at the end of the reporting .....	—	—	(6.8)
<b>Cash and cash equivalents at end of year .....</b>	<b>61.3</b>	<b>188.1</b>	<b>266.0</b>

### ***Year Ended December 31, 2015 compared to the Year Ended December 31, 2014***

Changes in Altice International's cash flows in the year ended December 31, 2015 compared to the year ended December 31, 2014 were impacted by the significant acquisitions and related financing arrangements described under "*—Discussion and Analysis of our Results of Operations—Year Ended December 31, 2015 compared to the Year Ended December 31, 2014—Significant Events Affecting Historical Results*".

#### *Net cash provided by operating activities*

Net cash provided by operating activities increased by 96.7% to €1,460.3 million for the year ended December 31, 2015 compared to €742.4 million for the year ended December 31, 2014. The increase in net cash provided by operations was mainly related to the increase in the Group's Adjusted EBITDA (by 84.4%), resulting from the acquisition of PT Portugal and the improvement in profitability at our Dominican entities, Altice Hispaniola and Tricom.

#### *Net cash used in investing activities*

Net cash used in investing activities increased by 163.7% to €1,261.3 million for the year ended December 31, 2015 compared to €478.3 million for the year ended December 31, 2014. The increase in the year ended December 31, 2014 can be attributed to higher cash outflow as a result of increased capital expenditure and the acquisition of PT Portugal.

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

Net cash provided by financing activities decreased by 18.6% to €116.7 million for the year ended December 31, 2015 compared to €143.4 million for the year ended December 31, 2014. The decrease can primarily be attributed to the third party debt (including long term and short term liabilities and finance leases) issued to fund the acquisition of PT Portugal in June 2015.

## **Year Ended December 31, 2014 compared to the Year Ended December 31, 2013**

### *Net cash provided by operating activities*

Net cash provided by operating activities increased by 69.0% to €742.4 million for the year ended December 31, 2014 compared to €439.2 million for the year ended December 31, 2013. The increase in net cash provided by operations was mainly related to the acquisition of Altice Hispaniola and Tricom during the year 2014 and the improvement in Adjusted EBITDA in our Israel and the French Overseas Territories segments.

### *Net cash used in investing activities*

Net cash used in investing activities decreased by 29.5% to €478.3 million for the year ended December 31, 2014 compared to €678.8 million for the year ended December 31, 2013. The decrease in the year ended December 31, 2014 can be attributed to higher cash outflow as a result of an increased investment activity in 2013 to acquire non-controlling interests in our Portuguese (Cabovisão) and Belgium and Luxembourg businesses.

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

Net cash provided by financing activities decreased by 183.9% to €143.3 million for the year ended December 31, 2014 compared to an outflow of €170.7 million for the year ended December 31, 2013. The decrease can primarily be attributed to the higher amount of interests paid in 2014 as compared to 2013, and the lower amount of third party debt (including long term and short term liabilities and finance leases) issued in 2014.

## **Capital Expenditures**

We classify our capital expenditures in the following categories.

Fixed-based services related (including wholesale): 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/fiber based business. This also 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 fixed-based or mobile-based services as well as as in Others are reflected in cable capital expenditures or mobile capital expenditures as the case may be.

Mobile-based services related: Includes capital expenditures related to improving or expanding our mobile networks and platforms and other investments relating to our mobile business.

Others: Includes capital expenditures relating to our content and other non-core fixed-based or mobile-based activities, such as capital expenditures relation to our data centers and backbone network.

The following tables set forth the cash capital expenditures of the Altice International Group:

	<b>Historical Consolidated Financial Information</b>		
	<b>For the year ended December 31,</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>€ in millions</b>		
Fixed-based services.....	224.9	289.8	392.0
Mobile-based services.....	62.4	105.3	134.3
Others.....	2.9	39.0	160.4
<b>Total Capital Expenditures .....</b>	<b>290.2</b>	<b>434.1</b>	<b>686.7</b>

## **Year Ended December 31, 2015 compared to the Year Ended December 31, 2014**

### **Capital expenditures on a Historical Consolidated Basis**

For the year ended December 31, 2015, our total capital expenditures were €686.7 million (representing 19.7% of revenue), a 58.2% increase compared to €434.1 million for the year ended December 31, 2014 (representing 22.9% of revenue).

*Fixed-based services related (including wholesale):* For the year ended December 31, 2015, fixed-based services capital expenditures were €392.0 million (representing 57.1% of total capital expenditures); a 35.3% increase compared to €289.8 million (representing 66.8% of total capital expenditures) for the year ended December 31, 2014.

*Mobile-based services related:* For the year ended December 31, 2015, mobile services capital expenditures were €134.3 million (representing 19.6% of total capital expenditures); a 27.5 % increase compared to €105.3 million (representing 24.3% of total capital expenditures) for the year ended December 31, 2014.

*Others:* For the year ended December 31, 2015, capital expenditures for Others were €160.4 million (representing 23.4% of total capital expenditures); a 310.8% increase compared to €39.0 million (representing 9.0% of total capital expenditures) for the year ended December 31, 2014.

### Capital expenditures on a Pro Forma Consolidated Basis and Aggregated Basis

The following table sets forth our cash capital expenditures by country of operation and on a pro forma basis based on the Pro Forma Financial Information for the year ended December 31, 2015 and on an aggregated basis based on the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014.

	Illustrative Aggregated Selected Financial Information <sup>(2)</sup>					Pro Forma Financial Information <sup>(3)</sup>				
	For the year ended December 31, 2014 <sup>(5)</sup>					For the year ended December 31, 2015				
	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total	Portugal	Israel	Dominican Republic	Others <sup>(1)</sup>	Total
	€ in millions									
<b>Capital expenditures</b>										
Fixed-based services .....	256.3	162.1	21.9	74.2	460.6	221.4	186.7	57.4	36.7	502.1
Mobile-based services .....	43.6	34.8	21.3	17.7	117.5	32.2	55.9	39.6	18.9	146.5
Others .....	97.8	27.8	26.0	11.2	217.9	77.7	42.4	27.2	36.2	183.5
<b>Total capital expenditures .....</b>	<b>397.8</b>	<b>224.7</b>	<b>69.3</b>	<b>103.1</b>	<b>795.0</b>	<b>331.2</b>	<b>285.0</b>	<b>124.1</b>	<b>91.8</b>	<b>832.1</b>
<b>Adjusted EBITDA<sup>(4)</sup>— total capital expenditures .....</b>	<b>536.5</b>	<b>186.5</b>	<b>214.0</b>	<b>56.3</b>	<b>993.3</b>	<b>630.9</b>	<b>144.8</b>	<b>236.3</b>	<b>61.3</b>	<b>1,073.3</b>

(1) Comprises of our fixed-based and mobile-based services in Belgium and Luxembourg and the French Overseas Territories as well as our datacenter operations in Switzerland (Green Datacenter), our datacenter operations in France (Auberimmo), our content production and distribution businesses (including Ma Chaîne Sport and Altice Entertainment News & Sport (France)) and other activities that are not related to our cored fixed-based or mobile-based business. Green Datacenter and Auberimmo are unrestricted subsidiaries under the terms governing the indebtedness of the Group.

(2) The Illustrative Aggregated Selected Financial Information gives effect to the PT Portugal Acquisition, the Altice Hispaniola Acquisition, the Tricom Acquisition, the Cabovisão Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2014. For details, see “*Illustrative Aggregated Selected Financial Information of the Group*”.

(3) The Pro Forma Financial Information gives pro forma effect to the PT Portugal Acquisition, the Caboviao Disposal and the Outremer Mobile Disposal as if such transactions occurred on January 1, 2015. For details, see “*Pro Forma Financial Information of the Group*”.

(4) Adjusted EBITDA is defined as operating profit before depreciation and amortization, impairment and losses, other operating and non-recurring items and other adjustments (equity based compensation expenses) in EBITDA. Adjusted EBITDA is unaudited and is not required by or presented in accordance with IFRS or any other generally accepted accounting standards. We believe that this measure is 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. “Adjusted EBITDA” of Altice International presented herein corresponds to “Adjusted EBITDA” as reported by Altice International for financial reporting purposes as of December 31, 2015. For reconciliation of Pro Forma Adjusted EBITDA to Adjusted EBITDA, see “*Summary Financial Information and Other Data—Pro Forma Adjusted EBITDA*”.

(5) Following the completion of the Tricom Acquisition and the Altice Hispaniola Acquisition, the comparative information for the year ended December 31, 2014 has been revised to reflect the impact of the finalization of the purchase price allocation of each of

those acquisitions. See Note 2.27 and Note 30 to the Historical Financial Statements for the year ended December 31, 2015 for more details.

*Portugal:* For the year ended December 31, 2015, PT Portugal's total capital expenditures were €331 million (representing 14.1% of revenue), a 16.8% decrease compared to €398 million for the year ended December 31, 2014 (representing 15.7% of revenue). For the year ended December 31, 2015, capital expenditures related to fixed-based services were €221.4 million (representing 66.8% of total capital expenditures), a 13.7% decrease compared to €256.4 million (representing 64.4% of total capital expenditures) for the year ended December 31, 2014. This decrease reflected lower network- and customer-related capital expenditures as a result of renegotiations undertaken with suppliers during the second half of 2015, lower commercial activity as well as the decrease in one-off costs from €55.0 million in 2014 related to the Vodafone fiber sharing agreement to €43.0 million in 2015 related to the acquisition of satellite capacity. For the year ended December 31, 2015, capital expenditures related to mobile services were €32.2 million (representing 9.7% of total capital expenditures), a 26.2% decrease compared to €43.6 million (representing 11.0% of total capital expenditures) for the year ended December 31, 2014 mainly due to the decrease in customer-related capital expenditure reflecting lower commercial activity. For the year ended December 31, 2015, our other capital expenditures were €77.7 million (representing 23.5% of total capital expenditures), a 20.6% decrease compared to €97.8 million (representing 24.6% of total capital expenditures) for the year ended December 31, 2014, primarily reflecting lower IT related expenditures.

*Israel:* Capital expenditure in Israel increased by 26.8% in 2015 (€285 million in 2015 as compared to €224.7 million in 2014) mainly due to the increase in the network capital expenditure due to increased investments in order to improve the capacity and the quality of the network segmentation and installation costs for new processes implemented to increase the quality of our services and the installation of a more complex Fiber Box. In addition, in our mobile-based services, capital expenditure increased as a result of the acquisition of the 4G frequencies in August 2015, investments made with Partner under the Network Sharing Agreement and higher commissions we had to pay following the increase in the installation of new mobile 3G/LTE lines subscribed and 4G-LTE packages.

*Dominican Republic:* For the year ended December 31, 2015, our total capital expenditures were €124.1 million (representing 17.9% of our revenue), a 80.6% increase compared to €69.3 million for the year ended December 31, 2014 (representing 14.9% of revenue). Capital expenditure in the Dominican Republic was driven by network expansion and an increase in general commercial activity. In 2015, we achieved growth of 16% in our cable customer base. In order to support emerging trends in the use of mobile data and our growing mobile subscriber base, we rolled out a total of 243 3G sites and 176 4G sites, extending our network to 182,000 additional homes in 2015.

*Others:* For the year ended December 31, 2015, our total capital expenditures were €91.8 million (representing 25.7% of our revenue), a 11.0% decrease compared to €103.1 million for the year ended December 31, 2014 (representing 30.6% of revenue) due to the build-out of a second data center for Green Datacenter (in 2014).

### **Year Ended December 31, 2014 compared to the Year Ended December 31, 2013**

#### **Capital expenditures on a Historical Consolidated Basis**

For the year ended December 31, 2014, our total capital expenditures were €434.1 million (representing 22.9% of revenue), a 49.6% increase compared to €290.2 million for the year ended December 31, 2013 (representing 22.6% of revenue).

*Fixed-based services related:* For the year ended December 31, 2014, fixed-based services capital expenditures were €289.8 million (representing 66.8% of total capital expenditures); a 28.8% increase compared to €224.9 million (representing 77.5% of total capital expenditures) for the year ended December 31, 2013.

*Mobile-based services related:* For the year ended December 31, 2014, mobile services capital expenditures were €105.3 million (representing 24.3% of total capital expenditures); a 68.7% increase compared to €62.4 million (representing 21.5% of total capital expenditures) for the year ended December 31, 2013.

*Others:* For the year ended December 31, 2014, capital expenditures for Others were €39.0 million (representing 9.0% of total capital expenditures); a 1,246.4% increase compared to €2.9 million (representing 1.0% of total capital expenditures) for the year ended December 31, 2013.

#### **Contractual obligations**

The following table summarizes the payments that we will be obligated to make under our material contractual commitments as of December 31, 2015. The information presented in the table below reflects management's



estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

## Payments due by period

	Period ending December 31,			Total
	2016	2017	2018 or later	
	€ in millions			
Long-term debt obligations .....	216.6	2,156.3	5,685.2	8,058.1
Finance leases.....	27.7	16.7	51.1	98.6
Operating leases <sup>(1)</sup> .....	81.3	63.1	170.8	315.2
<b>Total</b> .....	<b>325.6</b>	<b>79.8</b>	<b>5907.1</b>	<b>8,471.9</b>

(1) Includes lease of buildings, office equipment and vehicles for various terms through 2020.

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 notes 17 and 28 to Altice International's financial statements as of and for the year ended December 31, 2015.

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 Altice International 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, 2015, our total defined benefit plans liabilities were €926.8 million.

## Post Balance Sheet Date Events

### *Disposal of Cabovisão*

As part of the conditions attached to the approval by the European Commission of the PT Portugal Acquisition, Altice Portugal disposed of Cabovisão and its subsidiaries (including the ONI Group) on January 20, 2016. These entities were classified as held for sale by the Group as of December 31, 2015, in accordance with IFRS 5.

## Related Party Transactions

The Group has entered into certain arrangements with NSFR, including a services agreement with respect to our operations in Belgium and Luxembourg, trade mark license agreements for use of the SFR brand in Belgium and Luxembourg and the French Overseas Territories and the purchase of cable modems and set-top boxes. Additionally, except as disclosed in the notes to the historical consolidated financial statements, the Group did not have any material transactions with related parties during the years ended December 31, 2015 and 2014.

## 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 these Listing Particulars.

## *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, 2015, these guarantees amounted to approximately €142.3 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, New Israeli Shekels and the Dominican peso, and use financial instruments to manage our exposure to interest rate and foreign exchange rate fluctuations.

### *Liquidity Risk*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### *Interest Rate and Related Risk*

For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt at maturity or, with respect to the HOT Unsecured Notes, pursuant to amortization obligations. As adjusted for the Offering, on a consolidated basis, our primary fixed rate debt obligations were in an amount equivalent to €5,760.0 million (including finance leases but excluding other financial liabilities) comprising of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 Dollar Senior Notes, the 2013 Euro Senior Notes, the HOT Unsecured Notes, the 2013 Senior Secured Notes, the 2015 Senior Secured Notes, the 2015 Senior Notes and the Notes offered hereby, while our primary floating rate debt obligations (including finance leases but excluding other liabilities) were in an amount equivalent to €2,388.6 million comprising of the 2013 Term Loan and 2015 Term Loan and debt of Green Datacenter. In addition, any borrowings we make under the Existing 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 585 million (€138 million equivalent based on the exchange rate as of December 31, 2015), 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.

### *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. Altice Hispaniola's and Tricom's primary transactional currency is the Dominican peso. The primary transactional currency of Green is Swiss Franc. The primary transactional currency of Altice International 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 through our hedging policy in accordance with our specific business needs. As of December 31, 2015 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).
- Cross currency swaps on notional principal amounts of \$2,060 million, \$385 million, \$500 million and \$1,340 million each swapping into Euros at a certain specified rate (maturing between February 2022 and May 2023).

In connection with the Refinancing 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 18 to Altice International's financial statements as of and for the year ended December 31, 2015.

### **Critical Accounting Policies, Judgments and Estimates**

See note 2 to our Historical Consolidated Financial Statements included elsewhere in these Listing Particulars.

## INDUSTRY AND MARKET OVERVIEW

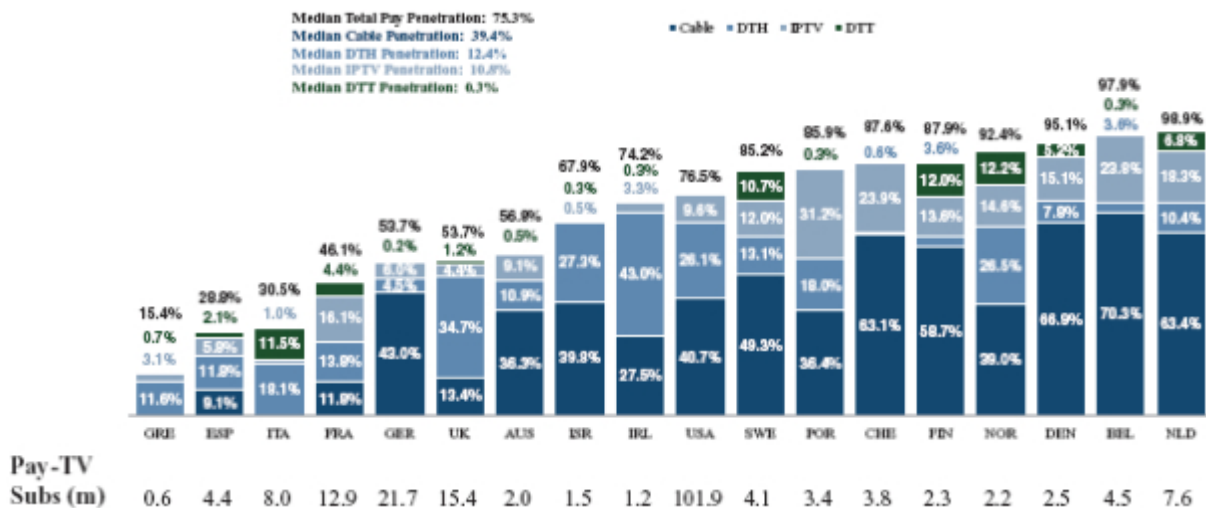
### Introduction

We primarily provide cable and fiber-based services comprising high-quality pay television, high-speed broadband internet, fixed-line and mobile telephony to residential customers, and, in certain countries, mobile and fixed-line enterprise telecom services to corporate and government customers. Across geographies, we benefit from an attractive competitive environment given the superiority of the offering we can provide through our cable and fiber networks, of which we have significantly invested, as well as our advanced mobile networks. This has enabled us to (1) 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 and (2) grow our market share in mobile telephony across our markets (France, Portugal, Israel, Dominican Republic and other geographies).

### Pay Television

Cable is the leading platform to distribute pay television in Western Europe and the United States, with a few exceptions, for example in Italy where cable has not been introduced. Technologies that compete with cable include satellite, IPTV, “over the top” (“OTT”) 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. Cable is only matched in quality by IPTV and OTT television when these technologies are delivered over fiber-to-the-home (“FTTH”) networks. FTTH networks benefit from substantial bandwidth capabilities that are able to cope with the simultaneous provision of high-speed broadband and high-definition television services.

**2014E Pay-TV Platforms—Western Europe and the US**



Source: third party sources

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 broader range of programs available to a wider geographic area, especially rural areas. Given the lack of an integrated return path, however, 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) higher up front cost of procuring and installing a satellite dish, as compared to the “plug and play” convenience of cable television; (ii) absence of an on going maintenance service, which cable network operators can offer to their subscribers; and (iii) vulnerability 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. Consequently, the success of pay DTT has been limited, even in geographies where free DTT is the primary television platform.

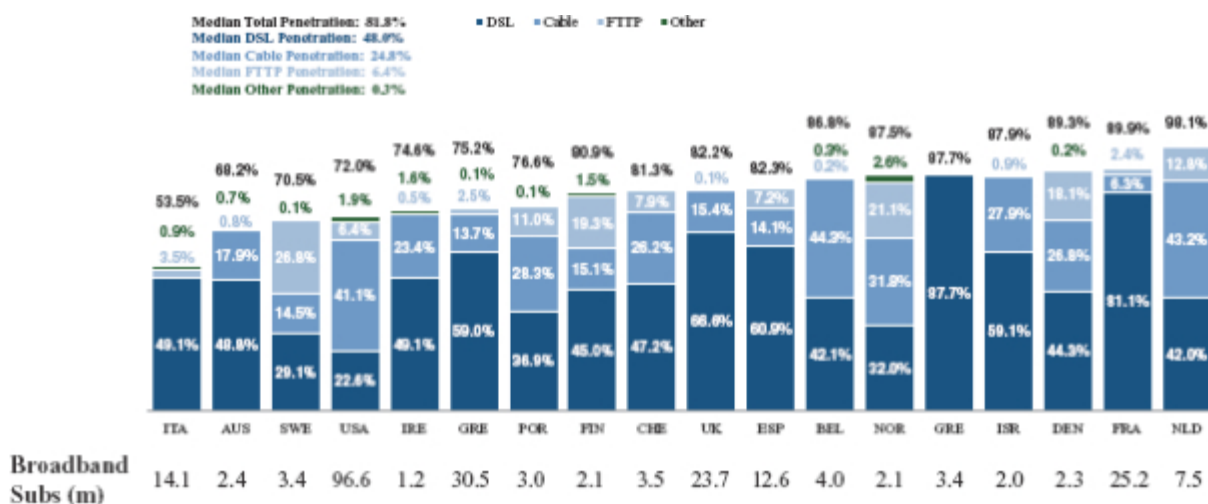
IPTV and OTT television are highly attractive ways of providing television content except when they rely on DSL networks. IPTV and OTT television that rely on DSL networks present a number of disadvantages compared to cable. For example, adding television services over a DSL network strains the network 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 or TV and VoD simultaneous viewing and recording) without having to make significant investments in extending fiber closer to the subscriber's home. When such investments in fiber are made, notably through FTTH networks, IPTV and OTT television are able to offer high quality television to viewers.

Services provided via cable and FTTH networks are characterized by easy to use technology, the efficient installation of customer equipment and the reliability of a protected signal delivered directly to the home. Given the trend towards offering bundled media and telecommunications services, the market share of pay television distribution is expected to benefit from cable and fiber'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 lines but is now increasingly provided on FTTH 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- and fiber- 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 third party sources, total spending for VDSL, Docsis 3.0 (Cable) and FTTP (Fiber-to- the-premises), will increase 2.2 times between 2013 and 2016 in Western Europe. We believe our cable and fiber-based networks will be able to handle this increase in demand with limited additional upgrades. In contrast, many DSL based operators in some of our geographies of presence would need to make substantial investments in fiber to meet customer needs, although it is possible, in some areas coverage areas, to upgrade DSL networks to fiber for a limited cost.

**2014E Fixed Broadband Platforms—Western Europe and the US**



Source: third party sources

The existing DSL infrastructure offers consumers significantly lower speeds than cable currently offers consumers, i.e. maximum speeds of up to approximately 300Mbps on U.S. Docsis 3.0, 360 Mbps on Euro Docsis 3.0 and up to 1 Gbps on FTTH networks. For most users, the actual speed provided by DSL is lower than the advertised maximum speed as the speed is dependent on 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 (published in October 2013), cable is estimated to achieve 89.5% of advertised download speed, while DSL based services achieved only 63.8% of advertised download speed.

FTTH technology, 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 82.7% of advertised download speeds according to the “Quality of Broadband Services in the EU” report by the European Commission (published in October 2013). A substantial challenge facing the expansion of FTTH or FTTB is that introducing such technology is capital and time intensive and requires significant digging and rewiring, with the exception of certain areas and buildings where upgrades can be performed at a limited cost.

Cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. We are currently able to offer download speeds of at least 100 Mbps to all Docsis 3.0 and FTTH-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.

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 kilometers, 40 to 50 Mbps at 0.7 kilometers and approximately 30 Mbps at 1 kilometer.

### ***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 bundled into multiple play packages. Accordingly, fixed-line services have become dependent on the quality of the broadband internet offering. Flat rate pricing for fixed-line telephony is now the market standard. Despite these changes, the decline in use of fixed-line telephony has been slow as most households still maintain a fixed-line at home.

### ***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 53% between 2015 and 2020 according to the Cisco VNI 2016 study, mainly driven by the development of smartphone devices supporting multiple wireless technologies. As mobile internet usage is mainly in the 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 versus 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. As part of this strategy, we own and operate a mobile network in Israel and we expect to benefit from synergies with our scalable cable networks in Israel. Additionally, we complement our fixed-line products with mobile offerings through a Mobile Virtual Network Operators (“MVNO”) arrangement in Belgium.

## Fixed-line Enterprise Telecom Services

We provide B2B telecom services, including voice and data to Enterprise customers, in a number of our geographies. We are increasingly migrating our Enterprise customers from voice-only products to integrated systems involving data connectivity, ICT applications and cloud-based solutions. We believe our network infrastructure and pooled experience across the Altice Group give us a competitive advantage in this segment.

### 1. Portugal

#### Macroeconomic Overview

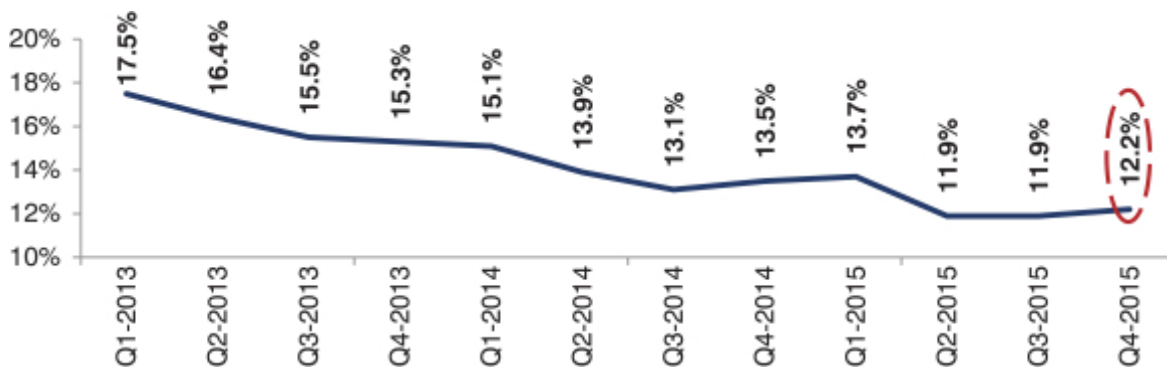
Portugal is our largest operating market. According to the IMF, Portugal has a population of approximately 10.4 million as of December 2015, and the population is expected to grow at an average rate of 0.1% per annum from 2015 to 2020.

Portugal is a developed market economy with a GDP per capita in 2015 of \$18,984 as compared to \$41,267 for Germany, \$41,118 for the UK and \$37,728 for France. In 2015, Portugal's economy expanded by 1.6% according to the IMF. This compares to GDP growth of 1.5% for Germany, 2.5% for the UK and 1.2% for France during the same period. According to the IMF, Portugal's GDP is expected to grow at 1.5% in 2016 and at 1.4% in 2017. This is in line with other developed European economies such as Germany, which is forecast to grow 1.6% and 1.5%, the UK, which is expected to grow 2.2% and 2.2% and France, which is expected to grow 1.5% and 1.6%, respectively over the same periods, according to IMF.

Similarly, Portuguese unemployment has shown signs of improvement, having declined from a peak of 17.5% in March 2013, to 12.2% as of December, 2015 (Source: Instituto Nacional de Estatística). This compares with unemployment rates as of December 2015 of 4.7% in Germany (Source: IMF), 10.2% in France (Source: IMF), and 5.6% in the UK (Source: IMF).

The improved macroeconomic conditions have had a positive impact on consumer confidence, which has increased from 96.88 in January 2012 to 101.24 in March 2016 (based on an index of 100) according to Instituto Nacional de Estatística.

Reduced Unemployment

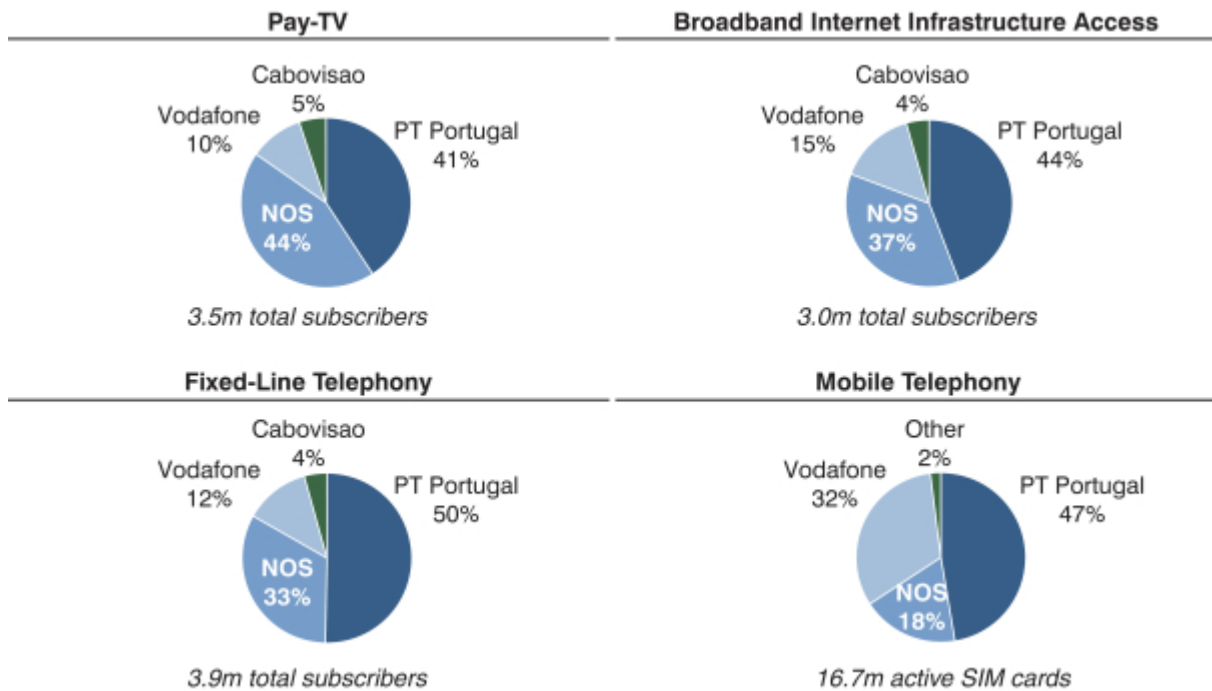


Source: Instituto Nacional de Estatística

## Competitive Overview

Below is an overview of PT Portugal's main competitors in Portugal:

### Market Shares by Subscribers in Portugal (2015)



Source: Company filings, Anacom, other third party sources.

Note: Peer group for PAY-TV and Broadband includes Virgin Media, Telenet, Com Itel, Ono, Ziggo, KDG and HOT (Market shares 2013 in their respective main country of operations). Peer group for Mobile includes Deutsche Telekom, Telefonica, Telecom Italia, KPN and Vodafone (Market shares 2013 in their respective main country of operations).

#### 1.1 Pay Television

According to Anacom, Portugal had estimated 3.5 million pay television subscribers as of December 31, 2015, and a 86.6% penetration rate, comparable with the most advanced EU peers. The penetration rate is expected to reach 98% by 2017 (Source: third party sources). Pay television penetration has been 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 two players: NOS (formerly known as ZON Optimus), the largest player by number of subscribers, and PT Portugal. Vodafone is a third service provider, but it has a limited coverage in rural areas. Based on Anacom research, excluding other small providers, as of December 31, 2015, NOS, PT, Vodafone and Cabovisão had approximately 44%, 41%, 10% and 5% of market share nationwide, respectively. In recent years, PT Portugal has been gaining market share due to the provision of local and original content as well as innovative features (e.g. multi-screen and non-linear content). PT Portugal has primarily offered 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. PT Portugal's IPTV offering, sold primarily as part of triple-play packages, has historically not taken customers away from cable. However, it has driven an increase in pay television penetration. Pay television ARPU has increased from €24.9 per month in 2011 to approximately €25.5 per month in 2013, according to third party sources.

The Pay-TV market generated revenues of €1.7 billion in 2015 according to Anacom.

#### 1.2 Broadband internet

##### Introduction

According to Anacom, Portugal has an estimated 3.0 million broadband internet subscribers as of year ending 2015, and a penetration rate of 64.4%, as a percent of households. There are a number of operators providing broadband internet services to residential customers in Portugal. PT Portugal's market share has improved substantially from a market share of 42% in 2008. The challenger in the market, NOS has grown its



broadband internet presence on the back of a Docsis network, with a footprint passing 47% of the Portuguese population as of February, 2014, and 7% for its FTTH network. According to Anacom, NOS had a market share of 37% as of December 31, 2015. The Portuguese broadband market has strong growth prospects given penetration upside potential. Growth is also expected to be driven by upgrading to higher speed offerings, based on a cable or fibre network infrastructure. According to third party sources, the number of B2C subscribers to internet accesses is estimated to grow at 3.0% per annum (2014 to 2016) and ARPUs at 0.1% (2014 to 2016), both metrics being in line with the Western European average.

In 2015, the B2C internet access market generated revenues of €1.5 billion according to Anacom.

#### *Network Infrastructure*

The quality of the network infrastructure underpinning the broadband internet access product is an important asset for operators. We own our HFC networks that, on a blended basis are 99% DOCSIS 3.00 enabled, as of December 31, 2015, and, in Portugal, we own one of the largest FTTH networks, which pass 2.237 million homes (90% penetration). In 2014, we also initiated the implementation of our fiber rollout strategy in Portugal, pursuant to which we aim to extend our fiber coverage by 600,000 homes per year between 2015 and 2020.

### **1.3 Fixed-line Telephony**

According to Anacom, Portugal had 3.9 million fixed-line connections as of December 31, 2015. The penetration rate was 87.4%, compared to the Western European average of 88.6% (Source: third party sources). Penetration has been increasing since 2009, primarily driven by NOS's drive to up-sell fixed telephony. At the same time, PT Portugal's number of subscribers remains stable due to an increase in multiple-play penetration. PT and NOS are the leading players with market shares of 50% and 33%, respectively, as of December 31, 2015.

According to third party sources, the fixed-telephony market generated revenues of €0.6 billion.

### **1.4 Mobile Telephony and Data**

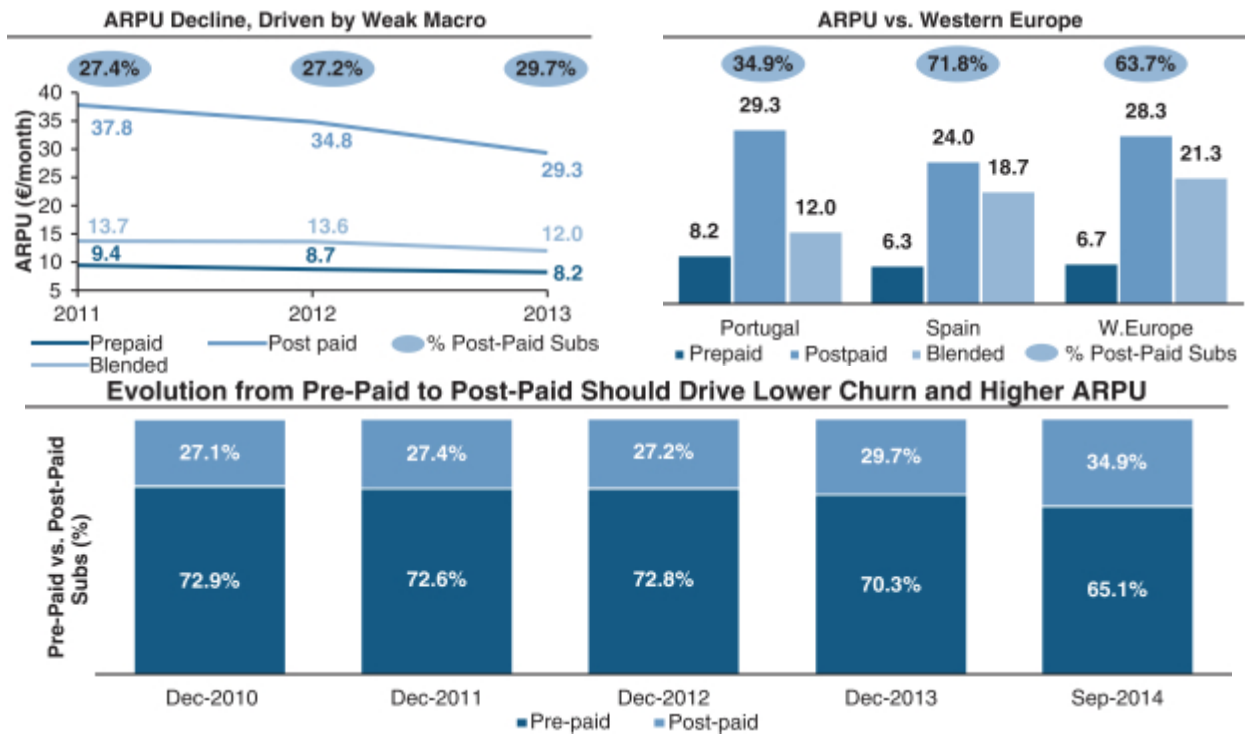
#### *Introduction*

According to Anacom, the Portuguese mobile market had 16.7 million mobile subscribers, representing a penetration level of 161% as of December, 2015. As of December 31, 2013, in Portugal, 3G and 4G represented 71% of the subscriptions (Source: third party sources).

PT Portugal is strongly positioned as the market leader with 47% market share, significantly ahead of Vodafone with a market share of 32%, followed by NOS with a market share of 18%, as of December 31, 2015. This introduction of PT Portugal's quad-play offer M<sub>4</sub>O in January 2013 has helped accelerate market convergence and has led to a marked increase in market share for PT Portugal from only 40% as of December 31, 2012. All three players introduced 4G at the beginning of 2012. Portugal Telecom covers 95% of the population with 4G as of the end of 2014 as compared to 90% for NOS.

The market has low mobile termination rates ("MTRs") by European standards. As of December 31, 2013, MTRs in Portugal were at €1.27 eurocents/minute as compared to €3.50 at the end of 2011. Furthermore, Portugal is a primarily pre-paid market with 65% pre-paid subscribers (as at September 2014), as compared to 35% for the Western European average. Since pre-paid subscribers typically have a lower ARPU as compared to post-paid subscribers (as depicted in the chart below), overall blended ARPU in the Portuguese mobile market is among the lowest in Europe at €12.0 per month versus Western European average ARPU of €21 per month. Migration from pre-paid to post-paid customers, a trend which is already established based on the post-paid penetration level of 53.8% (as of September 30, 2014) as compared to 47.4% as of December 31, 2013, represents an upside opportunity for average ARPU in the market. Finally, the contribution to blended ARPU from data has been increasing over time, and represented 37% as of December 31, 2013, which is still lower than the Western European average of 42%, according to third party sources. Similarly smartphone penetration of 50% as of December 31, 2013, suggests a small upside when compared to the European average of 51%.

In 2013, the mobile market generated revenues of €2.4 billion.



Source: third party sources

## 1.5 Bundling

As a consequence of consumer preferences and the parallel consolidation of fixed and mobile players, Portugal's telecommunications market has been transitioning towards convergence relatively faster than in other European markets, with an increasing number of residential and B2B customers taking triple-play and quadruple-play services from the same operator (such as the M<sub>4</sub>O offer of PT). From an operator perspective, offering bundled services from a single point of contact helps increase ARPU, improve customer loyalty and reduce churn. This trend favors integrated players with state-of-the-art network and IT platforms that are able to offer innovative bundled offerings to customers.

Portugal Telecom's strategy has been in line with such convergence trend with the launch of its M<sub>3</sub>O and M<sub>4</sub>O offer. As of December 31, 2015, 628,000 subscribers were subscribing to 4P or 5P offers, as compared to 563,000 as of March 31, 2015

As of December 31, 2015, PT Portugal's triple-play and quadruple-play penetration of its unique subscribers was 51.2% for non-fiber subscribers and 90.3% for fiber customers for PT; NOS triple-play and quadruple-play penetration represented 79.8% of its unique subscribers as of December 31, 2015. Growing the penetration of bundled solutions remains a key strategy in growing ARPU and reducing churn.

## 1.6 Enterprise

We own the largest B2B telecom providers in Portugal. In 2013, the market addressable by PT Portugal was estimated at approximately €1.7 billion, based on third party estimates. Our main competitor in these markets is NOS, a newcomer to the B2B telecom market with an opportunistic strategy leveraging fixed and mobile networks, Vodafone, a mobile telecommunications company, and AR Telecom. PT Portugal's market share for the B2B market was 48% as of December 31, 2013, according to third party reports based on revenues.

Optimus has historically been one of the most aggressive competitors regarding pricing and through its merger with ZON has gained access to an enhanced backbone, last mile access and an enhanced ability to address both large and smaller companies. Vodafone and AR Telecom have adopted different strategies to realize B2B opportunities, but have both had limited success to date due to lack of knowledge of fixed networks and lack of credibility in the corporate market.

There is a general trend in the Enterprise segment to migrate customers away from voice services to higher margin data services and, increasingly, integrated solutions including ICT and outsourcing. PT Portugal will capture value from the trend to more data-intensive integrated solutions and to provide converged fixed mobile solutions leveraging our integrated HFC, fiber and 3G and 4G mobile networks. We benefit from a large sales force with strong distribution capabilities in the banking and public administrations sectors and broad supplier relationships, which enrich the range of our services.

In 2013, the Enterprise market generated revenues of €1.7 billion.

## 2. Israel

### *Macroeconomic Overview*

We operate a significant portion of our business in Israel, which has a population of approximately 8.4 million as of December 31, 2015, according to the IMF, and approximately 2.4 million households, as of December 31, 2014, according to the Central Bureau of Statistics. According to the IMF, between 2012 and 2015, the population of Israel grew at an average rate of 1.9% per annum and is expected to continue to grow at an average rate of 1.7% per annum from 2015 to 2018, thus providing a natural floor to expansion in the number of inhabitants and households, the target market for our cable based and mobile services.

Israel has a developed market economy. In 2010, Israel joined the Organization for Economic Co operation and Development (“OECD”) and in 2015 had a GDP per capita of \$35,702, compared to other European countries such as \$41,267 for Germany, \$37,728 for France and \$44,118 for the UK, according to the IMF. Since 1991, Israeli real GDP has grown at a rate of 4.3%, according to IMF. 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 2.2% for UK, and 2.5% for in the U.S. in the same period. During this period, Israel faced a decline in real GDP for only one year, in 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 3.0% per annum from 2015 to 2018 versus an average of 2.3% for the UK and 1.5% 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 18 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**



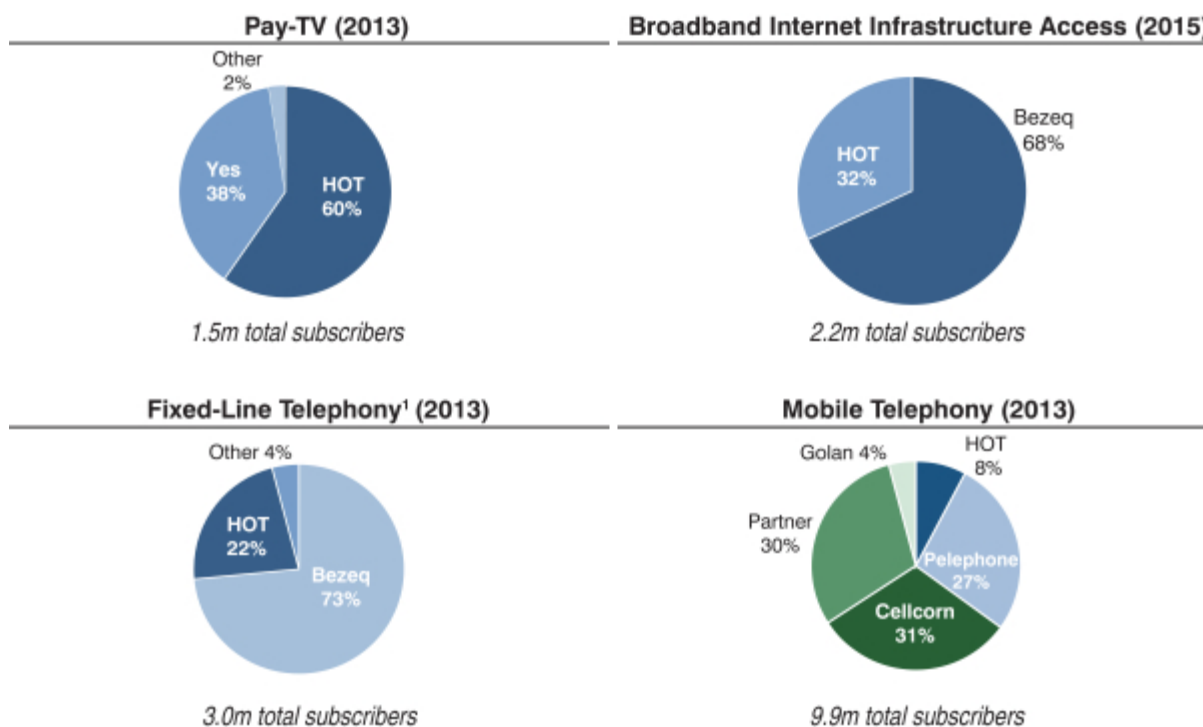
Source: Capital IQ as at April 15, 2016

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 67.9% (for 2014), 87.9% (for 2014) and 126.8% (as of September 30, 2014), respectively, according to third party sources. 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.

HOT offers triple play packages including pay television, broadband internet infrastructure across and fixed line telephony in Israel to 45% and 47% of its Cable Customer Relationships subscribing to its triple-play offerings, as of December 31, 2014, and December 31, 2015, respectively. 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

#### Cable-based Services Market Shares by Subscribers in Israel



Source: company filings and third party sources

(1) Other include Netvision, Partner/Smile and others, all with relatively small market shares

### 2.1. 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 their access to only six channels offered by DTT) and limited local content for free DTH, Israel's pay television market currently has an estimated penetration level of approximately 68% compared to 46%, 54%, 86% and 88% in France, Germany, Portugal and Finland, respectively, according to third party sources (estimated for the year ending December 31, 2014). 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".

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 18% based on the current estimates of third party sources (estimated for the year ending December 31, 2014), 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).

### *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.

### *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. The ARPU generated by satellite television customers has historically expanded at a slower pace than cable ARPU, with forecasts showing a stable satellite ARPU, while cable ARPU is expected to expand, according to third party sources, based upon on the digitalization and the emergence of a broader offering of channels and additional services. Satellite and Cable ARPUs are expected to grow at 0.1% and 1.3% CAGR respectively from 2014 to 2016, according to the estimates of third party sources.

### *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 OTT 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: (i) the availability of certain local language content available through cable or satellite only; (ii) the quality of the signal on certain DSL enabled connections located far from exchanges; (iii) the inability to access HDTV content on most DSL connections during peak times; and (iv) the ability of cable operators to bundle pay television with other fixed-line products.

## **2.2. 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 December 31, 2013, and 2.2 million as of December 31, 2015. The current broadband internet penetration rate in Israel (being the number of broadband internet subscriptions per 100 households in Israel) is 88%, according to third party estimates (estimated for the year ending December 31, 2014), compared to 85% as of December 31, 2010. This level is above the Western Europe average of 80% and that observed in Italy (54%), Portugal (77%), and Germany (75%), according to third party sources (estimated for the year ending December 31, 2014).

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.

There has been continued growth in OTT TV, notably since the broadband market was opened to competition. There is only limited market statistics exist.

### *Broadband Internet Infrastructure Access*

Currently HOT and Bezeq are the only fixed-infrastructure owners nationwide. HOT uses cable, while Bezeq is currently building out a fiber network to replace its DSL 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 2.2 million as of December 31, 2015, and (ii) a significant growth in broadband internet ARPUs.

Bezeq is the leading broadband internet infrastructure access provider in Israel, with 1.5 million subscriptions as of December 31, 2015, including business and residential customers. Including business customers, Bezeq represents approximately 68% of the total broadband internet infrastructure access market by total number of subscribers as of December 31, 2015 (Source: company filings), which has remained relatively stable over the last three years.

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. As of December 31, 2015, Bezeq had already deployed FTTx to 1,300,000 households and businesses in Israel.

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.

As of December 31, 2015, we had a market share of 32% of the broadband internet infrastructure market, as compared to a 34% share as of December 31, 2014. Our market share has nonetheless remained stable throughout 2015, and is consistent with our focus on higher ARPU triple-play subscribers.

The telecom market in Israel has recently been opened to more competition through wholesale access, offered at a regulated price. The new regulation allows internet service providers to lease infrastructure from Bezeq at a government controlled price, and offer a complete range of services including fixed voice, broadband internet and television.

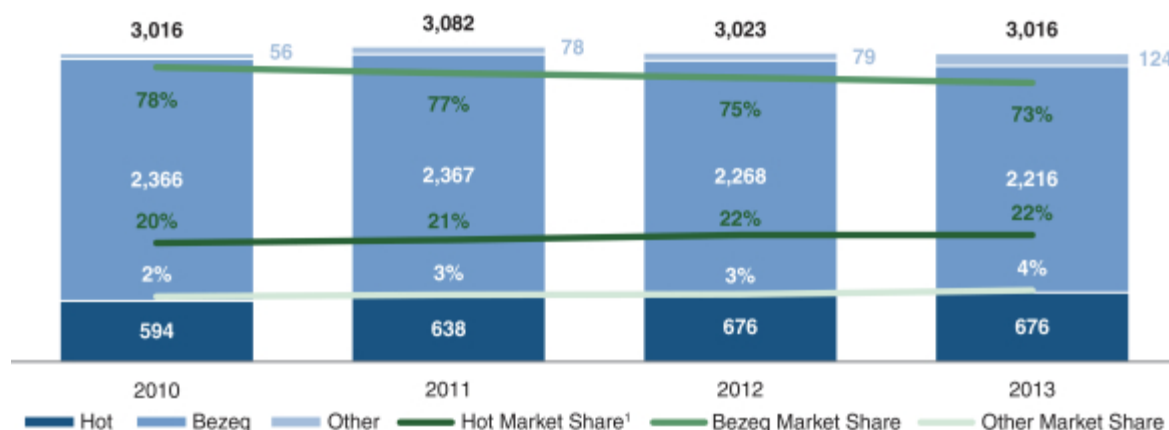
The wholesale market has gained strong traction since launch in the first quarter of 2015. As of December 31, 2015, Bezeq provided wholesale services to 244 thousand active lines.

	March 2015	June 2015	September 2015	December 2015
	(in thousands unless stated)			
HOT – Broadband Subscribers .....	712	704	694	694
Bezeq – Number of Active Lines				
Wholesale .....	11	78	177	244
Total .....	1,390	1,418	1,448	1,479
Bezeq – Average Monthly Revenue per Line (NIS) .....	61	60	60	60

### **2.3. Fixed-line Telephony**

As of December 31, 2013, there were approximately 3.0 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 73% 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 4% of the market share. HOT had approximately 22% of the fixed-line telephony market share as of December 31, 2013 and September 30, 2014.

## Fixed-Line Telephony Subscribers and Market Share Among Top Two Israeli Players Since 2010



Source: third party sources

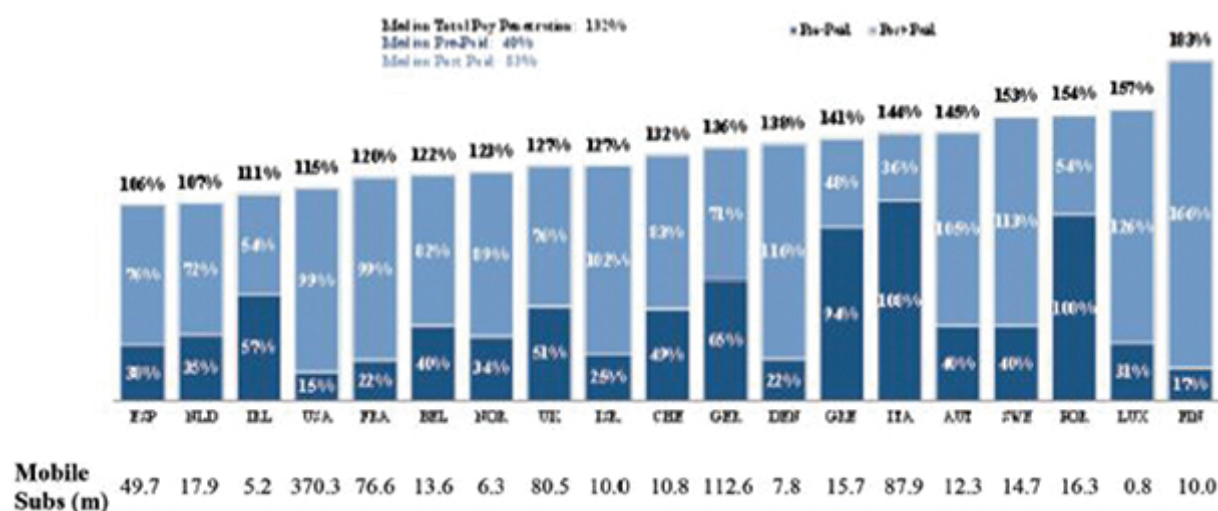
(1) HOT market share illustratively based on HOT and Bezeq total markets shares

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.

## 2.4. Mobile Telephony

There were approximately 9.9 million mobile telephony customers in Israel (excluding MVNOs) as of December 31, 2013, and approximately 10.0 million as of September 30, 2014. Penetration was estimated to be 127% as of September 30, 2014 (Source: Company filings and third party sources), broadly in line with countries such as Norway, the UK, Switzerland. Approximately 80% of the customers were "post paid" (purchased subscriptions rather than pre paid cards fixed number of minutes of use), according to and third party sources as of September 30, 2014. On average Israeli mobile phone users spent approximately €17 per month (excluding VAT) on their mobile telephony services in 2013, according to third party sources, a relatively modest figure when compared to most Western European and US markets.

### Israeli Cellular Telephony Penetration vs. Western European and US (September 2014)



Source: third party sources, ARCEP (France)

There are five licensed Mobile Network Operators ("MNOs") which offer mobile telephony services to the public and several players who operate 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 September 30, 2014, HOT Mobile had approximately 932,000 mobile subscribers, corresponding to a market share of approximately 9% compared to 4% as of December 31, 2011. As of June 30, 2014, the combined ARPU for mobile telephony subscribers of all mobile operators in Israel declined to €16.5 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 and NIS 0.0555 per minute in January 1, 2014. As of December 31, 2015, HOT Mobile had 1,229,000 mobile subscribers.

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.

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 December 31, 2013, there were 5.8 million active 3G mobile subscribers in the Israeli market, according to third party sources. 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.

### **3. Dominican Republic**

#### *Industry Overview*

The Dominican Republic is the third largest economy in the Caribbean and Central America after Cuba and Puerto Rico, with a GDP of \$66.6 billion according to the IMF in 2015, and the third largest country in terms of population after Haiti and Cuba, with a population of 10.4 million according to the IMF. According to the IMF and La Oficina Nacional de Estadística, 32% of the population was living in the Dominican Republic's two main cities, Santo Domingo and Santiago, in 2010. According to the IMF, between 2011 and 2015, the GDP of the Dominican Republic grew at an average rate of 4.6%. The economy is predominantly based on services, in particular tourism. Its GDP per capita, however, is lower than other countries in the region, including Trinidad & Tobago, Panama and Costa Rica, and GDP is expected to grow at 4.5% per annum in average between 2014 and 2017 according to the IMF. In addition, the Dominican Republic enjoys a strong commercial relationship with the United States, its largest export and import partner. The number of Dominicans residing in the United States has increased by 0.27 million between 2000 and 2012, while remittances into the Dominican Republic from the United States have doubled. These factors are expected to continue help drive personal consumption and usage of telecommunications products and services.

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

In the broadband internet and fixed line telephony markets, Tricom is the second largest provider next to the incumbent Claro, our main competitor, with national market shares of approximately 27% and 25%, respectively, as of December 31, 2015, according to management estimates. In the mobile market, Altice Hispaniola's and Tricom's key competitor is Claro.

#### *Mobile Telephony*

The mobile market is the largest telecom market in the Dominican Republic. Compared to other Western European markets, the Dominican Republic is characterised by a young population with lower purchasing power. According to third party sources, the mobile penetration rate in the Dominican Republic is



approximately 111% (as estimated for the year ending December 31, 2014), lower than mobile penetration rates in Brazil, Argentina or Chile. Claro enjoys a 51% market share as of June 30, 2014, followed by Orange (34%), Tricom (8%) and Viva (7%), who re-launched its mobile operations earlier this year. Due to lack of space in the spectrum currently assigned to Altice Hispaniola and Claro, 4G deployment has been slower than initially expected as the two leading mobile operators are currently unable to offer nationwide 4G mobile offers.

The regulator INDOTEL regulates the sector based on what management perceives as an ex-post approach focused on achieving consensus among the various stakeholders. Telecom concession attributions are decided by the regulator based on certain administrative criteria and the renewal of these concessions generate no meaningful incremental fees. Frequency licenses attribution and renewal processes typically occur concomitantly with the telecom concession processes. New frequencies are tendered with several parties typically bidding and the new license attributed to the highest bidder while renewal of frequency licenses gives rise to no incremental fees for telecom operators. Mobile termination rates are determined by bilateral discussions between operators and have decreased by 3.5% annually since 2010. The regulator does not typically impose MTR reductions and favors such bilateral agreements between operators. The law provides for the possibility of MVNOs. From a telecom infrastructure standpoint, the regulator favors passive and active sharing with bilateral negotiation being the preferred route.

#### *Pay Television, Broadband and Fixed-Line Telephony*

According to third party reports, the Dominican Republic has an estimated 31.3% pay television penetration rate for 2014, and an estimated 24.6% broadband penetration rate for 2014 according to Ovum Research. These penetration rates are typically lower than those measured in a number of Latin American countries and evidence significant potential for growth in the Dominican Republic, with penetration rates expected to increase to 33.9% by 2020, according to third party reports. Mobile will play an increasingly important role, with only a third of broadband uptake expected to be attributable to fixed broadband, according to Analysys Mason. In addition, fixed-line telephony is expected to continue to decline going forward, in particular due to ongoing substitution of fixed-line by mobile services, in line with trends seen in other developed economies.

The pay television market in the Dominican Republic is highly fragmented with over 6 pay television operators, although only a limited number operate a two way network, and a handful of other players have a subscriber base exceeding 10,000. Claro and Tricom together represent over 90% market share (66% and 25% market share respectively), as of September 30, 2014, delivering services over IPTV and DTH and cable respectively. Other smaller players include Wind through its MMDS technology (9%), as of the same period.

Broadband internet access is typically delivered by a mix of fixed-line infrastructure and mobile access, with the use of mobile broadband being primarily driven by the availability of fixed-line infrastructure in a given location. In fact, approximately 41% of households have access to copper-based line telephony in the Dominican Republic, primarily in the large agglomerations, which means that wireless solutions are effectively the only way for the rural population to get access to broadband.

The broadband and fixed telephony markets are relatively concentrated, with Claro and Tricom together accounting for the large majority of the broadband market of the fixed telephony market). Claro delivers broadband services through its xDSL and FTTx networks, while Tricom uses its xDSL and cable infrastructure. Both Claro and Tricom offer fixed-line telephony services using VoiP and PSTN. Other smaller players have a limited presence, with Wind Telecom taking an 8.3% market share in the broadband market through its wireless technology, according to TeleGeography, as of December 31, 2013.

#### **4. Other Territories**

##### *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. The population density of Belgium reached 371 inhabitants per square kilometer in 2014, one of the highest in Europe, according to World Bank data, and is surpassed only by the Netherlands and some microstates such as Malta.

According to third party estimates, Belgium has an estimated 98% penetration rate in pay television (for 2014), significantly above the average Western European penetration rate of 68%. According to third party estimates, cable is expected to capture 72% of the pay television market, followed by IPTV (24% of the pay television market) and satellite (4% of the pay television market). 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 Group in Brussels (with Telenet and VOO also present in the capital). Belgacom, through its DSL-based network, is the only operator that offers national coverage, although we believe its IPTV technology currently provides an inferior product to cable players who have already upgraded their networks to EuroDocsis 3.0 throughout Belgium. Currently, Telenet, Belgacom

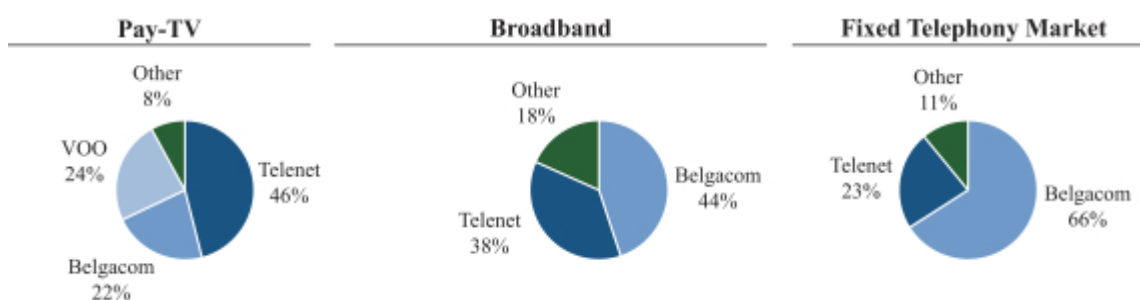
and VOO have PAY-TV market shares of 46%, 22% and 24% respectively according to third party sources (as of December 31, 2013), while Numericable Group has a 2% market share nationally (and a 62% market share within its footprint), according to management estimates.

Broadband internet access in Belgium is well established, with penetration rates of approximately 87% compared to 80% in Western Europe, according to third party (estimated for the year ending December 31, 2014). Cable is the leading broadband internet access platform in Belgium, with approximately 51% of the total broadband internet market, with DSL (predominantly offered by Belgacom) taking up 48%, according to third party estimates. FTTH is yet to be widely deployed in Belgium, as this technology is intensive as to both capital and time, requiring significant digging and re-wiring. The largest operators are Belgacom (44%), Telenet (38%), according to third party and Numericable Group (1% nationally and 36% within its footprint, according to management estimate).

The Belgian mobile telephony market is valued at approximately €2.9 billion as of December 31, 2013, according to WICS. The Belgian mobile telephony market is advanced with an estimated active penetration rate of 122% according to third party sources. According to the BIPT, Belgacom had an estimated national market share of 41% in terms of active mobile subscribers followed by Mobistar (27%) and BASE (25%), as of December 31, 2013. In recent years, however, the number of MVNOs in the Belgian market has increased steadily, reaching approximately 2.1 million subscribers as of December 31, 2013, according to data gathered by the BIPT.

Triple-play products are offered by all of the main cable operators (Telenet, VOO and Numericable Group), as well as the incumbent, Belgacom. Quadruple play products are also becoming increasingly popular, with already successful MVNO strategies deployed by cable operators such as the Numericable Group, and in the case of Telenet, a fully convergent offering following Telenet's acquisitions of mobile operator BASE in February 2016.

### 2013 Market Shares by Subscribers



Source: third party sources

### Luxembourg

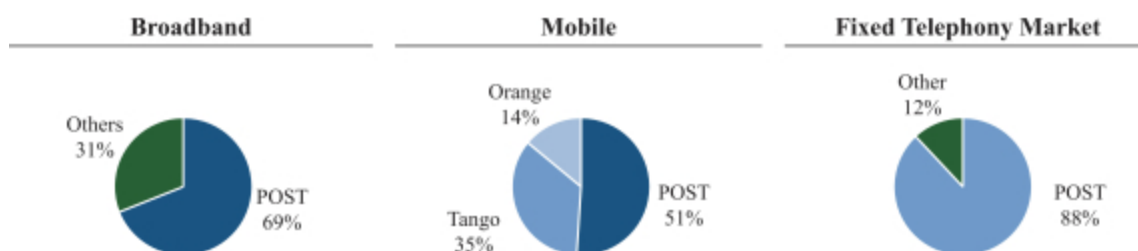
Luxembourg has a modest pay television penetration, which is slightly lower than the average Western European pay television penetration. According to third party sources (estimated for the year ending December 31, 2014).

DSL is the leading broadband internet access platform in Luxembourg. POST, the incumbent, is the largest player, capturing 69% market share as at December 31, 2013 (Source: third party sources). The other providers are Belgacom, Eltrona and Numericable Group. 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 100 Mbs connectivity. 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 in Luxembourg.

Due to POST's significant market power in the fixed-line market in Luxembourg, it is prohibited from bundling its television offering with its broadband internet and fixed-line telephony services. Only Eltrona and Numericable Group, together with some smaller operators, are able to offer triple-play bundles.

Similar to Belgium, Luxembourg enjoys a high and stable GDP (GDP CAGR of 3.2% from 2015 to 2018 according to IMF, as well as positive demographics (population CAGR of 2.3% from 2015 to 2018, according to IMF and a significant number of expatriates and foreign communities. Together with Luxembourg's topology and high population density, this makes it an attractive market in which to operate.

## 2013 Market Shares by Subscribers



Source: third party sources

### *French Overseas Territories*

The French Overseas Territories markets are characterized by a young population (approximately 35% of the population is under the age of 20 in the French Overseas Territories, in comparison to 24% in mainland France, according to the United Nations database as of June 2013), price sensitivity and a strong demand for access technologies. Furthermore, infrastructure improvements are supported by subsidies from mainland. 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.

Mobile telephony, the most important market in the French Overseas Territories telecom sector, is relatively mature with a current penetration rate of approximately 126%, according to management estimates. However, the young population and high price sensitivity results in lower mobile ARPU and higher churn 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 The French Telecom Authority). DSL is by far the dominant technology, with limited announced plans for technology upgrades. The main players 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 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 to Docsis 3.0.

Demand for pay television is strong in the French Overseas Territories, with penetration rates at approximately 67%, according to ARCEP. 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.

## DESCRIPTION OF OUR BUSINESS

### Overview of our Business

We are a multinational cable and telecommunications company operating in Western Europe (including Portugal, Belgium, Luxembourg and Switzerland), Israel, the Dominican Republic and the French Overseas Territories. We have expanded internationally through a number of acquisitions of telecommunications businesses. Set forth below is a list of the significant investments we have made in the businesses that currently constitute the Group:

In 2008, we acquired Le Cable Martinique and Le Cable Guadeloupe, established cable providers that have been operating in the French Overseas Territories of Martinique and Guadeloupe since 1994.

- In December 2009, we acquired substantially all of the equity interests in Green, a Swiss provider of business-to-business (“B2B”) solutions. In 2010, we acquired substantially all of the equity interests in Green Datacenter.
- 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 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 HOT Mobile Ltd. In December 2012, we completed the take-private transaction of HOT whereby we acquired substantially all of the equity interests in HOT that we did not previously own.
- In 2011, we acquired approximately 44.4% of the equity interests in Coditel Belgium and Coditel Luxembourg, cable providers operating in Belgium and Luxembourg, respectively, from an affiliated entity, and in November 2013 we acquired an additional 40% stake from one of the minority shareholders.
- 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. On September 15, 2015, we entered into a sale and purchase agreement (the “Cabovisão SPA”) for the sale of Cabovisão and its subsidiaries as part of the regulatory conditions to PT Portugal Acquisition, the disposition of which was completed on January 20, 2016.
- In 2012, we purchased a 17% stake in Wananchi, a cable telecommunications provider with operations in Kenya, Tanzania and Uganda. On October 2, 2014, we invested an additional \$10.8 million into Wananchi through Altice Africa as part of a fully convertible subordinated notes issuance by Wananchi. Altice Africa pledged to fund up to \$40 million in three tranches. If fully converted, the new tranches, when fully funded, will give Altice Africa an approximate 21% shareholding in Wananchi.
- In July 2013, we expanded our presence in the French Overseas Territories by acquiring Outremer, a leading mobile services provider and xDSL provider of telecommunications services. On August 3, 2015, we completed the sale of the mobile assets of Outremer in La Réunion and Mayotte as part of the regulatory conditions relating to the 2014 SFR Acquisition.
- In August 2013, we entered the Portuguese B2B market through the acquisition of the ONI Group. As part of the regulatory conditions attached to the PT Portugal Acquisition, and pursuant to the Cabovisão SPA, we disposed of the ONI Group on January 20, 2016.
- In October 2013, we acquired Ma Chaîne Sport S.A.S. (“Ma Chaîne Sport”) and SportV S.A. (“SportV”, later rebranded as Altice Entertainment News & Sport), both producers of sports-related content.
- On January 15, 2014, we completed, through our subsidiary Altice Blue Two, the acquisition of the Mobius Group, a telecommunications operator in the French Overseas Territory of La Réunion which provides internet access to professional clients under the “Mobius Technology” brand and double-play and triple-play services based on xDSL technology to residential (“B2C”) customers under the “IZI” brand.
- On March 12, 2014 and April 9, 2014, we completed, through our subsidiary Altice Caribbean, the acquisition of Dominican telecommunications providers Tricom and Altice Hispaniola.
- On June 2, 2015, we acquired all of the outstanding equity interests in PT Portugal, Portugal’s incumbent telecoms provider, through which we currently offer telecom services in Portugal.
- On July 31, 2015, we concluded the Outremer Mobile Disposal for an enterprise value of €81.3 million (post-price adjustments) The disposal formed part of the conditions imposed by the European Commission on the Group as part of the approval of the 2014 SFR Acquisition.
- On January 20, 2016, we completed the Cabovisão Disposal in compliance with the conditions set by the European Commission for the approval of the PT Portugal Acquisition.

Our acquisition strategy has allowed us to target cable and FTTH operators with what we believe to be high-quality networks in markets we find attractive 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. Furthermore, our acquisition strategy has enabled us to grow the businesses we acquire organically while we continue to focus on cost optimization and increasing economies of scale and operational synergies as our Group develops.

## Products and Services

Through our various Group companies we provide cable and fiber-based fixed services and mobile telephony services, in all of the geographies in which we operate, to B2C and B2B customers. In addition, we offer a variety of wholesale and other services across our footprint. We also invest in specific content to supplement and enrich the services we provide.

We offer a variety of services over our fixed line and mobile infrastructure, including, but not limited to, pay TV, broadband internet access, fixed-line telephony and mobile telephony to our B2C customers, and, to a lesser extent and depending on the geography, telecom services to our B2B customers. In certain geographies we also provide wholesale services. We track the performance of our business by geography and further analyze our revenues by segment, which include fixed B2C, fixed B2B, mobile B2C, mobile B2B, wholesale and others.






Our fixed-based services (high-quality pay TV, broadband internet and fixed line telephony) are provided over our cable- and fiber-based network infrastructure which are either Docsis 3.0, Docsis 2.0 or FTTH enabled, offering download speeds of between 30 Mbps and 400 Mbps depending on geography. For example, as of December 31, 2015, we had total pay TV Revenue Generating Units (“RGUs”) of 1.493 million, total broadband RGUs of 1.229 million and total fixed-line telephony RGUs of 1.228 million. Furthermore, on a blended basis, our cable services passed 5.549 million cable/fiber homes, with 1.733 Cable/Fiber Customer Relationships and total cable/fiber RGUs of 3.950 million. To a lesser extent, we offer xDSL/DSL/DTH services, with 3,201 total xDSL/DSL/DTH RGUs. We also offer mobile-based services in the geographies in which we operate, through 2G, 3G and 4G Long-Term-Evolution (“4G-LTE”) technology, and, on a blended basis, as of December 31, 2015, we had 11.598 million B2C customers (of which 4.831 million were post-paid customers). In March 2016, we also launched our wireline prepaid service, “Viva”, that offers an alternative to our fixed line telephony services by providing customers with a limited range wireline telephony service that uses a sim card.

In all geographies in which we operate, we are focused on the convergence of fixed and mobile services by cross-selling and up-selling our offerings to further increase our multi-play penetration. Our cable, fiber and mobile technologies enable us to offer premium digital services, attractive interactive features (such as our “Meo Go!” offering in Portugal) and local content (for example through our “HOT 3” channel in Israel) to our subscribers, including, for example, broadcasting and advertising rights in Portugal for FC Porto. We have leveraged our network advantage to drive our multi-play strategy and offer an attractive combination of content, speed and functionality. We offer our B2C customers bundled double- and triple-play services comprising pay a combination of TV, broadband internet access and fixed-line telephony services at what we believe are attractive prices. We believe the demand for our multi-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 and cost-savings for customers when purchased as part of multi-play packages, we typically also offer most of these services on a stand-alone basis in most of our geographies.

We are also focused on strategically developing content to complement our fixed and mobile services with exclusive or high-quality content offerings. For example, in Israel we continue to develop and offer local content through our “HOT 3” channel.

We use a variety of brands, trade names and trademarks to market our services, including “Meo” and “M<sub>4</sub>O” in Portugal, “HOT” in Israel, “Orange” and “Tricom” in the Dominican Republic and, in each case, several associated trademarks.

The table below sets forth the services we offer in the key geographies in which we operate:

Geographic Area	Western Europe	Israel	Dominican Republic	French Overseas Territories <sup>(1),(2)</sup>	Other <sup>(4)</sup>
Countries of Operation	 Portugal	 Israel	 Dominican Republic	 French Overseas Territories	Various
	 Belgium and Luxembourg <sup>(1)</sup>				
Bundling Strategy	4P	4P/3P	3P + Mobile	4P	N/A
Mobile Services Offered	■ 2G, 3G, ■	■ 2G, 3G, 4G ■	■ UMTS 2G, 3G, 4G- ■	■ 2G, 3G, 4G-LTE ■	■ UMTS 2G, 3G, 4G- ■
					N/A

Geographic Area	Western Europe	Israel	Dominican Republic	French Overseas Territories <sup>(1),(2)</sup>	Other <sup>(4)</sup>	
	4G-LTE, 4G-LTE+ B2B Services Wholesale services	(MVNO mobile services (Belgium only)) B2B Services	LTE B2B iDEN mobile services	B2B Services	LTE <sup>(3)</sup> B2B Services	
Fixed (Very High Speed Fixed/FTTH/xDSL) Services Offered	Pay TV Broadband internet Fixed line telephony B2B services Wholesale services	Pay TV Broadband internet Fixed line telephony B2B services	Pay TV Broadband internet Fixed line telephony Infrastructure access ISP B2B services	Pay TV Broadband internet Fixed line telephony B2B services	Pay TV Broadband internet Fixed line telephony	B2B services
Content <sup>(5)</sup>	Television content	Television content	Television content Local Israeli content	Television content	Television content	N/A

- (1) We provide our cable based services in Belgium and Luxembourg and the French Overseas Territories under the SFR brand licensed from the NSFR Group.
- (2) We provide pay TV, fixed-line telephony and internet access services over our unbundled xDSL network in certain parts of the French Overseas Territories under the SFR brand.
- (3) In connection with the 2014 SFR Acquisition, we disposed of mobile network assets in La Réunion and Mayotte on July 31, 2015.
- (4) Includes business and datacenter operations in Switzerland (Green and Green Datacenter) and datacenter operations in France and Portugal.
- (5) Through our content subsidiaries Ma Chaîne Sport and Altice Entertainment News & Sport, we produce and broadcast a diverse range of content and offer such content as part of our pay TV packages in several of our geographies.

In order to supplement and streamline our product and service offerings across our geographic segments, we have recently implemented the “Altice Labs” initiative. Under the initiative, our development team across all of the jurisdictions in which we operate (i) creates products and technology to facilitate the build-out of our fixed and mobile network, (ii) develops systems to improve our customer experience and handle disturbances and outages with speed and precision, allowing for near to uninterrupted usage of our services and (iii) creates user-friendly and high quality customer interfaces and products, such as new generation set-top boxes, portals and IoT. In 2015, we launched certain flagship products, such as “FiberBox” and “Mini FiberBox” in Israel and “SmartBox” in the Dominican Republic, as well as infrastructural upgrades, such as NG-PON2 in Portugal which we believe will significantly increase the bandwidth and robustness of our network, and services, such as the ‘multi-room ecosystem’ in Israel which allows customers to use our services in multiple rooms within their home simultaneously.

## Fixed Services

### B2C

We offer a variety of fixed B2C services, primarily as part of multi-play packages, with available offerings depending on the bandwidth capacity of our cable networks in a particular geography (which consist primarily of hybrid fiber coaxial (“HFC”) cable infrastructure).

#### Pay TV

Across our geographies, we offer digital television services which include basic and premium programming, and, in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including VoD and near-VoD (“NVoD”), digital video recorders (“DVR”), HD television (“HDTV”) services and, in some cases, exclusive content. Our cable networks enable us to offer interactive digital services to most of our customers. Our pay TV offerings include content and channels purchased from a variety of local and foreign producers and we continue to focus on broadcasting high-quality content over all of our cable networks. To ensure we cater to local demand for content, we tailor both our basic and additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation. As of December 31, 2015, we had 1.493 million pay TV RGUs across our geographies (representing 27% penetration of our Cable/Fiber Customer Relationships).

## Portugal

In Portugal, our television strategy is based on a multiplatform concept that aims to provide similar content and user experiences across television, personal computers (“PCs”) and mobile phones. Launched in 2008, “Meo” is our TV brand across the various platforms, primarily at home (through IPTV and satellite), mobile telephones (through *Meo Go! Mobile*) or PCs (through *Meo Go!*). *Meo* provides access to a comprehensive content offering, with more than 200 TV and radio channels and thousands of VoD titles. We offer tiered packages of channels, as well as on-demand availability that can be subscribed for, in real time, directly through the TV set. *Meo* also provides access to advanced features, such as digital recording and pause live-TV. The set-top boxes in the *Meo* service are all HD-compliant, using MPEG4. We were the first operator in Portugal to introduce HDTV and have the most extensive VoD offer in the market. As of December 31, 2015, *Meo* had 1.43 million customers.

In January 2013, we announced the launch of a quad-play offer of converged fixed-mobile services by *Meo*, which includes TV, broadband, fixed telephone and mobile telephone services under the brand “*M4O*”. *Meo* designed this product after studying trends in the Portuguese market which revealed increasing consumer preference for quad-play services all reflected on the same invoice, a desire to include the entire family in a single plan and the importance of high-quality connectivity to the internet. *M4O* currently offers 200 channels (including TV and radio channels), 100 Mbps broadband speed, unlimited calls and two to four mobile SIM cards, including free of charge calls and text messages to all wireline and wireless networks and 750 MB of mobile data, using our 3G and 4G networks. In July 2014, we announced the launch of “*M4O Light*”, a no-frills version of *M4O*, as well as “*M5O*”, a multi-play offering which, in addition to increased mobile data allowances, also includes 6 GB of mobile broadband. The launch of *M4O* and the subsequent launches of *M4O Light* and *M5O* enabled us to reach a household penetration of 1.72 million total RGUs for the year ended December 31, 2015.

*Meo*’s content offering includes thousands of VoD titles and a variety of interactive offerings based on anchor programs. For example, we offer interactive applications which focus on news, sports and music, other interactive portals such as our children’s portal which provides access to combined VoD, music, games and educational content tailored to children audiences, as well as “red button” interactive applications (whereby viewers press a button on their remote controls to receive additional interactive services) often linked to popular TV programs. In January 2013, *Meo* also launched *Gravações Automáticas*, a recording feature that allows customers to record programs and access those recordings up to seven days after the programs were broadcast. We have also developed other innovative interactive solutions, such as *Meo Energy*, a service for monitoring home energy consumption, which includes rate recommendations based on customers’ actual consumption profile and suggestions on how to lower energy bills.

## Israel

We are the largest provider of pay TV services in Israel based on number of subscribers. We offer primarily digital television services in Israel under the “HOT” brand. Our standard digital television package consists of 93 base television channels and 32 radio channels and gives customers the option to purchase extra content packages which give access to additional channels. We believe our standard offering includes more channels than that offered by our competitor and we offer a range of Israeli and international sports, current affairs, entertainment, music, film, documentaries, children, and adult channels, as well as channels in Arabic and Russian to address demand from the culturally diverse population of Israel. Our standard package includes the HOT suite of channels and others such as Eurosport, Fox News, MSNBC, BBC Entertainment, MTV MUSIC 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 37 premium channels, depending on the subscription. We also offer up to 26 television channels in HD.

In addition to a high-quality and diversified linear television offering, we offer our customers a variety of advanced services featuring interactivity. These are available to customers whether or not they also purchase our broadband internet services. In all of our digital television packages we provide customers with a replay service for certain television channels, enabling a viewer who misses the start of a program to replay it while the broadcast is in progress, as well as “start next” service, enabling the viewer to start watching the next show prior to its scheduled broadcast. Our digital television offering also includes an extensive VoD library containing over 32,000 titles as of December 31, 2015. In addition, we offer access to additional content libraries not included in our standard VoD service on either a pay-per-view or monthly subscription basis. Our VoD penetration rate was 57% of our pay TV RGUs as of December 31, 2015. We also offer digital customers our Personal Video Recorder (“PVR”) service, over several types of converters, for a monthly subscription fee by means of a set-top box that enables users to digitally record television programs to a hard disk in real-time. In 2011, we began offering digital customers the HOT Magic HD set-top box and, in 2014, rolled out LaBox, our advanced set-top box, in Israel under the commercial name of “FiberBox”. HOT’s FiberBox is a communication box that enhances the users’ experience by allowing customers to record their favourite TV

programs in HD quality, through a set top box that is also an internet cable modem, router, and an EMTA (telephone modem). It further includes innovative user interfaces, improved recording abilities (“Multi-Record”), Media Center services allowing direct access to all personal media files stored on various devices on the home network, an advanced remote application (“Remote App” including an option for children) and a split picture feature allowing the user to watch two channels in parallel (“Picture in Picture”). We expect to develop and launch Multi Share services in the future. Users can also access “Youtube” and “Start Next” further enhancing the TV experience. During the course of 2015, HOT launched “Mini FiberBox”, a unit that interfaces with FiberBox through a communication box, enabling further advanced features such as: recording and viewing TV programs in every room; a “follow-me” function; sharing of clips and pictures real time through a smartphone connected to the TV set and Mini FiberBox also increases the reception range of FiberBox’s WiFi network. The commercial name of this new customer experience is HOT MULTI.

As a result of an order issued by the Israeli Ministry of Communications, since February 23, 2014, we and local satellite company “Yes” are required to offer a fixed-price, narrow-base package at a price not to exceed NIS 120 (approximately €28) per month. Our current offering pursuant to this order provides subscribers access to more than 20 basic channels, allowing the user to transfer a TV show, that is being viewed in one room, into another room and to continue watching from the same point.

Having previously offered analog services during 2015, we phased out this service which will allow us to free up bandwidth over our network enabling us to further expand our digital services.

We bolster our Israeli pay TV service offering by significant investment in procurement and, uniquely to our Israeli business, co-development of original local content which we undertake in partnership with local production partners and broadcast on our proprietary suite of channels. 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 Zaguri Empire, Very Important Person, Asfur, The Arbitrator, Golestar, Connected. We also purchase rights to broadcast popular foreign channels over our network. 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 TV revenues from subscriber fees in the production of original local content. We have been, and are, in compliance with these regulatory requirements in all material respects. In accordance with the Israeli regulator’s decision of November 2015, the investments rate in local productions will be 9% as of 2017.

We had 824,000 pay TV RGUs in Israel as of December 31, 2015, representing approximately 80% of our Cable/Fiber Customer Relationships in Israel.

#### *Dominican Republic*

We offer pay TV services through our cable, xDSL and GPON networks in the Dominican Republic. Under the “Tricom” brand we offer over 300 channels through a choice of three different plans. Of those channels, 90 are available in HD, which we believe represents one of the most extensive HD offering available in the Dominican Republic as of December 31, 2015. Tricom serves approximately 128,000 pay TV subscribers as of December 31, 2015.

#### *Others*

We offer analog and digital pay TV services in Belgium, Luxembourg and the French Overseas Territories under the “SFR” brand. Outside of our cable footprint in the French Overseas Territories, we also offer our broadband internet subscribers IPTV services via an unbundled xDSL network.

#### *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, with a majority of homes passed benefitting from download speeds of at least 100 Mbps. 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 400 Mbps with limited network and customer premises equipment upgrades given the existing technological capability of our networks. This technological capability can be realized with relatively low levels of capital expenditure and will enable us to better meet the needs of our residential and corporate customers who demand higher download speeds. As of December 31, 2015, we provided broadband internet to 1.2 million B2C customers across our geographies (representing 22% penetration of our Cable/Fiber Customer Relationships).



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 stand-alone telephony packages as our strategy is to offer fixed-line telephony as an add-on product in our multi-play packages.

### *Portugal*

We had approximately 3.72 million fixed retail accesses in service as of December 31, 2015, excluding external supplementary lines, direct extensions and active multiple numbers.

As of December 31, 2015, we were able to reach 2.2 million homes in Portugal with our FTTH network, after giving effect to the fiber sharing agreement with Vodafone (which is further described below under “*Material Contracts—Portugal—Fiber Sharing Agreement with Vodafone Portugal*”). Our network, which is developed in urban areas, is a strategic investment to improve our competitiveness among B2C customers, where we can offer distinctive pay TV and bundled offers. In Portugal, we have also launched NG-PON2 technology, which we believe will significantly increase the bandwidth and robustness of our network in the coming years.

Over the last decade, total traffic on our fixed line network has decreased, primarily because consumers have increasingly used mobile services instead of fixed line services and due to the migration of dial-up internet users to Asymmetric Digital Subscriber Lines (“ADSL”). The number of active mobile SIM cards exceeds the number of fixed line main lines in Portugal. We have responded to this trend by encouraging the use of our fixed line network for bundled services, including triple-play packages that include fixed-line telephone services, broadband internet access and pay TV services.

Additionally, we are required to provide carrier selection to our customers for all kinds of traffic. Carrier selection has been an additional factor that has contributed to the reduction in traffic on our network.

### *Israel*

Internet service in Israel is structured into two segregated elements comprised of infrastructure or network access services and internet service provider (“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 may choose to subscribe to the broadband internet infrastructure access facilities of us or Bezeq while using a separate ISP provider. Under the terms of our ISP license, we are required to provide ISP services to any customer or other ISP license holder, including to customers of other broadband internet infrastructure access providers, on equal terms.

We offer ultra-fast broadband internet infrastructure access services to our B2C customers under our “HOT” brand over our Docsis 3.0-enabled cable network which can theoretically support download speeds of up to 500 Mbps with new customer premises equipment and certain limited modifications to network equipment, which will allow us to easily upgrade our services in the future. Currently we offer our customers download speeds ranging from 30 Mbps to 200 Mbps at competitive prices and our customers can choose from our single, double and triple-play packages which include broadband internet infrastructure access services along with our television and fixed-line telephony services. We had approximately 694,000 Cable/Fiber Customer Relationships in our broadband internet infrastructure access service in Israel as of December 31, 2015, representing approximately 68% of our Cable/Fiber Customer Relationships in Israel. We provide ISP services under the “HOTnet” brand. Unlike our competitors who generally offer ISP services at prices that increase depending on access speeds, we offer our ISP services at a competitive monthly flat-rate irrespective of access speeds, which we believe make our ISP offerings very attractive. We are currently only 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 multi-play packages. In addition, the Ministry of Communications policy which came into force in February 2015, required Bezeq and HOT to provide wholesale services to service providers that do not own a national fixed-line infrastructure, enabling them to offer their subscribers bundles that include internet infrastructure and ISP services in the same package.

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. Our domestic license is valid until 2023 and our 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.

We provide fixed-line telephony services using PacketCable technology on our secure cable network by offering individual lines to our B2C customers under our “HOT” brand, either on a stand-alone basis or as part of our multi-play packages. 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 had 660,000 Cable/Fiber Customer Relationships in our fixed-line telephony service in Israel as of December 31, 2015, representing approximately 64% of our Cable/Fiber Customer Relationships in Israel.

#### *Dominican Republic*

In the Dominican Republic we offer consumers broadband internet access and fixed-line telephony services through the Altice Hispaniola and Tricom brands.

Tricom provides internet access primarily through its xDSL network and it has launched mobile broadband internet services leveraging on its 4G-LTE services. Tricom offers both prepaid and post-paid fixed-line telephony plans, which include unlimited calls within its network. While Tricom continues to utilize its xDSL network to provide fixed-line telephony services, it also offers VoIP to homes passed by its cable network. Tricom also leverages its wireless network to transmit fixed-line voice services. As of December 31, 2015, Tricom had approximately 161,000 broadband internet subscribers (including xDSL and cable) and 287,000 fixed-line telephony subscribers (including DSL, VoIP, fiber and WLL).

Tricom further enhances its business in the Dominican Republic by offering Tricom services through dedicated sales booths operated in a number of Altice Hispaniola stores. This allows Tricom to sell its products to the Altice Hispaniola customer base. As of December 31, 2015, we operate 20 Tricom sales booths in Altice Hispaniola stores and 81 sales booths in other dealer stores.

#### *Others*

In Belgium and Luxembourg, we offer customers various broadband internet packages under the “SFR” brand. In Martinique and Guadeloupe, we offer broadband internet services and international long-distance fixed-line telephony features over both our cable and xDSL networks. In French Guiana, Mayotte and La Réunion, we only provide broadband internet access services and local, national and international long-distance fixed-line telephony features over our xDSL network.

### **B2B**

#### *Portugal*

Our B2B services in Portugal comprise: (i) network and voice services, which include fixed voice services, fixed and mobile convergence services, broadband data, Ethernet services, digital leased lines and VSAT services, business high band fiber-based internet, VPN accesses and applications, and global services for multinational customers; (ii) IT services, which include data center services (such as housing and hosting), cloud-based solutions (primarily public and private virtual servers, remote backup and storage, hosted e-mail and web hosting), security managed services based on a Security Operations Center, business continuity services and disaster recovery, IT infrastructure outsourcing and IT and security consultancy; and (iii) business solutions and applications, which include unified communications, IP Centrex and voice servers, digital signage—Corporate TV, messaging and interaction solutions, business video communications and telepresence solutions, machine-to-machine managed connectivity and vertical end-to-end solutions, business process outsourcing (“BPO”), vertical solutions for special business market customer categories (health care, the public sector), special bundling services for small and medium-size enterprises, using the “Office Box” brand name, and outsourcing.

We provide these services to our B2B customers using a three-tiered approach: (i) *Residential+* customers, which mainly include SOHOs, with an offering based on the convergence of voice and broadband services, (ii) *Connected+* customers, served mainly with multi-employee connectivity services, including mobility solutions for traveling employees, and simple software solutions and (iii) *Integrated+* customers, served with a full range of telecommunications and technological services, such as unified communications, outsourcing of information and communications technology (“ICT”) services, application integration, machine-to-machine and specific IT/IS solutions, BPO and IT consultancy.

The provision of services to our corporate customers is guided by the following strategic objectives: (i) maximize value from traditional telecommunications services by upselling additional services, including fixed-mobile convergence on FTTH, VPN, LAN management and video services, (ii) IT transformation

accelerated by cloud computing, where we aim to build upon partnerships with key suppliers to enable business process transformation and cost reductions to our corporate customers, with a special focus on “system on a chip” based security solutions, (iii) use specialization to achieve gains from scale, including by focusing on outsourcing and BPO to improve productivity and (iv) introduce a business consulting approach in order to extend the services provided to corporations to video, multiscreen and other convergent services.

As part of our B2B services, we provide a broad offer of integrated and vertical solutions. We continue to market our *Office-box* product for SMEs, which allows integrated solutions with one bill and on a pay-per-employee basis bundling voice and data communication needs: (i) connectivity: mobile and fixed voice and broadband, (ii) devices: PCs, fixed and mobile phones, routers and switches and (iii) mobility: cloud solutions including customized domains, e-mail accounts, hosting sites and optional software. We provide vertical solutions through our *Office-box* product which includes tailored software systems for health clinics, restaurants, hotels, including access to an online marketing and booking system and a full suite of hotel-management software. For large corporations, we provide (i) integrated solutions, bundling customized connectivity and IT needs coupled with dedicated account managers, and (ii) a unified communications integrated offering without requiring capital expenditures on a pay-per-employee basis, including a flat voice rate, customer equipment and a full set of collaboration functionalities. Our secure cloud offering provides a broad portfolio of services, including (i) web services, such as webhosting, instant website, database hosting and e-mail relay, (ii) security services, comprising e-mail security, remote backup, video surveillance and clean pipes, and (iii) IT resources, including remote desktop, public and private servers, SAP HANA and virtual drives. We have developed this end-to-end offering with strategic partnerships that enable us to leverage our technological skills and integration capacity in key markets in Portugal, Brazil and Africa.

PT Portugal Group also provides an integrated ICT service and IT/IS outsourcing capabilities and BPO services.

#### *Israel*

We provide fixed and mobile telephony services and a range of advanced telecommunications solutions to our B2B customers in Israel. Other than our iDEN-based mobile services which we market under the “MIRS” brand, we market all of our B2B services in Israel under the “HOT” brand. Our fixed-line telephony services include offering individual lines to businesses as well as primary rate interface (PRI) trunks (consisting of up to 30 voice lines per trunk) to our B2B 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 B2B customers and other telecommunication providers using synchronous digital hierarchy 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.

#### *Dominican Republic*

We provide significant B2B telecommunication services in the Dominican Republic through both our Altice Hispaniola and Tricom brands. Altice Hispaniola offers fixed broadband internet packages in the B2B segment, including both pre-paid and post-paid packages, as well as digital services, including in-house platform agnostic applications development, fixed-voice and other data offerings such as cloud services, mobile-to-mobile and premium non-voice services, post-paid. As of December 31, 2015, approximately 104,453 business customer lines subscribe to broadband internet services offered by Altice Hispaniola (of which approximately 36% are SMEs and large companies). Such customers can also benefit from Altice Hispaniola’s fiber and WiMax technologies and other value-added services.

Altice Hispaniola has been opportunistically deploying fiber to support the 4G-LTE roll-out in the Dominican Republic and to be in a position to offer fixed services to targeted B2B clients. As an example, Altice Hispaniola began to offer B2B services in the Eastern area of the Dominican Republic in Bavaro/Punta Cana following the roll-out of fiber along the East route to Punta Cana, which was finalized at the end of 2013. Altice Hispaniola has also 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 Altice Hispaniola since it first launched dedicated services to B2B customers in January 2011 and Altice Hispaniola 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. Altice Hispaniola 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. Altice Hispaniola has also expanded its B2B services with features such as mobile-to-mobile connection services, enhanced data security and telepresence. In addition to broadband internet services, Altice

Hispaniola also provides selected SME and large B2B customers with fixed voice services via SIP trunking (VoIP). Altice Hispaniola plans to provide SOHO customers with similar services in the future.

Tricom also engages in significant activity in the B2B segment in which it mainly offers fixed-line services, but is also present in the broadband, data, pay TV and wireless segments. B2B activity accounted for 28.4% of its revenue for the twelve months ended December 31, 2015, with Tricom serving a large portfolio of over 10,311 corporate including banks, international telecom operators and government offices as of December 31, 2015. Additionally, Tricom has a well-diversified customer portfolio with its top ten customers accounting for less than 17% of its B2B revenue in the twelve months ended December 31, 2015.

#### *Others*

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. We do not directly provide value-added services.

In Switzerland, we are one of the leading providers of information and communications technology services aimed at B2B customers. 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.

### **Mobile Services**

We own and operate mobile infrastructure in most of our geographies, including Portugal, Israel and the Dominican Republic. We primarily service the pre-paid subscriptions market, which represented 53.8% of our mobile customer base on a blended basis as of December 31, 2015, however, we are also building out our presence in the post-paid market with the addition of 176,000 subscribers for the year ended December 31, 2015, as compared to the year ended December 31, 2014 (post-paid subscribers represented 41.7% of our total mobile base). Depending on geography and network technology deployed, we offer 2G, 3G and/or 4G-LTE services on a variety of plans, from “no frills” offers with no commitment or handset, to premium mobile telephony offers with varying voice and data limits, if any, at attractive prices. In some of our markets we provide wireless broadband plans through nomadic broadband internet, giving customers access to our very-high-speed mobile networks.

#### **B2C**

As of December 31, 2015, on a blended basis across our geographies, we offered mobile services to 11.598 million B2C customers. In Israel, due to current regulations, we offer our mobile services only on a stand-alone basis and in a bundle with ISP services and not as part of a multi-play cable offering.

#### *Portugal*

In Portugal, in our B2C customer segment, we offer a range of mobile products and services including: (i) a variety of voice and data tariff plans, both prepaid and post-paid, designed to integrate unlimited voice and data plans targeted at high-value post-paid customers and, in the prepaid market, to discourage migration to low-value tariff plans by offering additional voice and data services; (ii) a portfolio of approximately 50 smartphones, including exclusive handsets, with the capability to use an array of value-added and convergent services (mobile TV, music on demand, navigation app, social network aggregator, cloud storage, etc.); and (iii) mobile broadband offers of up to 150 Mbps speed, using 4G technology and offering free access to our national WiFi network. We also offer prepaid and discount products which remain popular. As of December 31, 2015 approximately 65% of our subscribers were using prepaid mobile products.

We launched a 4G offering in 2012 and we continuously invest in new services. Our 4G offering currently allows (i) speeds of up to 150 Mbps; (ii) access to live TV channels through *Meo Go!*, a service that allows access to live TV channels on PCs, tablets and smartphones, complementary broadband coverage through ADSL/DTH, enabling customers to access our high speed mobile broadband network in areas outside of our FTTH footprint; (iii) multi-play customers to access a catalog of millions of music tracks through our multi-platform music streaming service, *Meo Music*; (iv) *Multi-SIM*, for sharing of traffic among various devices, including PCs, through wireless dongles, tablets and smartphones and (v) *Meo Drive*, a navigation app available in iOS and Android marketplaces.

At its launch in March 2012, our 4G service was available to 20% of the Portuguese population which has been expanded to 98% of the population as of the end of 2015. We market our 4G mobile broadband services through *Meo 4G* brands. These offerings range in speed from 50 Mbps to 150 Mbps and include *Meo Music* for free. *Meo 4G* or *Meo 4G* customers that are also *Meo* customers have free access to more than 85 live TV channels through the *Meo Go* service.

Following the launch of the *M4O* quad-play offering, *Meo* repositioned its voice and data tariff plans as a result of which we now offer four unlimited voice and data bundles in the post-paid category, at different price points ranging from €12.49 to €59.99 per month: (i) the *unlimited S*, offering 500 MB of mobile internet, unlimited voice/SMS plus 100 minutes or SMS on all other networks; (ii) the *unlimited M*, offering 1 GB of mobile internet, unlimited WiFi access plus unlimited voice and SMS and 250 minutes or SMS on all other networks; (iii) the *unlimited L*, offering 2 GB of mobile internet and unlimited WiFi plus unlimited voice and SMS on all other networks; and (iv) the *unlimited XL*, offers 30 GB of mobile internet and unlimited WiFi access plus unlimited voice and SMS. All of these plans include the *Meo Music*, which otherwise costs an additional fee.

In the prepaid market, *Meo* extended its daily and weekly tariff plans offering a range of tariff plans from “zero obligations” (daily plans without inclusive data) to frequent user plans (billed weekly with 500 minutes and SMS), in which the customer can choose add-on data services for a fee, to address consumers who opt not to enter into post-paid loyalty contracts. *Meo* also extended the *Moche* offering targeted at customers below the age of 25. The *Moche* tariff plans include 500 minutes and SMS and enables the customer to choose data allowances, which range from additional fees of €1,89 per week for 500MB to €3,99 per week for 5GB.

These changes in *Meo*'s tariff structure were in response to price movements in the market and were aimed at maintaining *Meo*'s competitive position in the market. We believe that mobile services in Portugal are priced lower than the European average and are among the lowest in Europe. Fixed-to-mobile and mobile-to-mobile interconnection charges are regulated by ANACOM and have a significant impact on our business. Since 2005, when ANACOM declared all mobile operators to have significant market power in call termination in mobile networks market, ANACOM has accordingly imposed price controls on interconnection rates for the termination of calls on mobile networks. Since the imposition of price controls, interconnection rates have been reduced steadily. ANACOM has issued successive decisions that have reduced mobile termination rates over time. In March 2012, ANACOM issued a decision reducing mobile termination rates progressively to €0.0127/min by December 2012. In August 2015, ANACOM issued a further decision approving an additional reduction to €0.0083/min. Further reductions estimated at €0.0079/min in July 2016 and €0.0073/min in July 2017 are anticipated. These reductions have had, and are expected to continue to have, a significant impact on our interconnection revenues and consequently our cash flows and earnings.

#### *Israel*

We provide mobile services in Israel to B2C customers under the “HOT Mobile” brand mainly on our UMTS and LTE network. Due to current regulations, we currently offer our mobile services only on a stand-alone basis and in a bundle with ISP services.

Following the regulatory approval of the Network Sharing Agreement on April 20, 2015 by the Israeli Antitrust Authority and the Israeli Ministry of Communications, our GSM/UMTS/LTE network is operated and maintained by the JV Entity (as defined herein) since August 2015. It is the most advanced nationwide networks in Israel. The roll-out of our 4G mobile services has enabled us to compete effectively in the mobile services market as we are able to provide up-to-date services to customers, including faster data transmission services (up to 150 Mbps) with a higher data rate. Our customers also have the option of using a wide range of devices compatible with our network, including Android based and Apple branded handsets. Currently, we are 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. We launched our mobile services in Israel in May 2012; we had relied on Pelephone's network to provide in-country roaming services to our customers in areas not covered by our UMTS network. In December 2013, HOT Mobile and Pelephone amended the underlying agreement repealing the exclusivity clause which HOT Mobile was subject to. Following this amendment, we were able to exercise our rights under the RoU Agreement with Partner which allowed for the use of Partner's mobile communication network for the purpose of providing nation-wide coverage to our customers pending implementation of the Network Sharing Agreement. 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. For further details, please see “*Material Contracts—Mobile Network Sharing Agreement with Partner in Israel*”. The agreement with Pelephone ended in the second half of 2014. HOT Mobile has a number of roaming contract with cellular companies outside of Israel that provide our 3G and LTE customers with international roaming capabilities. For further details, please see “*Material Contracts—Agreements relating to mobile roaming services*”. Our Israeli fixed 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 B2C subscribers unlimited local calls, text messaging and internet access for what we believe to be an attractive and competitive monthly fixed price as well as unlimited international calls to selected destinations for an additional fee. 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. Since the launch of our UMTS-based 3G mobile services in

May 2012 and the launch of our UMTS prepaid services in April 2015, we added approximately (net) 983,000 UMTS and LTE RGUs as of December 31, 2015. In addition, we have 11,000 RGUs iDEN in the B2C market.

On July 2, 2014 the Israeli Ministry of Communications initiated a tender process for 4G-LTE frequencies comprising a total of eight frequency bands in the area of 1,800 MHz to enable delivery of mobile services using LTE technology. The process was concluded on August 9, 2015, when two frequency bands at the width of 5 MHz in the 1.8 GHz were allocated to HOT Mobile.

### *Dominican Republic*

In the Dominican Republic, Altice Hispaniola offers B2C mobile services under its “Orange” brand, offering a variety of pay-as-you-go and monthly-rate plans through its 2G, 3G and 4G-LTE networks. We believe Altice Hispaniola’s strong footprint in areas with low mobile penetration makes it well-positioned to capture future growth. Altice Hispaniola also benefits from strong brand recognition from the “Orange” brand and a focus on customer service. Altice Hispaniola had approximately 3.6 million total mobile subscribers of which approximately 2.8 million subscribe through pre-paid plans and 790,000 subscribe through post-paid plans as of December 31, 2015.

To service the Dominican Republic’s significant tourist traffic, Altice Hispaniola also provides users of foreign mobile connections with international roaming services. Altice Hispaniola has entered into roaming agreements with various international telecom service providers for voice, internet, data, pre-paid, roaming hub and 3G services. Currently, Altice Hispaniola has agreements in place with leading international telecom companies from over 143 countries. Altice Hispaniola also attracts international incoming traffic through its long-distance business, providing international call termination to other local operators. Altice Hispaniola also offers a range of wireless broadband internet services through nomadic broadband internet (through dongles and WiFi devices) and Flybox, its customer premises equipment, as well as capacity-based plans and voice and data bundles on 3G and 4G-LTE. Approximately 198,000 B2C customers took up broadband services through post-paid capacity-based plans as of December 31, 2015.

Tricom provides mobile telephony services through its wireless network. 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, 2015, Tricom had approximately 326,000 (including internet mobile) mobile subscribers.

### *Others*

We currently provide 2G and 3G mobile services relying on HSDPA 13 Mbps Single Carrier technology in the French Overseas Territories. We plan to apply for licenses to provide 4G services which are expected to be awarded via an application process that it is expected to end in the third quarter of 2016 in the Caribbean area.

We provide mobile services in Belgium under the “SFR” brand through an MVNO agreement with BASE.

### **B2B**

In addition to offering mobile services to our B2C customers, we offer focused B2B services to large, SME and VSE business customers in Portugal, Israel and the Dominican Republic. Our B2B mobile products often include professional telephony services (such as business directory services, fleet management customer areas, usage alerts and financial management solutions) with devices chosen to respond to the needs of professionals and 24-hour on-site exchange service. As of December 31, 2015, in our largest geographic segment (Portugal), we offered mobile services to 1.5 million B2B customers.

### *Portugal.*

We offer B2B network and voice services, which include fixed and mobile voice convergence services through Meo. We provide B2B mobile services to our B2B customers using a three-tiered approach: (i) *Residential+* customers, which mainly include SOHOs, with an offering based on the convergence of voice and broadband services; (ii) *Connected+* customers, served mainly with multi-employee connectivity services, including mobility solutions for traveling employees, and simple software solutions; and (iii) *Integrated+* customers, served with a full range of telecommunications and technological services, such as unified communications, outsourcing of ICT services, application integration, M-to-M and specific IT/IS solutions, BPO and IT consultancy. The provision of mobile services to our corporate customers is guided by the objectives of maximizing value from traditional telecommunications services by upselling additional services, including fixed and mobile convergence on FTTH, VPN, LAN management and video services and capturing mobile data growth through 4G-based solutions and new machine-to-machine projects.

## *Israel*

We provide mobile services in Israel targeted primarily at business subscribers both under the “MIRS” brand on our iDEN network and under the “Hot Mobile” brand on our UMTS and LTE network. As of December 31, 2015, we had approximately 233,000 RGUs of B2B customers. We continue to experience a decrease in the number of iDEN customers in future periods together with the increase of B2B UMTS and LTE customers.

## *Dominican Republic*

Altice Hispaniola has a significant presence in the B2B market, offering services to 228,400 customer lines, with over 27.58% taking up plans aimed at SOHOs as of December 31, 2015. Altice Hispaniola also offers plans to over 3,998 SMEs and large companies as of December 31, 2015. Altice Hispaniola is growing its post-paid and business offerings and continues to roll-out new products and services. Altice Hispaniola 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. Altice Hispaniola has also expanded its B2B services with features such as mobile-to-mobile connection services, enhanced data security and telepresence.

For information on enhancements being made to Altice Hispaniola’s network to support its B2B offerings, please see “—Fixed Services—B2B—Dominican Republic”.

## **Wholesale Services**

Across our geographies we offer some wholesale services, including interconnection services to other operators, and in Portugal we sell wholesale cable-based and xDSL-based services to other telecommunications operators who resell such services under their own brands.

## **Portugal**

In Portugal, our wholesale services consist of: (i) domestic and international interconnection telephone services that we provide to other telecommunications operators in Portugal; (ii) provision of carrier pre-selection and number portability; (iii) leasing of domestic and international lines to other telecommunications services providers and operators; (iv) provision of ADSL (including “naked” DSL) on a wholesale basis to other ISPs; (v) provision of unbundled access (including shared access) to metallic loops and sub-loops to provide broadband and voice services to other telecommunications operators in Portugal; (vi) provision of wholesale line rental to other telecommunications service providers in Portugal; (vii) provision of co-location services and access to ducts, submarine cable landing stations, poles and associated facilities to other telecommunications operators in Portugal; (viii) transmission of television and radio signals for major broadcast television companies in Portugal; (ix) narrowband internet access origination services, which we provide to ISPs; (x) international carrier services (transport, transit and/or termination) for international switched traffic; and (xi) other services provided to telecommunications services providers and operators, such as IP international connectivity.

## *Interconnection Traffic*

Interconnection traffic comprised about 46% of our Portuguese wholesale business in terms of revenues in 2015. Providing interconnection services means allowing third parties to connect their networks to our network, and vice versa. The service providers who purchase interconnection services include fixed and mobile network operators, voice and data communications service providers, ISPs, value-added service providers and service providers whose international calls are terminated on or carried by our network. We have interconnection rates primarily for call termination, call origination, transits and international interconnection. However, having seen a decrease in domestic fixed line interconnection revenue per minute for calls terminated on our network of approximately 72% as of October 31, 2013, from €0.0040 to €0.0011, we also saw a decrease in domestic interconnection revenues per minute for calls originating in EEC countries in August 2015, from €0.0127 to €0.0083, and for traffic originating outside EEC countries from €0.0127 to €0.0583. Despite the general decline in interconnection rates, in January 2016, domestic mobile interconnection revenue per minute for calls originating outside EEC countries increased from €0.0583 to €0.0630. International interconnection revenue per minute for wholesale operators’ outgoing traffic increased by 10% in nominal terms in 2015 compared to 2014 and increased by 11% in 2014 compared to 2013. In accordance with EU and Portuguese regulations, our national interconnection prices are cost-oriented, applying a pure Bottom Up Long-Run Average Incremental Cost model for call termination.

## *Leased Lines*

We lease lines to other telecommunications providers for fixed, mobile and data communications services, including our competitors. Leased line services involve making a permanent point-to-point connection with

dedicated and transparent capacity between two geographically separate points. We offer both national terminating segments and trunk segments at the wholesale level. We also lease international circuits to national and international operators to allow them to complete their circuits (often circuits that pass through Portugal before linking to other countries), and we sell segments of international circuits to international operators. The three current mobile telephone operators in Portugal, which include our subsidiary *Meo*, Vodafone Portugal and NOS, are among our wireline business's largest leased line customers.

## **Other**

We also offer a number of other services, depending on geography, such as bulk services to housing associations and multiple dwelling unit managers, cloud storage, such as on-demand IaaS services, computer security services and storage and backup solutions. In various jurisdictions in which we operate, we also generate revenues from selling advertising time to national, regional and local customers.

## **Content**

We are focused on strategically developing content to complement our fixed and mobile services with exclusive or high-quality content offerings. Through our content subsidiaries, including Ma Chaîne Sport and Altice Entertainment News & Sports, we produce and broadcast a diverse range of content including live broadcasts of sports events and other sports-, health- and wellbeing-related programs as well as the new sports programming for which we have acquired broadcasting rights, such as the FC Porto matches in the Portuguese Premier League. We offer the channels distributed by Ma Chaîne Sport and Altice Entertainment News & Sports as part of our pay TV packages in several of our geographies and also distribute them to third party service providers. We also continue to develop and offer content in Israel through our "HOT 3" channel.

## **Customer Premises Equipment**

In our fixed B2C business we believe advanced customer premises equipment is playing an increasingly crucial role as it enhances customer experience by facilitating access to a wide range of user-friendly features, offers a reliable channel for selling add-on and on-demand services, allows for multi-screen television viewing and broadband internet usage by multiple parties and, when set-top boxes and modems are combined in one box, allows cable operators to significantly reduce customer service expenses. Accordingly, we have continued to roll out "LaBox", our most advanced set top box, in our Western European businesses ("One Box" in Portugal) and Israel (as "FiberBox"). LaBox is an innovative integrated set-top box and cable router offered to customers subscribed to our premium multi-play packages. It can deliver very-high-speed internet, digital television services with a capacity of up to 300 channels and fixed-line telephony with two telephone lines, has four tuners to allow subscribers to record two television programs simultaneously while watching another (as well as watching different channels in different rooms), has high definition ("HD") and 3D capability and also includes an 802.11n WiFi router, 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 standard definition ("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. Smartphones and tablets can act as "remote controls" for LaBox, 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 LaBox 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 LaBox as standard. We expect that LaBox will also promote the sales of our other premium services.

## **Marketing and Sales**

Our marketing divisions use a combination of individual and segmented promotions and general brand marketing to attract and retain subscribers. We 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.

Our marketing strategy is based on increasing the penetration of multi-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 multi-play offerings in our marketing efforts and focus on transitioning our analog and digital video-only customers to multi-play packages. We believe that customers who subscribe for more than one service from us are significantly more loyal to us. Our marketing and sales efforts are always geared towards demonstrating the high-quality and speed of our networks. In November 2015, we announced an exceptional partnership with Cristiano Ronaldo, three-time World



Footballer of the Year and the current captain of the Portuguese national team, whereby he agreed to act as a brand ambassador across the markets in which we operate. Our partnership with Cristiano Ronaldo is illustrative of our ambition for success and our desire for excellence across our brands.

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, inbound and outbound telesales and, in certain countries, our websites.

### **Portugal**

In Portugal, *Meo* is our primary brand and a leader in mobile telecommunications in Portugal, which we expect to continue using to serve the broader market and to focus on the growth of our post-paid base through dedicated tariff plans and attractive pricing policies in smartphones. *Meo* marketing campaigns continue to draw attention in the Portuguese pay TV market. We developed *Moche*, our new youth brand, and *Uzo*, our new low-cost brand, to target these demographics through independent brand positioning and sales distribution strategies.

We market our B2C services through 1,629 points of sale as of December 31, 2015, which include our own stores (using our own sales force), shops in large retailers and through separate dealers, which represent approximately 5%, 23% and 72% of the total points of sale, respectively. In addition, we also market our B2C services through door-to-door sales.

We have been investing in digital marketing to accommodate for the consumption trends associated with new media, which include a greater emphasis on mobile services, social media and digital video, and have leveraged our digital profiling and segmentation capabilities in order to streamline our approach to new customer acquisitions. PT Portugal has successfully deployed campaigns focused on digital video, social media engagement, website retargeting and lead generation. We also launched upgraded online stores (“PTEmpresas” and “Meo”) operating with enhanced features, such as the ability to make purchases online and pick up products at a chosen location as well as improved online dynamics, through which we cross-sell our products and offer flash sales. These customer-oriented e-commerce initiatives have been instrumental in our revenue generation and the increase in our RGUs.

### **Israel**

In Israel, we market and sell our fixed services under the “HOT” brand and market our mobile services under the “HOT Mobile” brand, thus leveraging brand cross-recognition. 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.

Our sales distribution channels in Israel include 42 dedicated sales booths (i) owned by the Group and some of which are operated by external dealers (the “HOT Booths”), and (ii) some of which also have service centers and other dealer outlets. We also use telemarketing, and operate a door-to-door sales team. In the ultra orthodox sector, we market our mobile services through an external distributor.

### **Dominican Republic**

In the Dominican Republic we market and sell all our Altice Hispaniola telecommunications services under the “Orange” brand and benefit from strong brand recognition. We also offer pay TV services through our “Tricom” brand.

Altice Hispaniola maintains a distribution network comprising more than 543 shops and 70,000 top-up points of sale, while Tricom owns a network of 110 stores throughout the Dominican Republic. Although still a minor channel, online sales are expected to grow as traffic on Tricom’s website has been experiencing strong growth.

### **Others**

In Luxembourg and Belgium, we market and sell our fixed services under the “Coditel” brand and the “SFR” brand, the latter of which we have licensed from NSFR.

We market our cable-based, xDSL-based and mobile services in the French Overseas Territories of Martinique, Guadeloupe and French Guiana under the “SFR” brand. We use the “ONLY” and “IZI” brands to market our xDSL-based services in La Réunion and Mayotte.

## **Customer Contracts and Billing**

We typically enter into standard-form contracts with our B2C 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, the ability to charge early exit fees, 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. Contracts with our B2B customers are standard-form contracts or bespoke, negotiated contracts depending on the nature of the service.

We monitor payments and the debt collection process internally. We perform credit evaluation of our B2C and B2B 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.

In Portugal, for our residential customer contracts, we offer standard contracts with a duration generally of 24 months and in certain cases 12 months. New customers are typically locked in for a 24-month period. Monthly fees 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, 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, and the fees charged are typically agreed upfront and generally remain fixed for the entire duration of the contract although renegotiations prior to the maturity of the contract can also occur. 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 contracts have terms ranging between six to 60 months (with most contracts being for 24 or 36 months).

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 if purchased from us, the sale of handsets which we do not subsidize.

## **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 fixed and mobile services is carried out by call centers located in Yakum, Beer Shera, Haifa, Nazareth and Migdal Ha'omek, Israel (servicing our Israeli customers), Casablanca, Morocco (servicing our French-speaking customers in Belgium), Brussels (servicing our Dutch-speaking customers in Belgium), Differdange, Luxembourg (servicing our customers in Luxembourg), Lisbon, Coimbra Porto, Beja and Castelo Branco (key call centers servicing our customers in Portugal) and Mauritius (servicing our customers in the French Overseas Territories). Our customer care centers function as an integrated system and utilize software programs that provide increased efficiencies and limited wait-times for customers requiring support. Our field technicians and schedulers utilize the same software programs for customers requiring in-person support. In most of the countries in which we operate, we provide service to our customers 24 hours a day, seven days a week, and we have systems that allow our customer care centers to be accessed and managed remotely in the event that systems functionality is temporarily lost, which provides our customers access to customer service with limited disruption. We also utilize our customer portal to enable our customers to view and pay their bills online, obtain useful information and perform various equipment troubleshooting procedures. Our customers may also obtain support through our on-line chat, e-mail functionality and social media websites, including Twitter and Facebook.

Visits to customers' premises are performed by a mix of in-house and outsourced technicians. We aim to increase the extent to which this function is outsourced as we believe it optimizes our operational risks and costs. In geographies where we offer B2B services, our institutional and business subscribers are served by dedicated business service and technical centers. 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.

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 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. However, in some of our geographies, a team of in-house specialists handles the most complex customer care issues. We see limited potential for further improvements in the efficiency of our customer care operations, as we have focused on optimizing these for several years.

## **Network**

### ***Portugal***

#### *Fixed*

In Portugal, the PT Portugal Group owns one of the largest FTTH networks by penetration in Europe reaching 2.237 million homes, including 446,000 homes as a result of the sharing agreement with Vodafone Portugal. See *Material Contracts and Commitments—Altice International Group—Interconnection Agreements*. We are generally able to offer download speeds of at least 100 Mbps and have recently started to offer 200 Mbps and 400 Mbps to a vast majority of homes passed in our footprint with limited network and customer premises equipment upgrades across a substantial portion of our network. Pursuant to our goal of total fiber coverage by 2020, we are focused on increasing our investment in FTTH and have launched a fiber rollout for 600,000 homes per year over the next 5 years, totaling approximately 3 million homes over that period following the implementation of our agreement with Vodafone Portugal. PT Portugal provides B2B and B2C services over the largest IP/Multiprotocol Label Switching (“IP/MPLS”) backbone in Portugal, with almost 200 points of presence and a total capacity of more than 120 Tbps (equivalent interfaces) and high-speed 10/100 Gbps interfaces. Our fiber backbone supports transmission services directly over fiber cables or using Dense Wavelength Division Multiplexing (“DWDM”) technology with a total capacity of more than 33 Tbps (equivalent ports) and high speed 10/100 Gbps interfaces, SDH technology or IP/MPLS technology.

Meo owns an IP/MPLS International Backbone colocated with the key Internet exchange points, namely in Miami, Washington, Madrid, London (2 sites), Amsterdam and Frankfurt, with a total capacity of more than 6 Tbps (equivalent interfaces), with direct peering to more than 635 ISPs worldwide and direct transmission to three tier 1 and one leading transit provider. Meo has equity interests in eight international submarine cable consortiums, six of which have landing points in Portugal (Sesimbra and Carcavelos), and owns a total of approximately 170,000 km of domestic cables with a transport capacity of 965 Gbps between the Portuguese mainland and the islands of Azores and Madeira. This data transmission network provides high capacity, flexibility and security and can progressively incorporate current data infrastructures at lower costs than alternative networks. We also provide high-speed internet access through ADSL and Ethernet.

#### *Mobile*

We provide mobile telephone services using Global System for Mobile Communication (“GSM”), Universal Mobile Telecommunications System (“UMTS”), and LTE technologies (2G, 3G and 4G, respectively). Within our GSM offering, we provide services in the 900 MHz and 1800 MHz band spectrums. Following a multiband auction for LTE technology spectrum, ANACOM formally allocated to *Meo* rights to the 2 × 10 MHz in the 800 MHz band, 2 × 14 MHz in the 1800 MHz band and 2 × 20 MHz in the 2.6 GHz band, each for 15 years. These rights are reflected in a license that includes and supersedes our previous GSM and UMTS licenses and which imposes certain requirements on *Meo*, including MVNO, national roaming and coverage obligations with respect to our 800 MHz spectrum. The Backhaul for our 3G and 4G networks is provided through IP technology (with approximately 3.9% of the 3G sites in ATM) and the Backhaul for our 2G is provided over SDH (with approximately 95% of the sites served by fiber optic). Our 2G, 3G and 4G networks cover approximately 98%, 95% and 93% of the population, respectively. Currently, the following radio capacities are supported by *Meo*: 2G/GSM: EDGE (240 Kbps); 3G/UMTS: HSPA+ Carrier Aggregation (42 Mbps); and 4G/LTE: Carrier Aggregation (300 Mbps).

Through roaming agreements, our subscribers can make and receive mobile calls throughout Europe and in many other countries around the world. As of the end of 2015, we had entered into GSM roaming agreements with a total of 652 operators (in 231 countries) and 389 UMTS roaming agreements (in 139 countries).

#### *Digital Terrestrial Television Services*

In 2008, pursuant to the European Commission’s proposal to cease analogue transmissions in all member states by 2012, ANACOM launched a public tender to grant the rights of use of frequencies allocated to the transmission of digital terrestrial television, or DTT, signals. Following a public tender launched by ANACOM in 2008, our subsidiary *Meo* was granted the frequency usage rights for DTT associated with the transmission of the signal for free-to-air television programs (the RTP1, RTP2, SIC and TVI broadcast channels), the so-

called “Multiplex A” or “Mux A”. In 2008, the Portuguese media regulatory authorities (*Entidade Reguladora para a Comunicação Social* (ERC) and ANACOM) notified us of their final decision to grant us a license to act as a TV distribution operator. As a consequence, ANACOM assigned a right of frequency use to Meo. This right allows us to have national geographic extension and is valid until December 2023. There is a coverage obligation associated to the right of frequency use, namely 87.2% of national territory covered by terrestrial platform (Mux A) and 12.8% by complementary means (satellite). On October 1, 2015, ANACOM published a decision related to the coverage obligations above, specifically on the evaluation methodology and technical parameters to be measured, which may result in Meo bearing additional costs and undertaking additional investments. Moreover, as early as May 2013, ANACOM decided that the single frequency network, due to changes in spectrum international planning (700 MHz band), will evolve to a Multi Frequency Network (“MFN”) topology. Migration is to be concluded by 2017 and may also result in additional costs.

We launched DTT (using DVB-T, or terrestrial signals) in 2009, initially covering 29 municipalities and over 40% of the population. By the end of 2011 we achieved 100% coverage of the Portuguese population (using approximately 90% DVB-T and 10% DVB-H (satellite signals)). The analogue television network switch-off in Portugal occurred on April 26, 2012.

DTT only encompasses broadcasting of free-to-air television programs, while our *Meo* offering comprises both free-to-air television programs, as well as pay TV channels provided over FTTH, ADSL and DTH technologies.

## **Israel**

### *Fixed*

We provide our fixed services through our extensive fully-owned cable network which passes most of Israel's 2.4 million households and which we believe is one of most technologically advanced networks in the EMEA region. The fiber-rich characteristic of our network, which is fully Docsis 3.0-enabled, generally gives it inherent capacity, speed (of up to 200 Mbps to B2C customers and 500 Mbps which is currently available to B2B customers in certain areas) and quality advantages as compared to copper-based xDSL networks. Our cable network allows the provision of fiber optic transmission services using Dense Wavelength Division Multiplexing (“DWDM”) technology, SDH technology or IP technology. We are in the final migration process of switching 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, 750 MGHz and 600 MGHz in approximately 45%, 41% and 14%, respectively, of our homes passed as of December 31, 2015. We are currently upgrading our cable network to advanced technologies, including by way of segmentation or by deploying fibers closer to the subscribers' homes, in order to allow for expansion of the transmission capacity on the network. Part of our cable network runs through ducts and poles owned by Bezeq and we are party to certain continuing arrangements with Bezeq relating to their installation and maintenance.

### *Mobile*

HOT Mobile historically provided mobile services using an iDEN-based mobile network infrastructure, which, as of December 31, 2015, comprised of approximately 600 network sites providing nationwide coverage. We provide GSM, UMTS and LTE services through the mobile network infrastructure of the JV Entity that was established by HOT Mobile and Partner pursuant to the Network Sharing Agreement with Partner. Through the joint network which is operated and maintained by the JV Entity we reached a full deployment and a full coverage of the inhabited territory of Israel for GSM and UMTS and the JV Entity is currently deploying the LTE network.

Our UMTS network currently permits data transfer at speeds of up to 42 Mbps. In August, 2015, following the completion of the tender process of the 1.8 GHz spectrum, the Israeli Ministry of Communication allocated HOT Mobile a frequency bandwidth of 2 x 5MHz in the 1.8 GHz spectrum. As a result, HOT Mobile launched the LTE service to its customers. After we entered into the Network Sharing Agreement, we invested alongside Partner to maintain, operate and develop the advanced shared network.

## **Dominican Republic**

### *Tricom*

Tricom provides its fixed services through its HFC cable, xDSL and GPON networks. As of December 31, 2015, Tricom had upgraded 89% of its HFC 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 is continuing the expansion of its cable network into key, underpenetrated cities where proprietary fiber optic is already present, offering significant growth potential. As of December 31, 2015, we provided our fixed services to 181,000 new HP customers served by optical nodes

with a maximum of 150 HP in major cities in the Dominican Republic including Santo Domingo, Santiago and San Pedro de Macoris.

Tricom provides 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 (covering 86% of the Dominican Republic population), and 30 MHz of spectrum in the 1,900 MHz frequency, allowing it to offer 4G-LTE mobile services (covering 30% of the Dominican Republic population). Tricom has an additional 30 MHz of spectrum in the 3,500 MHz frequency where it offers some WiMAX coverage (East coast). Tricom's 4G and 3G services are capable of supporting mobile download speeds of up to 70 Mbps and 3 Mbps, respectively.

#### *Altice Hispaniola*

We offer Altice Hispaniola's mobile services through our 2G GSM/GPRS, 3G UMTS/HSPA and 4G-LTE mobile access network comprising approximately 1,229 antenna sites with approximately 1,291 2G GSM/GPRS base stations (BTS), approximately 1,118 3G UMTS/HSPA base stations (node-B), and 227 4G-LTE mobile base stations as of December 31, 2015. Altice Hispaniola has nationwide coverage through its high quality 2G network (96% population coverage) which is fully EDGE capable and achieved 88% population coverage through its 3G network (offering download speeds of up to 42 Mbps).

In 2012, Altice Hispaniola launched its 4G-LTE network. It is our intention, once the Altice Hispaniola and Tricom merger receives the required regulatory approval, to migrate Altice Hispaniola's 4G-LTE services onto the spectrum in the 1,900 MHz frequency licensed to Tricom since the conclusion of the 4G-LTE public frequency auction in May 2014. Pursuant to this, Altice Hispaniola has filed a technical pilot application with the relevant regulatory body which, if approved, would allow Altice Hispaniola and Tricom to work on the technical logistics of the proposed 4G-LTE migration ahead of their merger. As of December 31, 2015, Altice Hispaniola had 227 4G-LTE-enabled mobile sites (offering approximately 44% population coverage).

#### **Others**

In Belgium and Luxembourg, we provide our B2C and B2B fixed services through our combined broadband HFC network, which consists of a fiber backbone with local loop connections constructed of coaxial cable, and provide mobile services utilizing the mobile network of BASE in Belgium pursuant to MVNO agreements.

In the French Overseas Territories, our acquisition of Outremer 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. We also own a HFC cable network in Martinique and Guadeloupe. Our proprietary infrastructure in the French Overseas Territories also includes mobile networks based on GSM/GPRS/EDGE and UMTS/HSPA technologies, enabling us to deliver 2G and 3G services respectively, and our roll-out of a 4G-LTE network is expected to be completed in 2016.

#### **Suppliers**

While, historically, purchasing activities were carried out at a local level, we have recently begun to globalize and streamline our procurement processes by combining our aggregate purchasing power to leverage the combined scale of the Group and negotiate more favorable pricing and other commercial terms from suppliers. In connection with this centralization process, we are currently in the process of establishing a global purchasing subsidiary. We believe that this will allow us to realize significant cost savings going forward. However, while we progress the globalization of our procurement functions, our businesses continue to purchase certain products and services under locally negotiated contracts, for example due to the need for geography-specific products and services.

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 subcontractors to maintain certain quality levels and use trained personnel, and we monitor the efficiency and quality of these services on a regular basis.

We currently deploy our set-top box LaBox in Portugal, Israel, the Dominican Republic, Belgium and Luxembourg. We purchase LaBox 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.

## **Portugal**

In our Portuguese operations we have implemented a multi-sourcing procurement policy for some technologies and continually monitor the role of suppliers in the chain. In our B2C segment in 2015, for our fixed services, we obtained telephones and equipment for our voice, broadband and pay TV services from several suppliers, including Alcatel-Lucent, Novabase and Motorola, and we obtain television content, including premium channels, from several national and international suppliers. We have agreements with a number of manufacturers that sell mobile handsets in Portugal, including Nokia, Samsung, ZTE, Huawei, Apple, Sony, LG and RIM. In our B2B segment, we have a strong and competitive position in the development of IT solutions and, to reinforce our position as a leader in this area, we are pursuing a partnership strategy with the primary information technology suppliers in the market, particularly software and hardware providers.

We offer services in partnership with leading operators and service providers such as Telefónica, British Telecom and Orange. We use systems and networks in partnership with Nokia Solutions and Networks Portugal, Alcatel-Lucent, Ericsson, Huawei, Cisco Systems, Nortel Networks, Critical Software, Microsoft and SAP, among others.

## **Israel**

In Israel, our key infrastructure, hardware and software suppliers for our fixed 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 are party to similar agreements with subsidiaries of Cisco, the parent company of NDS, across our operations in other regions.

We have entered into a number of reciprocal interconnection agreements with fixed-line, mobile and internal long-distance telephony operators in Israel. 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. With respect to our mobile operations, in November 2013 we had entered into an agreement with Partner which had provided us with in-country roaming services. In addition, we entered into the Network Sharing Agreement into Partner. We also have roaming agreements with several foreign mobile operators. 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 assigned its distribution rights to Hi-P (Singapore) Technology Pte. Ltd which manufactures and distributes end-user equipment for iDEN technology. Please see "*Material Contracts—Israel—Agreements relating to mobile roaming services*" and "*Material Contracts—Israel—Mobile Network Sharing Agreement with Partner in Israel*" for more information.

### *Agreement with NDS Limited relating to purchase of a unified encryption system*

In February 2007 HOT entered into an agreement with NDS Limited ("NDS") for the supply of certain software and services for the implementation and maintenance of a unified pay TV encryption system. The agreement is for a term of 10 years although HOT has 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 to include encryption systems for a new type of set-top box provided by Technicolor. HOT is required to pay NDS 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 June 10, 2014, an amendment to the agreement was signed regarding the conditions of supply of the services and the products by NDS, that inter alia extended the validity of the agreement for an additional 5 years.

### *Agreements with Technicolor relating to purchase of set-top boxes*

In October 2009 HOT entered into an agreement with Technicolor for the purchase of set-top boxes manufactured by Technicolor, which was amended in June 2011 to include the purchase of set-top boxes with additional HD and recording technology (the "HD-PVR set-top box"). Under the agreement, HOT is obligated to pay Technicolor a fixed amount for each HD-PVR set-top box delivered, the price of which includes a three year hardware and 12 month software warranty. 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.

### *Agreement with Bezeq for the Provision of Transmission Services*

In December 2012, HOT Mobile and Bezeq entered into an agreement for the supply of various transmission services required to provide radio mobile telephone services offered 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 the services provided by Bezeq, HOT Mobile agreed to pay approximately NIS 62.2 million over the term of the agreement.

### *Agreement with Comverse*

In October 2011, an agreement was signed between HOT Mobile and Comverse Ltd. ("Comverse"), pursuant to which Comverse would provide an integrated billing system with a CRM system (and related hardware, software and maintenance services) to HOT Mobile. In June, 2015 Comverse gave HOT Mobile an assignment notification according to which Comverse assigned all its billing and customer care activity and agreements to Amdocs Ltd.

### **Dominican Republic**

In the Dominican Republic, we have entered into agreements with a variety of service and outsourcing suppliers to conduct our ongoing business. These services include the supply of software licenses, call center support, data management and human resources consulting, among others. Certain of these agreements terminated upon the consummation of the Altice Hispaniola Acquisition due to change of control clauses included therein, as a result of which we switched suppliers or have entered into negotiations for renewal. Since the acquisition of Altice Hispaniola with Tricom, we have entered into certain new local contracts; however, we have chosen to work on a purchase order basis for specific suppliers.

Following the completion of the Altice Hispaniola Acquisition, the supply agreements entered into by Orange S.A., on our behalf, with Alcatel, Apple Gemalto, Huawei, Motorola, LG, Nokia, Oberthur, RIM, Samsung, Sony Ericsson and ZTE for the supply of handset devices have since expired. We are currently working to establish new centralized sourcing agreements for all vendors. Many supply agreements have already been entered into, and we are in the process of finalizing other potential supply agreements. Whilst we are in the process of finalizing certain supply agreement, we are working on individual purchase order basis until such new supply agreements have been agreed.

### **Others**

In Belgium and Luxembourg, NSFR is our main supplier of hardware and software necessary to operate our business. Pursuant to a services agreement, NSFR provides us with 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.

In the French Overseas Territories, our key suppliers are the telecom operators France Telecom/Orange and Digicel to which we pay interconnection fees and purchase capacities from for both our fixed and mobile activities. With respect to our mobile operations, we source our handsets from Samsung and Alcatel and purchased our network infrastructure and 2G/3G base stations from Alcatel. Our 4G base stations are sourced from Huawei. For our fixed operations, we purchase rights to broadcast channels on our network and content for our TV service and 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 NSFR which sources from Netgear and Technicolor, respectively.

### **Content Purchase Agreements**

Several different relationships govern the content that we provide to our cable television subscribers. 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 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.

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.

### ***Agreements with Sagemcom relating to purchase of equipment***

In March 2011 in Israel, HOT entered into an agreement with Sagemcom Broadband SAS for the development and purchase of the "HOT Box", a product which combines the functionality of an internet modem, telephony modem and wireless router. In return for a fixed amount per set top box, Sagemcom develops the product and grants licenses to us to use the product software as well as provide a warranty and maintenance services. The agreement is for a term of four years and is automatically renewed for successive periods of one year unless notice of termination is given by either party. We are also party to agreements with Sagemcom for the purchase of set-top boxes in Portugal, The Dominican Republic, Belgium and Luxembourg. Sagemcom was acquired by funds managed by Carlyle on August 17, 2011.

### **Material Contracts and Commitments**

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 agreements as in effect as of the date hereof.

#### ***Financial Commitments***

##### ***Portugal***

###### ***Contracts with football clubs***

At the end of 2015 and in the beginning of 2016, PT Portugal entered into contracts with several first and second division football clubs in Portugal, including F.C. Porto, Vitoria F.C., Rio Ave F.C., Boavista F.C. and three second division clubs. Under these contracts, we (i) acquired the exclusive broadcasting rights for the home games of these clubs for up to ten football seasons for certain clubs, (ii) acquired the broadcasting rights of "Porto Canal" (F.C. Porto's own TV Channel) for a period of twelve and a half years from January 2016 onwards and (iii) we entered into sponsorship agreements for periods of up to ten football seasons, enabling us to use advertising space in the Estádio do Dragão, F.C. Porto's home stadium. The total value of these contracts amounts to €620 million (excluding VAT), of which approximately €75 million will become payable in 2016. The amounts payable under these contracts may change depending on the rank of the teams at the end of the season, particularly in case of promotion or relegation. Material agreements include:

- The agreements entered into with F.C. Porto, F.C. Porto—Futebol SAD and FCP Media, under which we (i) acquired the broadcasting rights of the games of these clubs for ten seasons (2018/2019 to 2027/2028), (ii) acquired the broadcasting rights of the Porto Canal for a period of twelve and a half years (January 2016 to June 2028) and (iii) obtained sponsorship rights for seven and a half seasons (January 2016 to June 2023).
- The agreement entered into with Vitoria Sport Clube—Futebol SAD under which we (i) acquired the broadcasting rights of the games of these clubs for ten seasons (2018/2019 to 2027/2028) and (ii) obtained sponsorship rights for ten seasons (2018/2019 to 2027/2028).
- The agreement entered into with Rio Ave Futebol Clube—Futebol SDUQ, Lda, under which we (i) acquired broadcasting rights for the games of this club for ten seasons (2018/2019 to 2027/2028) and (ii) obtained sponsorship rights for twelve and a half seasons, beginning on January 1, 2016.
- The agreement entered into with Boavista F.C.—Futebol SAD, under which we acquired broadcasting rights for the games of this club for ten seasons (2016/2017 to 2025/2026).
- The agreements entered into with three second division clubs, under which we (i) acquired broadcast rights of the games of these clubs for three seasons (2016/2017 to 2018/2019) and (ii) obtained sponsorship rights for three seasons (2016/2017 to 2018/2019).

###### ***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, 2015, on a historical consolidated basis, we incurred interconnection fees of €89.8 million.

#### *Fiber Sharing Agreement with Vodafone Portugal*

In July 2014, we signed an agreement with Vodafone Portugal to deploy, swap of capacity and share fiber networks beginning in December 2014, for an initial term of 25 years. The initial term is automatically renewed for four year increments unless a party provides written objection to a renewal two years in advance of the termination date. The agreement includes sharing of dark fiber in approximately 900,000 homes, where each party grants to the other party an exclusive Indefeasible Right of Use ("IRU") for certain PON network cells it owns (totaling approximately 450,000 homes each). Since the model is based on a swap of capacity through IRUs, the title to the PON network cells remains with the granting party, which allows both parties to maintain full autonomy and flexibility in designing retail offers, including the provision of RF (analogue) TV signal, and will ensure confidentiality of customer information. As a result of this agreement, we have reached an additional 450,000 homes with FTTH technology as of December 31, 2015.

During the first ten years of the agreement, there is an undertaking of partnership between the parties for the construction of new PON network cells. A party must notify the other party if it wishes to build new PON network cells in any geographical area which does not correspond to the PON network cells already covered by the agreement. If the other party is also willing to build new PON network cells, both parties must then commit to the construction of new PON network cells in partnership with each other. This undertaking from each party does not apply after the first ten years of the agreement, nor when a party decides to build PON network cells in partnership with another operator (provided that such PON network cells are not covered by the agreement).

Additionally, each party may transfer the entirety (but not part) of its PON network cells covered by the agreement to a third-party purchaser, provided that such purchaser also assumes the obligations of the selling party under the agreement. The non-selling party has a pre-emption right where the third party purchaser is a retail operator in the broadband market, which is not in the same 'economic group' as the seller. If the selling-party does not comply with the conditions to transfer and the pre-emption right, it will be subject to a penalty. In the event of a material and/or continuous default of one party, the other party may unilaterally terminate the agreement by exercising a call option.

#### **Israel**

##### *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 rights 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 were 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, 2015, 2014 and 2013, we incurred expense related to the agreement with the State of Israel of NIS 57 million, NIS 58 million and NIS 58 million respectively. 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. As of 2015, we are no longer obligated to pay such annual payments.

*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 with a bank guarantee. Under the terms of the license, such remaining license fee was to be reduced by one-seventh for every percentage point 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 the 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 million to an amount of NIS 80 million. As a result of the successful LTE tender, the bank guarantee was replaced with a new bank guarantee of NIS 80 million so that it would cover HOT Mobile’s commitment to the Ministry of Communications regarding the license and in addition a NIS 10 million bank guarantee was submitted with the LTR lender. The NIS 10 million bank guarantee is valid until October 2016. 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 the planning, installation and maintenance of the cable networks pursuant to which they intended to provide cable television services. The cable networks and the related agreements with Bezeq were transferred to our Group as part of the cable consolidation process. The agreements are valid until we have valid broadcasting licenses.

Under the terms of the agreements, Bezeq is required to maintain the portion of our cable network that passes through its ducts on an on-going basis and is also responsible for repairing breakdowns in the network. The scope of the agreements extends to the possibility of expanding the cable network to additional sites, connecting new homes and connecting new neighborhoods. Bezeq is permitted to terminate the agreement if 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 48 million, NIS 49 million and NIS 47 million in 2015, 2014 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 Nokia Solutions and Networks (“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. NSN has also agreed to provide maintenance with respect to our mobile network.

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. During 2013 and 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.

In July 2014, an agreement was signed between HOT Mobile and NSN for the provision of equipment, hardware and software. In addition, HOT Mobile acquired construction and integration services of the LTE core network for the provision of domestic roaming services and for adapting its network to the requirements of the Networks Sharing Agreement with Partner. Under this agreement, the maintenance agreement between HOT Mobile and the vendor was renewed for the 2014 to 2015 period.

We expect that the total amount payable under the agreement with NSN to be lower than originally anticipated due to our Network Sharing Agreement with Partner as a result of which our need to build out a new UMTS network will reduce.

### *Agreements relating to mobile roaming services*

Currently, we receive roaming services for 3G around the world including approximately 500 mobile networks, from Vodafone and Belgacom. Our roaming agreements with Vodafone and Belgacom 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 agreements regulates billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreement, security and connectivity. The agreements renew automatically 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.

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.

On April 20, 2015, the Israeli Antitrust Authority and the Israeli Ministry of Communications provided regulatory approval for the Network Sharing Agreement subject to certain conditions including, among others, the prevention of the transmission of business information and technology (which does not require joint activity), and conditions relating to the management of the JV Entity. The decision further stipulated that each party shall be entitled at all times, and at its sole discretion, to call a third party for provision of mobile communication services which are used in the core network of such party, and that the JV Entity will not be a party to the agreement and shall not be entitled to payments made thereunder. In addition, on August 9, 2015 the JV Entity received its license to render Radio Cellular Infrastructure services for the period of 10 years.

Further, from May 22, 2021, the Commissioner may notify the membership in writing that the decision to approve the application for the Network Sharing Agreement is revoked if the Commissioner finds the partnership, its existence or its actions harms competition.

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 specific amount by January 1, 2017 which may be made in three installments during 2016, and, thereafter, each party will bear half of the capital expenditures required for the purpose of the 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 24 months' notice prior to each extension period). However, at any time after the eighth 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 had 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. In connection with our entry into the Network Sharing Agreement and the RoU Agreement, we have amended the agreement with Pelephone, a subsidiary of Bezeq, with whom HOT Mobile agreed to exclusively purchase domestic roaming services for 3G users of HOT Mobile, repealing the exclusivity clause which HOT Mobile was subject to.

The Network Sharing Agreement has and will continue to result in savings relating to roaming, network and maintenance expenses and optimize the amount of capital expenditures we are required to incur in relation to the build-out of our UMTS/LTE network.

#### *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.

On December 23, 2015, HOT was informed by Cool of the above, pursuant to which in accordance with separate agreements that were signed between Cool Yedioth and the Fishman Group, the validity of the aforementioned options were extended until December 27, 2016 without any additional consideration. All

other terms in the call options remained the same and no changes were made thereto. For details concerning the Settlement Agreement that was validated by a court judgment within the framework of legal proceedings in connection with the transactions as stated above see *Legal Proceedings—Israel—Certain class action suits in Israel* below.

### **Dominican Republic**

#### *Tricom Acquisition Shareholders' Agreement*

Pursuant to certain agreements (the "Tricom Purchase Agreements") dated October 31, 2013, between Altice Caribbean and Hispaniola Telecom Holdings, Ltd. (the "Tricom Sellers"), a company controlled by Amzak Capital Management and Inversiones Bahía, on March 12, 2014, Altice Caribbean, through one of its subsidiaries, 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 three, four and five years after the execution of the shareholders' agreement.

#### *Brand License Agreement with Orange*

In respect of our use of the "Orange" brand in the Dominican Republic, in November 2013 (in connection with the Altice Hispaniola Acquisition) we entered into a brand license agreement (the "Brand License Agreement") with Orange Brand Services Limited. Under the terms of the agreement, we have a license to use the Orange brand in the Dominican Republic for the current activities of Altice Hispaniola for three to five years effective from the completion of the Altice Hispaniola Acquisition. Royalties under the Brand License Agreement are paid to Orange S.A. on a quarterly basis. 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.

We may negotiate the extension of the Brand License Agreement with Orange Brand Services Limited to allow for the inclusion of new services to be provided by Altice Hispaniola (which are currently outside the scope of the Brand License Agreement) in the Dominican Republic.

### **Others**

#### *Outremer Shareholders' Arrangements*

On July 5, 2013, Altice International, through its wholly owned subsidiary Altice Caribbean consummated the Outremer Transaction. In connection with the Outremer Transaction certain members of Outremer's management at the time (the "Outremer Minority Shareholders") received certain equity interests in Altice Blue Two. On January 15, 2014, Altice Blue Two completed the Mobius Acquisition, in connection with which certain members of Mobius' management (the "Mobius Managers") received certain equity interests in Altice S.A. Pursuant to contribution agreements dated January 30, 2014, (i) the Mobius Managers have contributed to Altice S.A. vendors' notes held against Altice Blue Two, against ordinary shares of Altice S.A., and (ii) in March 2014, the Outremer Minority Shareholders contributed to Altice S.A. shares held in Altice Blue Two (other than ratchet shares described below) against ordinary shares in Altice S.A. (the "Managers' Roll Over"). The contribution agreements also contemplated a 2014 financial-performance-based earnout payable to the Outremer Minority Shareholders by way of an additional issue of ordinary shares of the Altice S.A. in early 2015, up to a value of €10 million. As a result of the above, Altice S.A. issued approximately 2,111,909 new ordinary shares subscribed by the Outremer Minority Shareholders and the Mobius Managers, leading to a dilution of then Altice S.A. shareholders by approximately 1.0%. Pursuant to the cross-border merger between Altice and Altice S.A., the Outremer Minority Shareholders were allocated shares in Altice and shareholders' arrangements are currently being put into place to replace the New Outremer Shareholders' Arrangements.

In addition, Altice S.A., the Outremer Minority Shareholders and the Mobius Managers entered into, on March 11, 2014, 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' arrangements at the level of Altice Blue Two were replaced

by shareholders arrangements at the level of Altice S.A., Altice Caribbean and Altice Blue Two (the “New Outremer Shareholders’ Arrangements”).

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. The New Shareholders’ Arrangements also contain certain restrictions to the transfer of Altice Caribbean’s shares (including the Altice Caribbean Warrants). 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, with respect to 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.

#### *MVNO Agreements*

In Belgium, we offer mobile telephony services to our customers as MVNO operators. We have entered into an MVNO agreement with BASE for an agreement term of three years, with it being valid until December 2017.

#### **Seasonality**

Although our businesses are not subject to significant seasonal effects, revenue from our pay TV, 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. As such, a major failure in the information systems or any part of the production and logistics chain during the year-end period could have a significant adverse effect on revenues due to the concentration of sales during this period. In Portugal, promotional campaigns at the time of the Easter and Mother’s Day holidays also tend to increase our revenues in the second quarter and our revenues from our operations tend to be lower during the third quarter when the Portuguese summer holidays occur.

#### **Intellectual Property**

We use a variety of trade names and trademarks in our business, including “Meo” and “M<sub>4</sub>O” in Portugal, “HOT” in Israel, “Orange” and “Tricom” in the Dominican Republic, “Coditel” in Belgium and Luxembourg and “SFR” and “ONLY” in the French Overseas Territories, and, in each case, several associated trademarks. We use the “SFR” brand, a trade mark belonging to NSFR, in Belgium and Luxembourg, pursuant to a trademark licensing agreement. We own all of the trademarks we use except for the Orange brand. All of our trademarks are protected in the jurisdictions in which we operate. 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 TV offering from third-party providers. We own the copyright that subsists in the content developed or co-developed by us.

#### **Employees**

The following tables show our employees by country of employment.

	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
Portugal <sup>(1)</sup> .....	10,078	10,935	11,025
Israel <sup>(3)</sup> .....	1,913	2,026	2,677
Dominican Republic .....	2,035	2,131	3,078
Others <sup>(2)</sup> .....	1,096	1,151	1,087
<b>Total</b> .....	<b>15,122</b>	<b>16,234</b>	<b>17,867</b>

(1) Excludes employees of the Cabovisão Group and the Oni Group following the Cabovisão Disposal.

(2) “Other” includes employees in our operations in Belgium, Luxembourg, Switzerland, the French Overseas Territories and our content businesses.

(3) Includes number of full time employees only.

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 which 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 in certain countries in which we operate belong to organized unions and works councils. In certain jurisdictions our operating companies are also subject to collective bargaining agreements with trade unions (for example, Portugal). In certain jurisdictions we have, in the past, faced several strikes by personnel as a result of headcount optimization or changes in our workforce. Some of these strikes disrupted our business and attracted adverse publicity.

### **Portugal**

In Portugal, we are liable for certain post-retirement benefits, including (i) pension supplements, (ii) healthcare, and (iii) remuneration of employees under suspension and pre-retirement agreements (which remuneration paid on a monthly basis until such suspended/pre-retired employees reach the statutory retirement age). Under several defined benefit plans, PT OpCo is responsible for paying pension supplements to a group of employees. In order to finance these pension supplement obligations, Meo incorporated various funds which are supervised by the Portuguese Insurance and Pension Funds Supervisory Authority and are not fully capitalized. Additionally, under a defined benefit plan, PT OpCo is responsible for paying health care expenses to a group of employees and its relatives (covering 22,470 beneficiaries, approximately 23% of which are still in service) and their relatives (covering 8,663 beneficiaries). In 2004, PT Portugal established PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A., an autonomous fund to finance these obligations, which is managed by a subsidiary of PT Portugal. These obligations are not subject to any legal funding requirements and the autonomous fund is not supervised by the Portuguese Insurance and Pension Funds Supervisory Authority.

### **Israel**

Since July, 2014, HOT recognizes the National Histadrut as an organization representing the workers of HOT and HOT Telecom.

On February 10, 2016, collective agreements were signed by HOT with the workers union and the National Workers Histadrut, for a 3 year period. Among other things, the agreement included the following items for the workers:(a) salary additions of up to 16% on average during the period of the agreement, including one-time increased additions of up to 10% for persons having a monthly salary less than NIS 9000 and who have been employed for more than three years in the company; (b) a variety of benefits in various fields such as protection mechanisms against dismissal, giving preference to internal workers for promotions and appointments to managerial positions, and; (c) support for workers and their families through benefits such as additional salaries to finance childcare, summer camps and health insurance for the workers and their children.

In April 2014, HOT Mobile received a notice from the New General Histadrut of Workers (the “Histadrut”), according to which the Histadrut stated that it would be the workers organization representing the workers of HOT Mobile, and that an executive committee had been elected from the workers. HOT Mobile rejected the Histadrut’s arguments and the Histadrut announced a work dispute in accordance with the Law for Settlement of Work Disputes, 5717-1957. On May 26, 2015, following various legal proceeding and an appeal filed by HOT Mobile, the National Court proposed a compromise offer, according to which HOT Mobile would pay the Histadrut compensation of a non material amount. The offer was accepted by the parties and given the status equivalent to the court ruling. As a result of the court ruling, HOT Mobile and Histadrut entered into negotiations, in accordance with the notice on August 7, 2015. Strike action had been planned, however, following negotiations, the executive committee decided to continue discussion and not to take strike action. Negotiations with the executive committee are still ongoing.

### **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, Luxembourg L-2449. The corporate

offices with respect to our Portuguese operations are located in Lisbon and Palmela, Portugal, our Israeli operations in Yakum (near Tel Aviv), our Dominican Republic operations in Santo Domingo, our Belgian operations in Brussels, Belgium, our Luxembourg operations in Strassen, Luxembourg and our French Overseas Territories operations in Paris.

In each of the jurisdictions in which we operate we own or lease a mixture of real estate assets, including “office” sites made up of customer service centers or offices, “mixed” sites made up of both offices and technical sites, “technical” sites and premises for the hosting of telecommunications equipment and IT servers and “commercial” premises and sites of brick-and-mortar stores. Our principal network assets consist of cable operating plant and equipment, including signal receiving, encoding and decoding devices, headend facilities, fiber optic transport networks, coaxial and distribution systems and equipment at or near customers’ homes or places of business for each of our networks. We also own data centers in a number of countries in which we operate.

We believe that our properties meet our present needs and are generally well-maintained and suitable for their intended use. We believe that we generally have sufficient space to conduct our operations but maintain flexibility to move certain operations to alternative premises.

## **Environmental Matters**

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations, including laws regulating non-ionic radiations emitted as a result of our mobile services. While we could incur costs, such as clean-up costs, fines and third party claims for property damage or personal injury, as a result of violations of or liabilities under such laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed herein 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 LaBox represents a significant advance in this respect, since it combines several functions (Blu-Ray TM reader, TV-HD decoder and removable hard drive) into one device.

## **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 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 and 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, but we believe we are covered in Israel by the Property Tax and Compensation Fund Law 1961.

## **Legal Proceedings**

We are involved in a number of legal and administrative proceedings arising in the ordinary course of our business. The legal proceedings initiated against us include, amongst others, the following categories of claims: claims by or on behalf of customers on various grounds such as alleged misrepresentation or breach of service or license terms or breach of telecommunication, broadcasting, consumer or health and safety regulations, intellectual property claims primarily relating to alleged copyright infringement brought by copyright collection societies, claims by suppliers and other telecommunications providers, claims by



employees and claims by the regulatory bodies whose jurisdiction we are subject to in the countries in which we operate. In Israel, a majority of legal proceedings against us are suits seeking certification as class action suits. The Israeli Class Action Law that was enacted in 2006 significantly expanded the grounds for certification of class action suits as well as the persons entitled to submit a class action suit as a result of which the number of such proceedings against us has increased significantly and may continue to increase in the future.

We proactively manage our litigation risks by assessing disputes where we believe the claimant may have merit and attempting to settle such disputes on favorable terms, including in the case of suits seeking certification as class action suits at a stage prior to such certification, and contesting others where we believe the claim does not have merit. We record a provision when there is a sufficient probability that a dispute will result in a loss for the Group and the amount of such a loss can be reasonably estimated. Other than as discussed below, as of the date hereof, 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.

Information relating to the provisions of the Group with regards to legal proceedings can be found under Note 29 of the audited historical consolidated financial statements of Altice International as of and for the year ended December 31, 2015.

## **Portugal**

### **Tax Proceedings**

We estimate that the probable tax contingencies arising from tax audits conducted by Portuguese tax authorities on various companies within the PT Portugal Group for the year ended December 31, 2015 amount to €29.5 million. In addition, Meo received Value Added Tax (“VAT”) assessments for 2012 and 2013 related to VAT which tax authorities allege are applicable to indemnities billed to post-paid customers as result of the breach of loyalty contracts by postpaid customers. Meo believes that VAT is not applicable to such indemnities because these do not aim to reward the company for services rendered or goods sold but instead serve to compensate the company for losses suffered as a result of post-paid customers’ breach of the loyalty period under such contracts.

### **Regulatory and Civil Proceedings**

As at December 31, 2015, there were several claims, legal actions and tax contingencies against PT Portugal Group for which the risk of loss is considered probable. Based on the opinion of its internal and external legal counsel, the Group recorded provisions amounting to €33.4 million for those claims and legal actions to cover its probable future cash outflows. Material litigation involving the PT Portugal Group is as follows:

#### *Optimus—Interconnection agreement*

In 2001, Optimus—Comunicações S.A. (“Optimus”, now “NOS”) brought an action against Telecomunicações Móveis Nacionais (“TMN”) relating to prices charged by TMN for mobile interconnection services. TMN transferred the receivables from NOS to PT Comunicações (PT Portugal’s fixed operation at the time, now Meo) and subsequently Meo offset those receivables with payables due to NOS. NOS argued for the annulment of the offset amount and claimed the amount of payables originally due to NOS plus accrued interest. In August 2015, the court decided that the transfer of the interconnection receivables from TMN to Meo, and consequently the offset of such receivables, was invalid. The Court therefore ruled against Meo, ordering the payment of approximately €36 million in payables and interest. Meo appealed to the Court of Appeal in October 2015. While the appeal is pending, the Court has permitted Meo to secure the award with a bank guarantee of approximately €39 million, which Meo obtained in 2016, in lieu of payment. While this bank guarantee is in place, the Court will not enforce its decision in order to collect the fine. Under the sale and purchase agreement entered into with between Altice and Oi, Altice is entitled to receive, from Oi, any amount ultimately paid by Meo as a result of this proceeding, including other contingencies which existed prior to the PT Portugal Acquisition

#### *TV Tel—Restricted access to the telecommunication ducts*

In March 2004, TV TEL Grande Porto—Comunicações, S.A. (“TVTEL”, subsequently acquired by NOS), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court alleging that, since 2001, PT Comunicações had unlawfully restricted and/or refused access to TV TEL of its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL’s telecommunications network. TV TEL is claiming an amount of approximately €15 million from

Meo for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. PT Comunicações submitted its defense to these claims in June 2004, stating that (i) TV TEL did not have a general right to install its network in PT Comunicações's ducts, (ii) all of TV TEL's requests were lawfully and timely responded to by PT Comunicações according to its general infrastructure management policy, and (iii) TV TEL's claims for damages and losses were not factually sustainable. The case is to be re-examined at a later date in light of new facts which were not examined in the initial trial under which Meo was previously notified present its witnesses.

#### *ANACOM litigation*

PT OpCo is subject to several potential and outstanding proceedings filed by ANACOM, although PT OpCo has not yet received formal notifications for some of these proceedings. The proceedings include matters such as the violation of rules relating to number portability, DTT, the non-compliance of obligations under the universal service obligations (fixed voice and public phones) and restricting the access to phone numbers starting at 760. Historically, PT OpCo paid amounts significantly lower than the administrative fines set by ANACOM in final decisions. The initial value of the proceedings is normally set at the maximum applicable amount of the administrative fine until the final decision is formally issued.

We are regularly involved in regulatory inquiries and investigations involving our operations, including by ANACOM, regarding our compliance with applicable laws and regulations. See "*Risk Factors—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—Portugal*" and "*Risk Factors—Risks Relating to Legislative and Regulatory Matters—We can only operate our business for so long as we have licenses from the relevant authorities in the jurisdictions in which we operate*".

As of December 31, 2015, we had ongoing administrative proceedings initiated by ANACOM in an aggregate amount of approximately €52 million (though the maximum possible fine for an individual proceeding is capped at €5 million). We believe that most of the complaints that have resulted in such investigations should be dismissed due to the nature of the alleged abuses. However, if we are found to be in violation of applicable laws and regulations in these or other regulatory inquiries and investigations, we could become subject to penalties, fines, damages or other sanctions.

#### *Zon TV Cabo Portugal—Violation of portability rules*

In 2011, NOS (known as Zon TV Cabo Portugal at the time of the proceeding) initiated legal proceedings against Meo, claiming that Meo had not complied with the rules applicable to the portability of fixed numbers, and is accordingly claiming €22 million in damages corresponding to profits allegedly lost due to unreasonable rejections by Meo and the delay in providing the portability of numbers. An expert appointed by each party as well as a third party expert evaluated this matter and presented a final report to the court. Also, in 2011, Meo had filed a claim against NOS related to portability issues, the trial of which is scheduled to take place in 2016.

#### *Optimus—Abuse of dominant position in the wholesale market*

In March 2011, Optimus filed a claim against Meo in the Judicial Court of Lisbon claiming losses and damages of approximately €11 million for the alleged abuse of dominant position and market squeeze by Meo in the provision of its wholesale broadband offerings. The trial is scheduled to take place during the first half of 2016.

#### *Municipal taxes and rights-of-way*

Pursuant to a statute enacted on August 1, 1997, as an operator of a basic telecommunications network, we were exempt from municipal taxes and rights-of-way and other fees with respect to our network in connection with our obligations under the concession. The Portuguese government has advised us in the past that this statute confirmed the tax exemption under our concession and that it will continue to take the necessary actions in order for us to maintain the economic benefits contemplated by the concession.

Law 5/2004, dated February 10, 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infrastructures are located in each such municipality. Meanwhile, Decree-Law 123/2009, dated May 21, 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in several legal actions.

Some municipalities however, continue to hold the position that Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish because Law 5/2004 is not applicable to public municipalities.

Currently, there are legal actions with some municipalities regarding this matter and some of the municipalities have initiated enforcement proceedings against us to demand the payment of those taxes.

#### *Zon TV Cabo Portugal—Acquisition of SAP licenses*

In connection with the spin-off of Zon TV Cabo Portugal (“Zon”) from the PT Portugal Group in 2007, Zon acquired, from the PT Portugal Group, licenses and specific developments relating to SAP for an amount that Zon believes to be excessive. Accordingly, Zon claims that it is entitled to damages in of approximately €5.5 million.

#### *Invesfundo II—Disposal of plots of land*

Invesfundo II brought a claim against Meo in 2012 for €4 million in damages, claiming that it had acquired certain plots of land for a total amount of €41 million from one of Meo’s former pension funds and that Meo did not have the legal right to dispose of one such plot of land. As a result, Investfund II alleges that it was forced to acquire this plot of land from a third party for €4 million. The parties are awaiting a judicial decision on the matter.

#### *Disposal of PrimeSys*

In 2005, Portugal Telecom Brasil (“PT Brasil”), a subsidiary of PT Portugal, disposed of its 100% stake in PrimeSys Soluções Empresariais, S.A. to Embratel. Pursuant to such disposition, PT Brasil agreed to indemnify Embratel for any future tax contingencies up to R\$103 million, corresponding to 30% of the sale price. In December 2008, PT Brasil was notified that PrimeSys had been fined a total amount of R\$288 million relating to VAT issues between 2004 and 2008. PT Brasil’s liability is limited to the lesser of (i) amounts due prior to the disposition of PT Brasil’s stake in PrimeSys in 2005 and (ii) R\$103 million. This matter is currently ongoing.

#### *Tax Contingencies and Deductibility of financial costs*

We have received certain tax assessments from the tax authorities questioning the deductibility of certain interest expenses (€241.0 million) incurred between 2004 and 2010 for income tax purposes. We strongly disagree with these assessments and believe, based on the opinion of our tax advisors, that there are solid arguments to oppose the position of the tax authorities. We do not consider the losses related to these tax contingencies to be probable.

#### *European Commission Investigations*

In January 2011, the European Commission opened an investigation into an agreement between Telefonica and Portugal Telecom SGPS, S.A. allegedly not to compete in the Iberian telecommunications markets. In January 2013, the EC adopted a decision finding that Portugal Telecom SGPS, S.A. and Telefonica had infringed Article 101 of the Treaty on the Functioning of the European Union with reference to Portugal Telecom’s July 28, 2010 agreement with Telefónica concerning the acquisition by Telefonica of Portugal Telecom SGPS, S.A.’s stake in Brazilian operator Vivo and fined PT Portugal €12.29 million.

On April 9, 2013, Portugal Telecom SGPS, S.A. brought an action for annulment before the General Court of European Union and will continue to vigorously defend the matter. The matter is now waiting to be tried before the General Court.

Although the European Commission’s decision was addressed to Portugal Telecom SGPS, S.A., PT Móveis, S.G.P.S, S.A. was expressly mentioned in the decision as being involved in the alleged infringement (even though it is not the addressee of the European Commission decision). Portugal Telecom SGPS, S.A., which is not a Group company, is therefore solely responsible for the payment of the fine. While the appeal is pending the payment of the fine was secured with a bank guarantee (with an initial term of one year that is automatically extended for additional periods of one year). While this bank guarantee is in place, the European Commission will not enforce their decision in order to collect the fine. Accordingly, no provision has been recorded with regards to this matter.

#### *Civil Proceedings*

##### *Potential Claims*

PTC is subject to a potential compensation claim of brought by Estradas de Portugal and relating to PTC’s use of a technical road channel between 2007 and 2014. Portugal Telecom Data Center, S.A. is also subject to a potential compensation claim of approximately €16.2 million by ACE Opway/Somague concerning alleged losses relating to works carried out in Covilhã’s Data Center. As of the date of these Listing Particulars, no formal legal proceedings have been initiated with regards to these claims.

## **Israel**

### *Certain class action suits in Israel*

From time to time, HOT and its subsidiaries are involved in class action litigation relating to claims arising out of its operations in the ordinary course of business. As of the date hereof, pending class action suits filed against HOT and its subsidiaries included: (1) in March 2010, a suit for NIS 105 million alleging breach of the Communications Law regarding the disconnection of subscribers from HOT's services. In July 2015, Court approved a settlement agreement with respect to the said claim; (2) in October 2010, a suit for NIS 433 million relating to alleged breach of HOT's Broadcasting License and certain provisions of its agreements with subscribers when collecting subscribers' fees. The said claim was denied by Court and at the recommendation of the Supreme Court, the plaintiff agreed to withdraw his appeal, in 2015; (3) on December 11, 2011, a claim for NIS 27.3 million claiming 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 parties submitted a settlement agreement to the Court; (4) in February 2011, a suit seeking NIS 666 million for alleged breaches of certain subscribers' agreements and the misleading of subscribers when increasing the prices of services; (5) in March 2012, a suit seeking NIS 112.4 million was filed against HOT for, *inter alia*, the allegedly unlawful failure to pay CPI linkage differentials and interest to disconnecting subscribers; (6) in April 2012, a suit for NIS 186 million for alleged breaches of the law relating to the supply of frontal services. On January 16, 2014, the Court was asked to approve a settlement agreement; (7) in November 2012, a purported shareholder of HOT filed an action against Cool Holding, the HOT Minority Shareholders, HOT and members of its board of directors claiming over NIS 54 million for public shareholders due to the allegedly prejudicial manner that the consideration for the take-private transaction of HOT had been allocated. A similar claim was filed on behalf of another purported shareholder on November 26, 2012 seeking NIS 195 million. In December 2014, HOT approved a settlement agreement with both plaintiffs. On December 8, 2015, the Court authorized the settlement arrangement and gave it the validity of a judgment.; (8) in November 2013, a suit seeking damages of NIS 97 million alleging breach of certain Israeli laws by failing to provide cellular or stationary phone devices and/or services suitable for people with disabilities. On March 2016, the parties filed a settlement agreement to Court approval (9) in November 2013, a suit in excess of NIS 250 for each member of the class action for alleged harassment of customers in breach of Israeli laws by HOT sales representatives as a result of the volume of calls placed, as well as invasion of privacy and breach of good faith at pre-contract stages; (10) on December 12, 2013, a suit for NIS 100 million alleging that HOT offers various benefits selectively to its customers contrary to its Broadcasting License; (11) on January 16, 2014, a claim for NIS 45 million alleging breach of a supply agreement and unlawful enrichment by negligence and bad faith. The parties have agreed to resolve the matter through mediation; (12) on October 7, 2014, a suit for NIS 175 million filed by HOT Mobile customers under contract law, tort law, unjust enrichment and breach of legal obligation under the Consumer Protection Act relating to alleged technical defects in the time synchronization service for HOT Mobile cellular devices. The claim was rejected by the court.; (13) on December 18, 2014, a suit for an excess of NIS 70 million alleging that unjust enrichment through breach of statutory obligations, duty of good faith and contractual faithfulness by linking service prices to subscribers to CPI. On March 6, 2016, the claim was dismissed due to failure to act; (14) On June 28, 2015, a claim and a motion to approve it as class action was filed against HOT Mobile to the Central District Court. The Plaintiff claims that HOT Mobile unlawfully continues to charge subscribers that were disconnected from the company, for push-to-talk services ("Walkie—Talkie"), in the amount of approximately NIS 19 million; (15) On July 1, 2015, HOT received a class action suit based on the claim that the company and "Yes" include sales promotions on the National Geographic channel to an extent that exceeds that which is permissible by law, in the amount of NIS 160 million; (16) On August 3, 2015, HOT Telecom received a class action suit alleging that the company illegally transmitted information of its subscribers to other business bodies. The Applicant places the damage that was caused to each customer in the amount of 1,000 New Israeli shekels for each contact and estimates that during the period relevant to the Claim the Company had 1.5 million customers; (17) On December 2, 2015, the Company received a class action suit based on the claim that HOT unlawfully continues charging for VOD content library by automatically extend the purchase on a monthly basis; (18) On March 30, 2016, we received a claim and motion to approve such claim as a class action suit that was submitted to the District Court in Haifa against us. It is alleged by the claimants that HOT have charged them for an additional subscription, without their approval or permission and without sending them invoices detailing the charges. It is estimated that the total amount of this class action suit is approximately NIS 96 million. Currently, HOT is investigating the merits of the claim.

We do not believe any of these matters individually, or in the aggregate, will have a material adverse effect on our financial position or results of operation.

## **Others**

### *Litigation Relating to Coditel Network in Luxembourg*

In 2006 and 2010, respectively, the Luxembourg municipalities of Roeser and Junglinster terminated Coditel's network operation agreements. Coditel refused to comply with the municipalities' request to stop operating its network as it deemed itself to have acquired ownership of the network from a private individual prior to entering into agreements with the municipalities, which only pertain to the network operations, and that such authorization is no longer required since the implementation of the telecommunication package in Luxembourg. The municipalities of Roeser and Junglinster each sued Coditel, claimed ownership of the network and demanded that Coditel cease network operations. In December 2012, the District Court of Luxembourg (First Instance) ruled, in each case, that Coditel should cease operations within three months subject to a daily €100 fine. The court also ruled that Coditel is the owner of the network in Roeser. The court did not order provisional enforcement of the proceedings. In February 2013, Coditel filed an appeal against the decision rendered by the Court of Luxembourg. The proceedings are still pending.

### *Litigation Relating to Discharge Receipt Entered into with Camusat Rep. Dom. S.R.L.*

On March 28, 2015 CAMUSAT REP. DOM., S.R.L. and Tricom, S.A. executed a discharge receipt, whereby both parties granted mutual discharge for any loss or liabilities under the commercial relationship existing between them since June 2014. Thereafter, CAMUSAT REP. DOM., S.R.L. filed a lawsuit against Tricom, S.A., through which (i) it seeks the annulment of the discharge receipt executed by both parties based on fraud and deception, and (ii) claims the amount of DOP15,932,925,015.14 (approximately \$346,367,935.11 equivalent.) for damages. This matter is in the Civil and Commercial Court of First Instance of the National District.

## REGULATORY

### 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 jurisdictions in which we operate. Such laws and regulations are promulgated and enforced to varying degrees by supranational regulators such as the EC and national, state, regional and local authorities. The ever-changing regulatory environment can have a material effect on our activities. Certain key provisions of the regulations governing our activities in Portugal, Israel, the Dominican Republic, the French Overseas Territories and Luxembourg as at the date of these Listing Particulars 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.

### Portugal

#### ***Liberalization of the Portuguese telecommunications market***

The first Portuguese telecommunications regulatory framework was enacted in 1989 under Law 88/89 of September 11, 1989, to regulate the opening of the telecommunications network to private enterprises. This initial regulatory package divided the industry into two main areas: (i) 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 (ii) 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).

Following the 1996 revision of the European Unions' ONP Directives (e.g. Directives <sup>96/2/EC</sup>, <sup>96/19/EC</sup> and <sup>97/13/EC</sup>), 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 enacted Law 5/2004 of February 10, 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 September 13, 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.

#### ***Regulatory Institutions***

- *European Commission.* The Directorate General for Competition of the European Commission (the "EC"), is responsible for considering potential claims that our business activities or Portuguese government regulations are inconsistent with the key provisions of the Treaty on the Functioning of the European Union ("TFEU") relating to competition in the EU. Among other things, the TFEU prohibits (i) agreements or coordinated action between competitors that may affect trade between EU member states and have as their objective or effect the prevention, restriction or distortion of competition within the EU, and (ii) any abuse of a market-dominant position within the EU that may affect trade between EU member states. The Directorate General for Competition enforces these rules in cooperation with national competition authorities. In addition, national courts have jurisdiction over violations of EU competition law. The Directorate General for Communications Networks, Content & Technology (DG Connect) of the EC is responsible for, among others, coordinating the regulatory framework for competition and growth over the entire range of issues in the telecommunications field: economic analysis, impact assessment, policy development and regulatory compliance.

- *ANACOM.* The *Autoridade Nacional das Comunicações* (the “ANACOM”) is the Portuguese electronic communications regulator. It advises the Portuguese government on telecommunications policy and legislation and monitors compliance with concessions, licenses and permits granted to electronic communications networks and services providers in Portugal. The Portuguese government has substantially increased the autonomy of ANACOM and has allowed it to become a more effective and independent regulatory body. ANACOM acts on complaints against us by our competitors, our customers and other interested parties. It can impose fines on us if we do not meet our obligations under the law or its determinations. ANACOM’s decisions are subject to judicial review. The new statutes of ANACOM were approved in 2015 by Decree Law 39/2015 of March 16, 2015.
- *Portuguese Competition Authority.* Our activities are also overseen by the Portuguese Competition Authority (*Autoridade da Concorrência*), which is responsible for the enforcement of competition law in Portugal. It is also responsible for considering complaints relating to our business practices or other business arrangements. Under Portuguese law, we are permitted to appeal any adverse decision of the Portuguese Competition Authority to the courts. The Portuguese Competition Authority’s decisions are subject to judicial review.
- *ERC.* The *Entidade Reguladora para a Comunicação Social* (the “ERC”), is the independent regulatory authority for the Portuguese media. ERC’s primary responsibilities are the regulation and supervision of all entities that undertake media activities in Portugal. The ERC is a legal entity endowed with administrative and financial autonomy. The ERC oversees compliance with respect to fundamental rights such as freedom of the press, right to information, independence from political and economic power and freedom of speech. It is also responsible for monitoring compliance by all companies operating in the media sector, with standards for media and broadcast content, as well as for promoting the proper and effective functioning of the market where such companies operate. The ERC’s decisions may affect, among others, news agencies, periodicals, radio or television operators, and radio and television distribution operators.
- *CNPD - Comissão Nacional de Proteção de Dados*—is the Portuguese Data Protection Authority. The CNPD is an independent body, with powers of authority throughout the Portuguese national territory. It is endowed with the power to supervise and monitor compliance with the laws and regulations in the area of personal data protection.

### **Key legislation**

The key statutes and regulations setting the current telecommunications legal framework in Portugal are:

- The 2004 Communications Law, as amended;
- Decree Law 39/2015 of March 16, 2015, which approved the statutes of ANACOM;
- Law 42/2013 of July 3, 2013, which sets out rules on selective communication barring, namely regarding value-added services;
- Law 10/2013 of January 28, 2013, on the strengthening of electronic communications services consumer protection;
- Law 55/2012 of September 6, 2012, on the financing of audio-visual and independent cinema works (the “Cinema Law”);
- Decree Law 56/2010 of June 1, 2010, on the unlocking of terminal equipment to allow access to electronic communication services;
- Decree Law 123/2009 of May 21, 2009, as last amended by Law 82-B/2014 of December 31, 2014, setting up rules on the access to infrastructure suitable for usage by telecom services (ITUR and ITED regulations);
- Law 99/2009 of September 4, 2009, approving the legal framework of administrative offences within the communications sector, as amended;
- Administrative Rule 1473-B/2008 of December 17, 2008, as amended, on regulatory fees;
- ANACOM Regulation 58/2005 of August 18, 2005, as amended by Regulation 114/2012, of March 13, 2012, on number portability;
- Law 41/2004 of August 18, 2004, regulating the processing of personal data and the protection of privacy in the electronic communications sector, as amended;
- ANACOM Regulation 38/2004 of September 29, 2004, on the procedures for the collection and delivery of the MFRW to municipalities;

- Decree Law 7/2004 of January 7, 2004, on information society services and electronic commerce;
- The 2001 Radio Communications Law;
- Decree Law 151-A/2000 of September 28, 2000, as last amended by the Decree Law 264/2009 of September 28, 2009, regarding the licensing of the radiocommunications networks (article 19 amended by Law 20/2012 of May 14, 2012);
- Decree Law 192/2000 of August 18, 2000, which approves the free movement of radio equipment and telecommunication terminals; and
- Law 67/98 of October regulating the protection of personal data, as amended by Law 103/2015 of August (the “Data Protection Act”).

### ***EU Regulatory Framework and Relevant Markets***

The EU regulatory framework for electronic communications networks and services consists of five directives governing procedures, authorizations, access, universal service and data protection; a recommendation on relevant product and service markets within the electronic communications sector subject to “*ex ante*” regulation under a common regulatory framework for electronic communications networks and services; and two regulations, one concerning the Body of European Regulators for Electronic Communications (BEREC), the other concerning roaming on public mobile communications networks. EU directives, regulations and recommendations, which adopt competition law principles such as market dominance for the designation of significant market power and the definitions of relevant product and geographic markets, which may be subject to “*ex ante*” regulation, have involved constant changes and refinements to this framework. The framework focuses on issues such as reinforcing consumer rights, encouraging competitive conditions among operators to increase consumer choice, promoting investment in new communications infrastructure (such as by freeing spectrum for the provision of broadband services) and ensuring network security and integrity. Under the current regulatory framework, obligations can be imposed on operators having significant market power in any of the one retail and six wholesale markets identified by the EC. Because we are active in all of these markets, these regulatory measures have affected, and will affect, our businesses and operations.

Within the EU framework, ANACOM has identified, in the first round of analysis initiated in 2004, 19 retail and wholesale markets in Portugal. In a process it is required to undergo periodically, ANACOM has found Portugal Telecom to have significant market power in all but one of the analyzed markets, where ANACOM determined that no operator had significant market power (wholesale transit services). These markets included: (i) retail markets—access to the public telephone network at a fixed location (residential and business), publicly available local and/or national telephone services provided at a fixed location (residential and business), publicly available international telephone services provided at a fixed location (residential and business), telephone services at a fixed location using non-geographic numbers, such as toll-free numbers and leased lines; and (ii) wholesale markets—call origination on the fixed telephone network provided at a fixed location, call termination on individual public telephone networks provided at a fixed location and wholesale unbundled access to local metallic loops, wholesale leased lines (trunk segments and terminating segments) and wholesale broadband access.

In its second round of analysis, ANACOM conducted a market analysis to determine the regulatory obligations that should be imposed on operators with significant market power in the provision of wholesale (physical) network infrastructure access and wholesale broadband access. With respect to Wholesale Markets 4 and 5 (for the provision of wholesale (physical) network infrastructure access and wholesale broadband access), ANACOM has segmented the broadband market geographically between “C” (competitive) areas and “NC” (non-competitive) areas. In the “NC” areas we are obligated to provide a wholesale local loop unbundling reference offer (in relation to Market 4) and to provide a wholesale broadband (bitstream) reference offer (in relation to Market 5). Market 5 was deregulated in “C” areas, and hence all obligations in this market, including the wholesale bitstream reference offer, no longer apply. Nevertheless, while our obligation to provide a bitstream reference offer (Rede ADSL PT) in “C” areas expired after a transitional period, we have decided to maintain the bitstream reference offer. See “*Areas of Recent Regulation and Updates—Next Generation Access Networks*”.

In addition to Portugal Telecom, all other fixed-line operators in Portugal were determined to have significant market power in the call termination on individual public telephone networks provided at a fixed-location wholesale market. Likewise, all mobile network operators were found to have significant market power in the call termination on individual mobile networks. ANACOM has found MEO to have significant market power in the wholesale leased lines terminal market and segmented the transit segments between “C” and “NC” routes. In these wholesale markets, ANACOM included Ethernet connections and imposed the retail-minus rule over Ethernet solutions. In the “C” routes, MEO has no significant market power.

In December 2013, ANACOM launched a public consultation on a draft decision regarding the re-analysis of the retail markets for fixed-access and telephony services and of the wholesale market for call origination at a



fixed location. ANACOM proposed to withdraw the existing retail regulation in those markets while continuing to fully regulate the wholesale call origination market. The final decision, issued by ANACOM through Deliberation of August 14, 2014, maintained the main lines of the mentioned draft decision.

Furthermore, on August 6, 2015, following a public consultation on the matter, ANACOM issued its decision on the re-analysis of the market of Voice Call Termination on Individual Mobile Networks. See “*Areas of Recent Regulation and Updates—Wholesale Market for Voice Call Termination on Individual Mobile Networks*”.

On February 12, 2016 ANACOM issued a public consultation on its draft decision regarding the re-analysis of the wholesale local access market and the wholesale central access market provided at a fixed location. See “*Areas of Recent Regulation and Updates—Next Generation Access Networks*”.

Finally, on March 10, 2016, ANACOM initiated a public consultation on a draft decision regarding the analysis of the wholesale high-quality access provided at a fixed location (business sector).

We expect that ANACOM will provide further analysis of the other relevant markets in the near future.

## ***Our Concessions and Existing Licenses and Authorizations***

### *General*

The EU prohibits any limitation on the number of new entrants in telecommunications markets, except as required to ensure efficient use of radio frequencies. Pursuant to this directive, which is part of the EU electronic communications framework, an operator must have a general authorization for the provision of electronic communications networks or services. A license for individual rights of use can be required for the use of radio frequencies or numbering resources. The objective of this authorization regime is to introduce more flexibility into the licensing framework.

Currently, we hold two concessions, one regarding the provision of public payphone services, and another regarding the provision of directory services, which permit us to provide fixed-line publicly-available payphones and directory and directory inquiry services in Portugal. Until June 1, 2014, we were also the holders of the universal service public switched fixed-line concession, as described under “*The Fixed-line Concession*” below.

We also operate a DTT platform and provide mobile telephone services, data communications services and television distribution services under the licenses granted and authorizations issued by the relevant authorities (the Portuguese government and ANACOM).

The Ministry of Finance is responsible for monitoring financial issues with respect to our concessions. The Ministry of Planning and Infrastructure is responsible for all other issues regarding our concessions. Disputes concerning the application and interpretation of our concessions are resolved through arbitration. ANACOM is responsible for issuing regulations and is authorized to monitor and apply administrative penalties up to a maximum of €5 million if we fail to fulfil our obligations under our concessions or other obligations imposed by law.

### *The Fixed-Line Concession*

The Portuguese government granted us a concession, held by PTC (currently PT OpCo), with an initial term expiring in 2025, which was terminated early after PTC and the Portuguese government reached an agreement in November 2013 on its revocation, following the designation of ZON and Optimus—currently NOS, after the merger of the two companies—as the universal service providers of access to a publicly available electronic communications network and telephone services at a fixed location. On March 7, 2014, Decree Law 35/2014 was published in the Portuguese official gazette, formally revoking our concession agreement pursuant to the November 2013 revocation agreement signed by us and the Portuguese government and also pursuant to Resolution of the Council of Ministers n. 66-A/2013, of October 18, 2013, that authorized that revocation agreement. The revocation became effective on June 1, 2014. As of that date, the fixed-line universal services are being provided by NOS. The revocation was due to, amongst other factors, a decision from the European Union Court of Justice, of October 7, 2010, on the grounds that Law 5/2004, of February 10, 2004, whilst keeping in force PTC’s universal services concession until 2025, did not comply with Directive 2002/22/CE, of the European Parliament and the Council, of March 7, 2002, as amended by Directive 2009/36/CE, of the European Parliament and the Council, of November 25, 2009.

The fixed-line concession granted us the right to install, manage and operate the infrastructure that forms part of the basic telecommunications network. It also stipulated the provision of maritime mobile service, fixed telex service, fixed switched data transmission service and telegraph service, as services of public interest. Under the Electronic Communication Law of 2004, as the Universal Service Provider, PTC was also obligated to provide a comprehensive directory and directory inquiry services. However, other than our ceasing to be the Universal Service Provider (except with respect to public payphones and directory services, which we have

been awarded under new concession contracts), as described in “—*Areas of Recent Regulation and Updates—Universal Service Obligations*” below, the revocation of the fixed-line concession will not cause any material change in the telecommunications services we are able to provide.

Prior to the revocation of the fixed-line concession, the Portuguese government, by resolution of the Council of Ministers of January 10, 2013, determined that the maritime mobile service should cease to be provided as a service of public interest from April 30, 2013. After informing the subscribers of this service of the termination in advance, PTC proceeded to terminate it. In addition, pursuant to the Resolution of the Council of Ministers published on October 18, 2013, fixed telex service, fixed switched data transmission service and telegraph service (telegrams) no longer had the nature of public services as of January 31, 2014, thus terminating PTC’s legal obligation to assure their provision. The clients of the first two services were informed of such discontinuation in advance. PTC opted to commercially continue the provision of fixed telegraph service as of February 1, 2014.

#### *Our Public Payphones and Directory Services Concessions*

On October 12, 2012, in anticipation of the renegotiation of the fixed-line concession and following ANACOM’s decision on the designation of a universal service provider under a competitive process, MEO submitted the lowest bid in the public tender for the provision of the publicly available telephones service and was awarded with the concession contract. The concession contract was entered into on February 20, 2014, for a period of five years. The conclusion of the public payphone installation ended on June 30, 2015.

On July 29, 2013, the Portuguese government decided to initiate a direct award procedure in respect of the provision of comprehensive directory and directory inquiry services for a period of 12 months, with the possibility of such period being extended for an additional six months. As the only company that presented a proposal, on November 7, 2013, the Portuguese government awarded PTC with the comprehensive directory and directory inquiry services concession. The concession contract was entered into on February 20, 2014.

Anticipating the termination of the previous concession agreement, on February 20, 2015, the Portuguese government decided to initiate a public tender procedure for the provision of a comprehensive directory and directory inquiry services for a period of 3 years. The comprehensive directory and directory inquiry services concession was awarded to Meo on May 21, 2015.

#### *DTT Services*

For a summary of our usage rights for DTT, see “*Areas of Recent Regulation and Updates—DTT Services*” below.

#### *Our Fixed-line, Data and Frequency use Licenses*

We also hold the following licenses: (i) a non-exclusive license to provide fixed-line telephone services and be a “Public Telecommunications Networks” operator; (ii) the licenses formerly held by Telepac and other subsidiaries, including a data communications license, and (iii) frequency use licenses. Licenses have also been granted to other providers of data communications and internet access services, including companies associated with major international telecommunications providers. However, companies are not required to have a license to provide data communications services and internet access. Instead, it is sufficient to register their intended services with ANACOM under its service registration scheme. Since 1997, we have also held a license to provide data communications services using satellite infrastructure and a license to offer voice services to corporate networks and other closed groups of users.

#### *PT OpCo Mobile Service License*

Portuguese mobile telephone service licenses are valid for 15 years and are issued by ANACOM. These licenses authorize the use of radio spectrum and the installation of base stations, base station controllers and control switching centers and require the licensee to construct networks capable of reaching at least 75% of Portugal’s population within a specified period. Charges for the provision of mobile telephone services are not subject to regulation.

Through PT OpCo, we hold a renewable license to provide traditional and GSM digital mobile telephone services throughout Portugal. The authorization for the use of GSM radio spectrum is valid until March 16, 2022. We are required to comply with a number of mobile telephone service criteria, including satisfying minimum quality standards regarding blocked call rates, network effectiveness and servicing time, and providing certain services. We are also required to provide ANACOM with information about our mobile telephone operations, including the number of customers, number and average duration of calls on a quarterly basis, and annual information about the development of infrastructure.

ANACOM also issues UMTS licenses, which are the European version of the globally accepted technical standards for 3G mobile communications. The broadband capacity of the frequency spectrum allocated under

the UMTS licenses enables operators to supply video and internet content to mobile telephones at higher transmission speeds. On January 5, 2012, ANACOM issued a final report on an auction for the allocation of rights of use of frequencies in the 450, 800, 900, 1800 MHz and 2.1 and 2.6 GHz bands. Following that auction, on March 9, 2012, ANACOM issued the final renewable license to *Meo*, allowing the provision of electronic communications services based, among others, on LTE technology. This license is valid until March 2027, and it also unifies the previous GSM and UMTS licenses issued by ANACOM.

On February 18, 2016, following a public consultation on the subject, ANACOM renewed *Meo's* right of use of the 1920-1980 MHz/2110-2170 MHz sub-bands by 15 years. The decision will only enter into effect on April 22, 2018.

## **Areas of Recent Regulation and Updates**

### *Number Portability and Carrier Selection*

Number portability allows a subscriber at a specific location to change service providers without having to change telephone numbers. Under ANACOM regulations, we are required to allow number portability for both fixed-line and mobile services within one working day, save for in exceptional circumstances duly identified. ANACOM requires call-by-call carrier selection to be offered by us for long distance and international calls. Call-by-call carrier selection enables customers to select the carrier of their calls by dialing a code connecting them to the selected carrier. All fixed-line network operators with significant market power must offer carrier pre-selection. Carrier pre-selection allows customers to select the carrier that will be their default carrier. This removes the need for customers to dial any code to connect to their selected carrier when making calls.

### *DTT Services*

PT OpCo holds frequency usage rights for DTT associated with the transport of the signal of free-to-air television channels (the RTP, SIC and TVI broadcast channels), the so-called "Multiplex A" or "Mux A". PT OpCo is entitled to receive compensation or reimbursement, to be provided pursuant to a governmental ordinance, for the costs related to the channel update process. The switch-off of the analog television network in Portugal occurred on April 26, 2012. Designed to ensure equal access to DTT, the DTT usage rights require PT OpCo to subsidize the installation and purchase of DTT-related equipment for individuals with special needs (e.g. the elderly, low income groups, etc.).

In July 2014, ANACOM published a draft decision relating to DTT coverage in which it defined coverage obligations by municipality depending on population as well as what constituted a period of unavailability. PTC replied to this consultation expressing its disagreement on certain matters, such as the definition of coverage obligations noted above, that, if implemented, would have a material impact on the fulfilment of its service obligations under its DTT license. Notwithstanding, on October 1, 2015 ANACOM issued its final decision, which kept the main lines of the project draft decision. The decision was further modified through ANACOM's decision of January 14, 2016 and was challenged by PT in court.

In September 2014, ANACOM issued a decision authorizing MEO to implement four additional MFN channels to function alongside its SFN network. In the decision ANACOM also expressed the view that in certain municipalities MEO's network does not comply with its license and therefore MEO must implement an additional five MFN channels to function alongside its SFN network. MEO considers itself to have fulfilled its obligations with respect to the usage grant and to have successfully concluded the channel update process and therefore has expressed its disagreement to ANACOM over the alleged breach of its obligations under its DTT license. ANACOM, on October 1, 2015, through its final decision, decided not to impose the anticipation of MFN network.

### *Wholesale Reference Offers (Unbundling the Local Loop)*

The EC requires fixed-line network operators found to have significant market power in the relevant wholesale market for physical network infrastructure access at a fixed location to make the local loops between their customers and the local switches on their networks available to competitors. This allows such competitors to connect their networks to the copper local loop and use it to provide their services directly to those customers without having to invest in the local loop or to rely upon the network operator's relationship with the customers. Under this regulation, we are required to maintain a reference offer for unbundled access to our local loops and related facilities and to meet reasonable requests for unbundled access to our local loops and related facilities under transparent, fair and non-discriminatory conditions. Prices charged must be cost-oriented. The conditions under which the local loop unbundling services are provided are set forth in a published reference offer for unbundled access to our local loops in accordance with terms established by ANACOM. This reference offer covers all of our main distribution framework buildings where technical and space conditions allow co-location. Co-location means providing space and technical facilities to competitors to the extent necessary to reasonably accommodate and connect the relevant equipment of the competitor.

### *Leased Lines Reference Offers and Ethernet Access Reference Offers*

Our Leased Lines Reference Offer (*oferta de referência de circuitos alugados*), or “ORCA”, sets forth the characteristics and the technical and commercial conditions associated with the provision of leased circuits by PTC in the wholesale markets. Our Ethernet Accesses Reference Offer (*oferta de referência de circuitos Ethernet*), or “ORCE”, sets forth the characteristics and the technical and commercial conditions associated with the provision of ethernet circuits by PTC in the wholesale markets.

Following a decision by ANACOM on leased line markets, the retail leased-line market was deregulated meaning that our prices in this market ceased to be subject to a 26% retail-minus rule. However, for the wholesale leased-line markets, in which we were declared an operator with significant market power, ANACOM decided to make Ethernet circuits subject to a retail-minus rule (which remains undefined by ANACOM). On July 14, 2012, ANACOM approved a final decision amending our ORCA and ORCE, the draft decision of which has been provided to the EC (which has subsequently stated it had no comment to the action), BEREC and national regulatory authorities of other member states of the European Union. We have challenged this decision before the courts, arguing that the decision was illegal in certain respects. The court procedure is on-going.

On December 19, 2014, ANACOM issued a project decision regarding wholesale leased lines. Among other measures, ANACOM has determined a 50% reduction on the wholesale leased lines prices being charged by PTC for the Azores and Madeira traditional circuits (submarine cables) with a 25% price reduction to become effective within 30 days as from the final decision by ANACOM, and an additional 25% to become effective one year after the enforcement of the first 25% reduction. The project decision in question aimed to establish a fixed price for the lease by PTC of Ethernet submarine circuits connecting the mainland to the Azores and Madeira, which is to be settled at €90,000 per year per Gbps within 30 days of the final ruling and at €56,000 per year per Gbps to become effective one year after the enactment of the first price reduction. PTC was entitled to issue its opinion on the project decision within 30 days as from December 19, 2014. The final decision regarding the public consultation was postponed and through the Decision of July 23, 2015, ANACOM has approved provisionary and urgent measures regarding wholesale leased lines. Pursuant to said decision, PT OpCo was obliged, within 30 days, to:

- include 10 Gbps (Ethernet) CAM (“*Continent—Azores/Madeira*”) and in-between islands circuits in ORCE; and
- apply monthly maximum prices for Ethernet CAM and in-between island circuits (which corresponded to a 50% price reduction).

### *Co-installation Obligations*

At the same time as the July 14, 2012, decision regarding PTC’s ORCA and ORCE, ANACOM extended PTC’s co-installation obligations under its regulated reference offers to its submarine cable landing stations. ANACOM has since requested information from PTC on the fulfilment of its obligation to provide access to its submarine cable landing stations to other operators for the purposes of co-location. PTC considers that it has fulfilled its obligation in this respect by allowing co-location in the local area exchanges closest to the submarine landing stations. To date, no formal proceedings on this issue have been initiated by ANACOM.

### *Wholesale Market for Voice Call Termination on Individual Mobile Networks*

The regulation of the market for wholesale voice call termination establishes a price control obligation on wholesale voice call termination services. Following EC recommendations on the regulatory treatment of fixed and mobile termination rates in the EU, this price control results in a cost-oriented price cap determined by a pure Long-Run Average Incremental Cost, or “LRIC”, bottom-up cost model.

On April 30, 2012, ANACOM set the termination rates to be applied in the wholesale market for voice call termination on individual mobile networks. In accordance with ANACOM’s decision, the cost model for mobile termination set the maximum prices to be applied by the three mobile operators considered to have significant market power at €1.27 per minute, to be billed per second from the first second and independent of the origin of the call.

On August 6, 2015, following a public consultation on the matter, ANACOM has issued its decision on re-analysis of the market. In this decision ANACOM considered that all six operators in the market have significant market power. Consequently, ANACOM determined that all operators:

- Should answer reasonable access requests;
- Will have the obligation of non-discrimination regarding the offer of interconnection access and the provision of information;
- Shall be transparent regarding the publication of information; and

- Shall be subject to price control: maximum MTR was set at 0.83€/cent/min, with two further decreases to be determined as a function of the CPI in 2016 and 2017.

### *Next Generation Access Networks*

ANACOM provides a segmented approach on the regulation of Next Generation Access Networks (“NGAs”), which addresses several issues, including market and technological issues, the impact of NGAs on existing networks, applicable development models, public policy considerations and regulatory models. In the designated “C” (competitive) areas, the main obligation is access to ducts, and in areas designated “NC” (non-competitive), the obligations are access to ducts, access to fiber and advanced bitstream, subject to conditions. On February 6, 2012, ANACOM approved a draft decision related to the definition of the markets of wholesale (physical) network infrastructure access (“Market 4”) and wholesale broadband access (“Market 5”), evaluation of significant market power and the imposition, maintenance, modification or suppression of regulatory obligations. ANACOM proposes to maintain the national scope of Market 4 and the geographic segmentation in Market 5, which is divided into “NC” Areas and “C” Areas (the latter unregulated). According to this draft decision, we will continue to be considered to have significant market power in Markets 4 and 5.

According to the draft decision concerning access obligations in the market of wholesale (physical) network infrastructure access, in addition to the obligation of granting unbundled access to copper loops and subloops and to ducts and poles at the national level, ANACOM intends to impose a geographically differentiated obligation to grant virtual access to optical fiber (advanced bitstream). This obligation would not be imposed in 17 municipalities that are considered to have conditions for other operators to invest in fiber. In addition, we would also be required to demonstrate to ANACOM that the difference between our retail prices and the prices of the wholesale offers made available to other operators does not result in a margin squeeze. The review was not concluded, due to the changes that took place in the domestic market during 2013 (merger between Zon and Optimus to form NOS, and investments initiated by Vodafone and Altice for expansion of their fiber networks) and the publication, in September 2013, of the EC’s recommendation on NGA non-discrimination and costing methodologies.

On February 12, 2016 a new draft decision issued by ANACOM in this regard has been submitted to public consultation. Pursuant to said draft decision, ANACOM has identified as relevant markets the wholesale local access provided at a fixed location and the wholesale central access provided at a fixed location in NC (Non-Competitive) areas and has concluded that PT OpCo has significant market power in both markets. Thus, in the draft decision ANACOM has proposed to impose obligations of access to the network and specific network resources obligations related to non-discrimination and transparency, accounting segregation, price control and cost accounting and financial reporting. PT OpCo’s GPON fiber network is not regulated: access obligations are imposed on the copper network only and on civil infrastructures (ducts and poles). In the draft decision ANACOM intends to impose on PT OpCo an Equivalence of Input obligation regarding the access to ducts and poles.

With respect to the roll-out of optic fiber networks, current Portuguese law establishes a legal framework for the construction of and access to infrastructure suitable for the accommodation of electronic communications networks and the construction of infrastructure for telecommunications in housing developments, urban settlements and concentrations of buildings. The law addresses access to the public domain, expropriation and the constitution of public easements, and amendments to existing law in 2009 introduced a new level of harmonization and transparency in procedures. In particular, the 2009 changes set forth several obligations in order to allow electronic communications operators to enjoy better conditions necessary for the installation and development of electronic communications networks.

The current legal framework also foresees the implementation of a Centralized Information System (“SIC”), to be managed and operated by ANACOM and whose main objective is to make available information on infrastructure appropriate for the installation of electronic communications networks based on information provided by the Portuguese government, autonomous regions, municipalities, publicly held companies or concessionaires, other entities owning or using infrastructure in the public domain, autonomous regions or municipalities and electronic communications undertakings. Other elements, such as the terms upon which objects will be geographically defined through the combination of their administrative location and georeferencing, are also set forth. The “SIC” became available on January 14, 2016.

Since PT OpCo already has reference offers under which it is required to provide a substantial amount of information to operators that wish to use its ducts, poles and associated infrastructure, we are paying close attention to the functioning and usage of the information of the SIC, since we do not wish for the SIC to compound PT OpCo’s obligation to provide information regarding its ducts and associated infrastructure.

Between April 27, 2012, and July 20, 2012, a public consultation was held on the reduction of NGA roll-out costs, highlighting the need for more coordination, information and transparency between the different stakeholders. According to the EC, 80% of the investment costs in NGA networks relate to the deployment of civil infrastructure, as is the case of trenching and laying of ducts, and up to 30% of these costs are due to

inefficiencies. The EC is of the opinion that the NGAs and the EU member states may intervene at this level, making infrastructure sharing mandatory, including those of utility companies. The EC published the report on this public consultation on November 22, 2012, and proposed a draft regulation on March 26, 2013. On November 28, 2013, the ITRE Committee of the European Parliament proposed a number of amendments to the European Commission proposal, suggesting that the measures to reduce the cost of broadband deployment should be addressed through an EU directive rather than a regulation, thus giving the EU member states more flexibility to adjust to specific local or national rules on this matter.

Negotiations between the European Parliament and the European Council took place in early 2014. On April 15, 2014, the European Parliament plenary adopted the measures proposed in these negotiations to reduce the costs of deploying high-speed broadband networks with no substantial amendments to the final report published by the ITRE Committee of the European Parliament on March 20, 2014. In furtherance of the foregoing, on May 15, 2014, Directive 2014/61, on measures to reduce the cost of deploying high-speed electronic communications networks, was enacted. Transposition by Member-States should occur no later than January 1, 2016, and the provisions set forth therein shall apply from July 1, 2016. Although, for said purpose, there is an undergoing modification procedure of Decree-Law 123/2009 of May 21, 2009, Portugal has not transposed said Directive

On December 5, 2012, the EC sent its draft recommendation on NGA non-discrimination and costing methodologies to BEREC. The draft recommendation expands on the principles set out by Commissioner Kroes, in July 2012, that price orientation to costs could be more flexible in certain circumstances in return of a tighter control of non-discrimination at the wholesale level. BEREC issued its opinion on this draft recommendation on March 26, 2013, endorsing the objectives of the EC, but criticizing and asking for amendments of some aspects of the draft recommendation. According to BEREC, the recommendation should not suggest a specific costing methodology but identify the fundamental principles to be respected. The EC did not take into account the opinion of BEREC in this matter and obtained, on July 11, 2013, the favorable opinion of COCOM (Communications Committee), enabling the final adoption of the recommendation.

On September 9, 2013, the EC formally published the final recommendation on non-discrimination and NGA cost models, included in the presentation and proposal of the so-called Connected Continent package. The (non-binding) recommendation aims to promote investment and innovation in new network infrastructures, while ensuring effective competition. In particular, it seeks to: (i) ensure an effective level playing field through the application of stricter rules on non-discrimination; (ii) set predictable and stable prices for access to copper networks; and (iii) increase regulatory certainty as to the circumstances that should lead to the non-imposition of regulated prices for wholesale access to next-generation networks. The Connected Continent package was approved by the European Parliament on April 3, 2014, and this recommendation may have an adverse effect on our business. See "*Connected Continent—Legislative Package*".

#### *Cost Accounting System ("CAS")*

PT OpCo runs an activity-based, fully-distributed historical cost model, first developed following the privatization of the company in 1995. The CAS is also a regulatory obligation imposed on us within the scope of our concession and relevant market regulations. Following a set of ANACOM's determinations and recommendations concerning the improvement of PTC's CAS and the review and resubmission of the results of the CAS for 2007, and subsequently for 2008 and 2009, PTC sent the revised results of the CAS for these years to ANACOM (in February, April and May of 2013).

On June 6, 2013, ANACOM declared the conformity of PTC's CAS for the exercises of 2008 and 2009 with the applicable regulatory dispositions, and approved determinations and recommendations concerning the improvement of the CAS. Following a request submitted by PTC and a public consultation, ANACOM approved on December 5, 2013 the final decision concerning the methodology for the calculation of PTC's Weighted Average Cost of Capital applicable from 2012.

In a letter dated August 29, 2013, ANACOM informed PTC of the schedules for the auditing processes to the CAS and the Net Costs of the Universal Service, ("NCUS"), for 2010 to 2012, and for the works concerning the revision of the CAS.

On August 7, 2014, ANACOM declared the conformity of PT OpCo's CAS for the exercises of 2010 and 2011 with the applicable regulatory dispositions. On December 30, 2014, ANACOM released a similar decision regarding the exercise of 2012.

The conformity of PT OpCo's CAS with the applicable regulatory dispositions for the exercise of 2013 was recognized by ANACOM in its July 16, 2015 decision.

### *Compensation for the Negative Operating Margins of the Mandatory Services*

Under the fixed-line concession, PT OpCo had the right to be directly compensated by the Portuguese government for the negative operating margins resulting from the mandatory provision of fixed telex service, fixed switched data transmission service, telegram service, broadcasting and distribution service of telecommunications broadcasting signals and maritime mobile service.

ANACOM notified PTC of the approval of the final decision concerning the reformulated results of the operational margins of fixed telex service, telegram service, broadcasting and distribution service of telecommunications and broadcasting signal and maritime mobile service for 2007 (in its letter of April 8, 2013) and for 2008 and 2009 (in its letter of June 7, 2013). The corresponding notifications were sent by ANACOM to the General Inspection of Finance. In its letter of December 9, 2013, PTC submitted to ANACOM information on the operational margins of fixed telex service, telegram service and maritime mobile service for 2012.

In 2012, we initiated an arbitral proceeding in which we challenged the Portuguese government (General Inspection of Finances) regarding the view it expressed on the subject of negative operational margins of the mandatory services in 2006. According to the General Inspection of Finances, the negative margin should be compensated after deduction of the positive margins that some of the required services may eventually present. A final arbitral ruling in favour of PTC was issued on June 16, 2014. As a result of the ruling, we are entitled to receive the negative margins of the maritime mobile service and the overall net negative margins on the analogue terrestrial television, telegraph and telex services.

### *Regulation on the Settlement and Collection of Regulatory Fees*

According to the Administrative Rule 1473-B/2008 of December 17, 2008, all providers are subject to the payment of a regulatory fee for the provision of electronic communications networks and services, through which they cover the administrative regulatory costs of ANACOM.

By a deliberation dated July 11, 2013, ANACOM approved the report concerning its administrative costs and the amount resulting from the collection of the fees owed by the suppliers of networks and electronic telecommunication services for 2012. It was also decided to reimburse to the suppliers of networks and electronic telecommunication services a total amount of €334,316.04 for 2012, and €22,426.21 for a correction for 2011. As a result of this last correction, the contributory percentage was set at 0.5505% for 2011. For 2012, the contributory percentage was set at 0.5475%.

By a deliberation dated July 25, 2013, ANACOM determined the value of the administrative costs, to be considered for purposes of the settlement of the fees due for the exercise of the activity of supplier of networks and electronic telecommunication services, in the amount of €24.5 million in 2013.

In its letter of October 1, 2013, in reply to a request by ANACOM, PTC submitted to ANACOM the revised declarations of the relevant profits for 2007 to 2009, following the adjustments resulting from the auditing process and calculation of the final NCUS values for those three years.

ANACOM, by a deliberation dated October 19, 2013, approved the revision of the settlement of the fees due for the exercise of the activity of supplier of publicly available networks and electronic communication services for 2009 and 2010, following the correction of the value of PTC's relevant revenues, according to the final values of the net costs of the universal service for 2007 to 2009. The upwards revision of PTC's relevant revenues resulted in an increase of the total amount of relevant revenues of the companies at "level 2", with an impact in the value of the contributory percentages for 2009 and 2010, which were set at 0.4827% and 0.4908%, respectively.

On October 31, 2013, ANACOM approved the revision of the settlement of fees due for the activity of provider of publicly available networks and electronic communications services, for 2011 and 2012. This decision followed the correction of the amount of relevant revenues of PTC resulting from the final values of the net costs of universal service for the years in question, submitted to ANACOM by PTC on October 16, 2013, in accordance with Article 9, paragraph 1 of Ordinance No. 1473-B/2008 of December 17, 2008, revised by Administrative Rule No. 296-A/2013 of October 2, 2013.

By a decision dated November 21, 2013, ANACOM approved the values to be considered in the formula for calculating the fees due for the activity of provider of publicly available networks and electronic communications services, having settled the value of the contributory percentage at 0.4880% for 2013.

After several revision processes which began on the second semester of 2014 concerning (i) the values of ANACOM's provisions for judicial disputes and ANACOM's administrative fees, (ii) the incorporation of missing data for some providers, (iii) the revision of PTC's NCUS and (iv) corrections regarding the calculation of the fees due by operators, on May 28, 2015 ANACOM approved the report concerning its administrative costs and the amount resulting from the collection of the fees owed by the providers of publicly available networks and electronic telecommunication services for 2014. Simultaneously, it was decided to reimburse

the providers in the total amount of €1,660,690.00 due to a revision of the administrative costs of ANACOM in 2009, 2010, 2011, 2012 and 2013. ANACOM further issued, on July 22, 2015, a decision regarding the reimbursement of the amount of €446,687.00 due to a revision of the administrative costs of ANACOM in 2014.

On July 22, 2015, ANACOM determined the value of the administrative costs, to be considered for purposes of the settlement of the fees due for the activity of provider of publicly available networks and electronic telecommunication services, in the amount of €27.8 million for 2015. By decision dated November 19, 2015 ANACOM approved the values to be considered in the formula for calculating the fees due by the providers, which settled the value of the contributory percentage at 0,6210%.

### *Universal Service Obligations*

Until June 1, 2014, we had obligations as a universal service provider under the fixed-line concession for public telecommunications service. Universal services are divided into three functions: (i) connection to a public telecommunications network at a fixed location and the provision of public telephone services; (ii) publicly available telephones; and (iii) comprehensive directory and directory inquiry services. Under the tender for designation of the Universal Service Provider described below, these functions are further divided into three geographic regions: North, Center and South and Islands. On October 12, 2012, following ANACOM's decision on the designation of a universal service provider, the Portuguese Ministries of Finance, Economy and Employment launched a public tender to designate universal service providers for each of the three functions described above (referred to as Tender 1, Tender 2 and Tender 3 respectively), which included a compensation fund for universal service providers, as described below, and a related renegotiation of our concession which led to its revocation. To select the company responsible for providing a comprehensive directory and a directory inquiry service, the criterion was the highest remuneration payable to the Portuguese government. The granting period for each of the services was set at five years. Pursuant to the qualifying report issued on February 2, 2013, PTC qualified for each of the Tender 1, Tender 2 and Tender 3 categories. The deadline for the submission of proposals for each of these tenders was March 15, 2013. PTC, ZON and Optimus presented bids for Tender 1, PTC presented the only bid for Tender 2, and no bids were presented for Tender 3.

On April 18, 2013, ANACOM published a preliminary report regarding the bids for Tenders 1 and 2, as there was no bidder in Tender 3. In accordance with this report, PTC did not present the lowest bid in Tender 1 (which was the relevant criterion for this tender) and, as such, it did not qualify to be designated as the universal service provider of access to a public telecommunications network at a fixed location. PTC's services in this regard ceased on June 1, 2014. See "*Our Concessions and Existing Licenses and Authorizations—The Fixed-line Concession*" above.

PTC submitted the lowest bid for Tender 2.

On October 18, 2013, the Portuguese government confirmed these results and determined the designation of Optimus and ZON as the universal service providers for the connection to a public electronic communications network at a fixed location and the provision of publicly available telephone services, and of PTC as the universal service provider for publicly available telephone (payphones).

In addition, on November 7, 2013, PTC was awarded by the Portuguese government with the comprehensive directory and directory inquiry services concession. See "*Our Public Payphones and Directory Services Concessions*".

Moreover, on May 22, of 2015, Meo was awarded by the Portuguese government with the comprehensive directory and directory inquiry services concession for a period of three years. See "*Our Public Payphones and Directory Services Concessions*".

Furthermore, even in the cases where PTC is the universal services provider, we will be required to contribute to the compensation fund for universal services providers according to our share of the revenues of the national telecommunications sector.

By a deliberation dated August 1, 2013, ANACOM approved the draft decision on the final results of the audit to NCUS resubmitted by PTC for 2007 to 2009: €23,584,976.93 in 2007, €20,168,431.93 in 2008 and €23,057,573.48 in 2009. This draft decision was submitted to prior hearing of the interested parties and public consultation. On September 19, 2013, ANACOM approved the final decision having maintained the values proposed on the draft decision.

On August 19, 2013, following a deliberation by ANACOM dated June 20, 2013, regarding the decision on the results of the audit to NCUS for 2007 to 2009, PTC sent to ANACOM new values for the NCUS in 2010 and 2011, according to the final, settled methodology. According to Law 35/2012, which established the compensation fund for the universal service of electronic communications, for the financing of the NCUS, on October 31, 2013, PTC submitted to ANACOM the calculation of the NCUS for 2012, taking into account the



deliberations of the Regulatory Authority concerning the methodology of calculation of the NCUS and the recommendations made in the audit of the NCUS for 2007 to 2009.

After submission to prior hearing of the interest parties and to public consultation, ANACOM approved on June 12, 2014, the final results of the audit to NCUS submitted by PTC for 2010 and 2011: € 24,662,548.33 and €25,205,213.31, respectively.

On September 25, 2014, ANACOM approved the draft decision on the final results of the audit to NCUS resubmitted by PTC for 2010 and 2011: € 23.522.982,66 and € 23.527.625,33, respectively. This draft decision was then submitted to prior hearing of the interested parties and public consultation. On November 20, 2014, ANACOM approved the final decision having maintained the values proposed on the draft decision.

On September 16, 2015, ANACOM approved the final results of the audit to NCUS submitted by Meo for 2012, in the amount of € 26,423,507.39, after being submitted to prior hearing of the interest parties and to public consultation.

On December 17, 2015, ANACOM approved—also after being submitted to prior hearing of the interest parties and to public consultation—the final results of the audit to NCUS submitted by Meo for 2013, in the amount of € 20,343,490.71.

### *Network Security*

On December 12, 2013, ANACOM approved a decision on the circumstances, format, and procedures applicable to reports regarding security breaches or loss of integrity with a significant impact on the functioning of electronic communications networks and services available to the public. This decision also sets forth the conditions under which ANACOM considers there is a public interest in disclosing information regarding those events to the public. Further, we had to implement all the necessary measures to comply with this decision by June 12, 2014, which required implementing new procedures and adapting information systems to produce the relevant information to notify to ANACOM.

### *Cloud Computing*

The EC issued a review of cloud computing in Europe with the goal of enabling and facilitating its adoption throughout all sectors of the economy with the goal of cutting ICT costs and boosting productivity, growth and jobs. The EC put forward a set of measures that, in its view, are key to promoting cloud computing and ensuring users' rights.

On December 12, 2012, the Directorate General for Justice organized a workshop on cloud computing contracts, with the purpose of exploring stakeholders' experiences and views on cloud computing contracts with the EC. The EC and stakeholders discussed possible future developments of the market, issues relating to cloud computing contracts, based on existing practice, the economic impact of these issues in cloud computing contracts and the possible ways forward. The EC considered the workshop a first step to find a precise feasible mandate for an expert group that was formed in September 2013 to address cloud computing issues pertaining to fair and balanced contract terms, trust of consumers and users and increased legal certainty. The EC published in June 24, 2014 its Cloud Service Level Agreement Standardisation Guidelines.

### *Cinema Law*

Following the publication on September 6, 2012, of the Law No. 55/2012 (Cinema Law) that establishes the Portuguese government action principles in the promotion, development and protection of the art of cinema and cinematographic and audio-visual activities, which imposes obligations on television distributors and operators of video-on-demand services, two regulations of the Cinema Law were published.

Firstly, Decree Law No. 9/2013 of January 24, 2013, which foresees, among other issues, the obligation to reverse charge the annual fee for each subscription of television services by July 1 of the following year to which the data reported relates as well as the obligation to provide to the Portuguese Cinema and Audiovisual Institute (*Instituto do Cinema e do Audiovisual*), or "ICA", with the reports that were sent to ANACOM regarding the number of television services subscribers.

Secondly, Decree Law No. 124/2013 of August 30, 2013, which foresees, among other matters, the obligation to invest 1% of video-on-demand services revenues in film production and audio-visual ensured through an annual investment in national cinematographic works, the obligation to report to ICA until June 30 of each year the video-on-demand services revenues earned in the previous year, the obligation to report to ICA until January 31 of the following year to which the investment relates (i) the title, type and gender of each creative national film work object of investment, (ii) the identification of the independent producers and other author and neighboring rights holders over such works, (iii) the amount and type of investment made in each work, and (iv) the demonstration of the actual costs with the creation of an area devoted to national works and the loss of revenue by applying the conditions of remuneration of such rights holders foreseen in the Cinema Law

(i.e., a 50% revenue share), subject to the demonstration that they are more disadvantaged in relation to the operator when compared with the agreed conditions with other content providers of the same type.

On October 17, 2013, we were notified by ICA of the official settlement regarding the abovementioned annual fee. Given that we believed such an annual fee to be unconstitutional, we decided not to make any payment and to provide a bank guarantee under the tax enforcement process of which it was notified on December 5, 2013.

Law 28/2014, of May 19, 2014, introduced certain changes regarding the Cinema Law, including (i) the reduction of the annual fee for TV subscriptions to €1.75 (to be increased up to a maximum of €2 from 2020 onwards) per subscription, and (ii) the transfer of funds from ANACOM to ICA in an amount equal to the total annual fee mentioned herein. In light of this legal change, we proceeded with the payment of the abovementioned annual fee. The bank guarantee and the tax enforcement process has thus been cancelled.

### *Roaming*

The EC regulates the roaming charges that may be charged in the wholesale market and the retail market in Europe. These regulations comprise voice, SMS and data services. Presently, the applicable regulation is Regulation 2015/2120 of the European Parliament and of the Council of 25 November, which amends Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union ("Roaming III"), a part of the EC's "Connected Continent" Legislative Package, the main global purpose of which is to stimulate the provision of cross border European services.

The Roaming III Regulation, upon its entry into force, already established as an objective that the difference between roaming tariffs and domestic tariffs should approach zero. In this regard, Regulation 2015/2120 amended Roaming III setting out that retail roaming surcharges should be abolished from 15 June 2017, meaning that, as from that date, "roaming providers shall not levy any surcharge in addition to the domestic retail price on roaming customers in any Member State for any regulated roaming calls made or received, for any regulated roaming SMS messages sent and for any regulated data roaming services used including MMS messages, nor any general charge to enable the terminal equipment or service to be used abroad". This substantiates in the so-called "Roam-Like-at-Home" ("RLAH") regime, which will be accompanied by a Fair Usage Policy (FUP), in order to prevent situations of permanent roaming, fraud and abusive usage.

A transitional period will exist between 30 April 2016 and 14 June 2017, during which roaming providers may apply a surcharge to a maximum of the wholesale price caps stipulated in Roaming III, in addition to the domestic retail price for domestic services: +€0.05 per minute of calls made, +€0.02 per SMS sent, and +€0.05 per MB of data (excl. VAT). Regarding calls received, the Commission has set the maximum surcharge in line with the weighted average of mobile termination rates across the Union at EUR 0,0114 per minute (Commission Implementing Regulation (EU) 2015/2352 of 16 December).

Notwithstanding the above, after the implementation of RLAH in 2017, the Regulation foresees, as an exception, the possibility for operators to still apply the roaming surcharges, if their national regulatory authority (NRA) agrees, it is necessary to avoid an increase in domestic prices and when the provision of roaming services at domestic prices is proved to make the domestic charging model of an operator "unsustainable".

Between 29 November 2015 and 18 February 2016, a consultation by the European Commission took place, regarding (i) the revision of the wholesale roaming market with a view to assessing which measures, if any, are necessary to effectively enable the abolition of retail roaming surcharges by June 2017; (ii) assessing how the values and/or parameters of FUP shall be computed; and (iii) establishing a mechanism for assessing the "sustainability" of the domestic markets. The Commission shall by 15 June 2016 present (i) a report on its findings and (ii) a legislative proposal on this regard. Please note that the abolishing of the retail roaming surcharges in June 2017 is conditional on the Commission's legislative proposal having been adopted and having entered into force by 15 June 2017.

### *Interconnection*

*The Interconnection Framework.* The EU Access and Interconnection Directive requires that interconnection services be made available in a non-discriminatory manner. The EU Access and Interconnection Directive encourages commercial negotiations among operators but requires national regulatory authorities to establish mechanisms for effective dispute resolution. According to the EU Access and Interconnection Directive, all telecommunications companies with significant market power in the call origination or termination markets must:

- make interconnection access to their networks available to other network operators;
- not discriminate between interconnection customers;

- provide to those requesting interconnection the information and technical specifications necessary for them to interconnect their networks;
- offer interconnection prices that are transparent and cost-oriented and do not discriminate between interconnection customers; and
- maintain a separate accounting system for interconnection activities.

The EU Access and Interconnection Directive established the general conditions for access and interconnection among telecommunications operators in competitive markets. It guarantees the rights of new entrants to obtain interconnection from telecommunications operators with significant market power. ANACOM is entitled to review and modify our proposed interconnection rates and arrangements in our reference interconnection offer. ANACOM has established an overall interconnection framework based on cost that is consistent with the EU legal framework for both wireline and mobile services.

*Wireline Interconnection.* ANACOM regulates call origination on fixed telephone networks provided at a fixed location and call termination on individual public telephone networks provided at a fixed location within the scope of market analysis and significant market power designations. ANACOM has declared the PTC group to have significant market power in these markets. As a result, we are subject to price controls in these markets based on our costs and other factors and must publish a reference offer that includes these prices and quality of service standards.

*Mobile Interconnection.* All mobile operators are considered to have significant market power in call termination in mobile networks market. ANACOM has imposed price controls on interconnection rates for the termination of calls on mobile networks. These reductions have had, and are expected to continue to have, a significant impact on PT OpCo's interconnection revenues and consequently its earnings.

*Fixed Interconnection.* On March 7, 2013, ANACOM launched a public consultation regarding the draft decision on the wholesale market for voice call termination on individual public telephone networks provided at a fixed location, under which it proposed to set fixed termination rates ("FTR"), at €0.001091, corresponding to the average FTR of the countries that had already defined their call termination rates at a fixed location based on the pure LRIC cost models recommended by the EC.

On July 12, 2013, ANACOM notified the EC of a draft decision on the same lines as the draft decision that it submitted to a public consultation in March 2013, but proposing therein an average termination rate of €0.001114, which resulted from an update to the benchmark. In the draft decision notified to the EC, ANACOM imposed on PTC an obligation to submit, within 12 months, a proposal for access and IP interconnection. However, on August 14, 2013, ANACOM decided to withdraw its draft decision as a consequence of the serious doubts raised by the EC, particularly regarding the inexistence of a symmetric obligation of IP interconnection imposed upon all operators with significant market power operators. Having taken into consideration the EC comments, on August 27, 2013, ANACOM imposed provisional and urgent measures that determined the maximum average prices to be applied by the operators designated as having significant market power:

- On October 1, 2013, 0.1114 cents per minute (the prices to be applied by PTC in the three interconnection levels were calculated taking into account the weight of traffic in each level, so that, globally, this average price is reached); and
- From July 1, 2014, the price will be set using the pure LRIC cost model.

Some operators interpreted this decision in different ways, recreating situations of tariff asymmetry, which led ANACOM to adopt new and urgent provisional measures on November 27, 2013, with effect from December 1, 2013, clarifying that if operators choose to define a simplified tariff with only one price level, that price cannot be higher than the average reference price, and that if they choose a structured tariff, with various levels of interconnection, they must provide a local interconnection price level, so that it is possible to deliver on that level the termination traffic to all customers of the operator.

On July 10, 2014, ANACOM approved (i) a draft decision regarding the definition of the fixed-termination wholesale market, the evaluation of those with significant market powers in that market and the imposition, maintenance, modification and suppression of regulatory obligations in that market, and (ii) a draft decision regarding the cost model for the fixed termination market. Pursuant to Portuguese law, both draft decisions were submitted for public consultation for a period of 30 business days. The publication of the final report on the matters is still pending.

ANACOM has issued successive decisions that have reduced mobile termination rates over time. The reductions in mobile termination rates have had, and will continue to have, a negative effect on our cash flows and revenues.

### ***Pricing for Mobile Origination Rates***

In January 2012, the Portuguese Competition Authority completed an analysis on mobile rates for originating calls, finding origination rates to be excessive and stating that mobile operators must reduce their rates to the level of their costs by July 2012 or face the possibility of being sanctioned. All three mobile network operators decided to reduce its mobile originating rates between €0.07 and €0.0975 and no subsequent action from the Authority is expected.

### ***Internet and Related Services***

Various regulatory developments may affect our internet business. A Data Protection Directive was adopted by the EC in 2006, that imposed data retention obligations on operators. The law implementing this directive requires internet service providers and other electronic communications providers to preserve data for a specified period of time and imposes other obligations in this area.

### ***Regulatory Proceedings***

We are regularly involved in regulatory inquiries and investigations involving our operations. In addition, ANACOM, the EC, the Portuguese Competition Authority and ERC regularly make inquiries and conduct investigations concerning our compliance with applicable laws and regulations. These investigations are described in more detail in “Description of PT Portugal’s Business—Regulatory Proceedings”.

### ***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 ANACOM Regulation 114/2012 on number portability.

Under Decree Law 7/2004 of January 7, 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 unlawfully 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.

### ***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 January 28, 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***

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 December 31, 2013, amending Administrative Rule 1473 B/2008 of December 17, 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.

We are subject to a rights of way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of the total monthly wireline service bills, to be paid by the operators whose network infrastructures are located in each such municipality.

### ***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 Council for Broadcasting by Cable and Satellite (the “Broadcasting Council”) with respect to the various communications and broadcasting services, respectively, before offering them to the public. The ever-changing regulatory environment can have a material effect on our activities. In this section

only, references to “we”, “us”, “our”, “HOT” and the “Company” may refer to HOT Telecommunication Systems Ltd, HOT Telecom, HOT Mobile, HOT Net, HOT Mobile International Ltd. or, collectively, HOT Telecommunication Systems Ltd. and its subsidiaries, as the context requires.

As a general matter, the regulatory principles are set forth in the laws enacted by the Israeli legislature (the “Knesset”), primarily the Communications Law (Telecommunication and Broadcasting), 5742-1982 (the “Communications Law”), as described below. These laws are amended from time to time upon enactment of the Knesset. The laws authorize the Israeli Ministry of Communications (in some cases with the approval of the Economic Affairs Committee of the Knesset) and the Broadcasting Council 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 issued by the Broadcasting Council that applies to all areas of the State 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. In November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of those areas. 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 10 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, and the exclusivity in, programs and ownership of broadcast programs, limitations on agreements with producers of channels, a requirement to provide telephony services, investing in infrastructure, and the provision of bank guarantees. We are also subject to general antitrust law which prohibits certain restrictive agreements and the abuse of dominant market positions. 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. In

November 2014, the Israeli Ministry of Communications issued an order requiring us to provide services in some of these areas.

### **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 (Channels 1 and 33), the commercial television channels (Channels 2 and 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 broadcast 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, published by the Ministry of Finance in April 2013, and approved by the Government in May 2013 and by the Knesset in August 2013 (the "Economic Plan"), determined to amend the DTT Law in the following ways:

- The Minister of Communications (the "Minister") and the Minister of Finance will be authorized to appoint a body that will act as an operator of the DTT array under the law, and the Minister will be authorized to set limitations on holding and ownership of such an 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"), was, by January 1, 2014, to establish criteria for the use of a multiplexer that has not been used for propagating broadcasts on the DTT Array. Such criteria have been enacted in regulations issued on April 3rd 2016. According to these regulations the new multiplexer will be operated only following a request by 3 HD channels which is more than half of the capacity of the multiplexer.
- 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 based solely on the price offered for DTT array, subject to the limitations on participation in the tender prescribed in section 13 (d) of the DTT Law.
- The winning bidder shall, after its selection, decide to which of the following its broadcasts will be devoted: sports, kids, movies, nature, series, documentary, news, music, history, culture or any other topic that the Minister, in consultation with the Second Authority for Television and Radio and the Council, with the approval of the government, determines to be a defined and specific issue for which there is justification to broadcast through a theme channel on the DTT array. Notwithstanding the aforementioned, the bidder will be required to notify in advance its intention to devote its broadcasts to news.
- A theme channel transmitter may finance its broadcasting (other than children's channels which may not be financed through commercials) through commercials or by charging subscribers a fee for receiving the broadcasts of the same channel.
- A holder of cable or satellite broadcasting license, in accordance as defined in the Communications Law (Telecommunications and Broadcasting) 1982 (the "Communications Law"), may not participate in the theme channel tender.

- An amendment to the Communications Law authorizes the Minister to promulgate regulations for determining the holdings of an Israeli citizen and resident in a Broadcasting Licensee pursuant to the Communications Law (currently, 26% of each of the “Means of Control”, as defined in the Law, in a licensee). Granting such authority to the Minister may simplify the regulatory requirements applicable to HOT in this regard.

### ***Narrow Package Proposal***

In September 2012, the Broadcasting Council made a decision to compel both multi-channel television broadcasters to offer, in parallel with a basic package of channels, a more limited basic package of channels (the “Narrow Package”) on a pilot basis, with the goal of reducing the cost of the most basic pay television services. We launched our Narrow Package on December 2, 2012, which included all the channels distributed through the DTT array and 10 other channels (16 channels in total), which included sport, children and youth, series and movies and global news in accordance with the Broadcasting Council’s decision.

The Communications Law has been amended in the following manner to regulate the introduction of a narrow broadcasts package:

- The Minister shall be authorized to determine, for a limited period not exceeding three years (subject to extension in consultation with the Broadcasting Council), provisions regarding the obligation of a cable and satellite broadcasting license holders (“a Broadcasting Licensee”) to generally offer a narrow package containing a limited number of channels (the “Basic Narrow Package”), in accordance with the guidelines determined by the Minister regarding the mix of channels therein, and under a price determined by him. The Narrow Package will be offered in addition to the basic broadcasts package that Broadcasting Licensees must offer to all subscribers by law.
- The Broadcasting Council will be empowered to set the channels to be included in the Basic Narrow Package in accordance with the guidelines, and to set instructions regarding the publication of a Basic Narrow package.
- A Broadcasting Licensee shall not charge a subscriber of the Narrow Package payments, beyond the price thereof, for ancillary services such as installation fees, installation costs, etc. (the “Related Services”), if it does not charge payment for those Related Services from subscribers of other packages. If a Broadcasting Licensee charges fees for such Related Services, the payment charged to Basic Narrow Package subscribers shall not exceed the payment charged to subscribers of other packages.
- If the Minister exercises his authority to require a Broadcasting Licensee to offer a Basic Narrow Package, the Council will not be authorized to set rules with regard to a Broadcasting Licensee’s obligation to offer such a package.
- In August 2013, the Council published a proposal regarding a Basic Narrow Package to be offered by a Broadcasting Licensee. As of the date of these Listing Particulars, 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 included 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 two 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.

### ***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 we are only permitted to hold means of control in the HOT 3 Channel and the HOT Movies Channel (previously Channels 3 and 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, 2012, and 2013 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 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. Our obligation to invest in local productions to be broadcast for the first time over our network will increase from the current 8% of our annual television revenues from subscriber fees to 9% of our annual television revenues from subscriber fees in 2017.

The Israeli Ministry of Communications has appointed two committees to review the regulation of commercial broadcasting and local content production on commercial channels. See "*Proposed Changes in the Regulation of Audio-Visual Content*" below.

### ***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 the 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 of end-user equipment.

In addition, pursuant to a decision of the Broadcasting Council in 2011, we are 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, passed in February 2011, 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.

In September 2014, an additional proposed amendment to the Second Authority Law was published which provides for the transition from an exclusive franchisee system to a non-exclusive license system in April 2015.

## ***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. Under this agreement, in each year ended December 31, 2011, 2012 and 2013, and in the nine months ended September 30, 2014, we incurred expenses with the State of Israel of NIS 57 million, NIS 58 million, NIS 58 million and NIS 41 million, respectively. See "*General Information—Material Agreements—Agreement with the State of Israel relating to ownership of our cable network*".

## ***Proposed Changes in the Regulation of Audio-visual Content***

On February 5, 2014, the Minister of Communications announced the creation of a public committee (the "Shecter Committee") for evaluating the future arrangement of commercial broadcasts against the background of technological developments, changes to viewing habits, and the move to broadcasts over the internet. The Shecter Committee will examine, and formulate its recommendations on, amongst other things, the principles and rules of regulation that should apply to all players (both new and traditional) that engage in the distribution of audio-visual contents.

The Shecter Committee published a public hearing for reference and positions focusing mainly on the principles of regulation and rules that apply to all bodies (new and traditional) engaged in distributing audio-visual content, including via the internet, and alternative models of supervision in the field of audio-visual content. HOT submitted its position to the Committee in writing on April 24, 2014, and presented its comments orally to the Committee. HOT believes that the entry of new competitors to the field of broadcasting over the internet, especially if they are not to be subject to regulation (or on the same terms as traditional broadcasters), may have an effect of intensifying competition in the sector and may have a negative impact on business operations in the broadcasting industry. On August 13, 2014 the Shecter Committee published an interim report proposing: (i) the current regulatory regime shall not be amended until HOT's market share decreases to a rate that will be recommended later by the Shecter Committee; (ii) to reduce certain content demands on the multichannel broadcasters but not the size of the commitment to invest in local content; and (iii) to regulate certain special obligations of multichannel broadcasters that own infrastructure, taking into account the licensees' ownership of both the infrastructure and the services provided. The Shecter Committee has solicited additional responses from the public regarding its interim recommendations.

On September 18, 2015, the Prime Minister in his capacity as the Minister of Communications announced the creation of a public consulting committee in order to unify the regulation on the broadcast market in Israel, chaired by the general manager of the Ministry of Communications Shlomo Filber (the "Filber Committee"). The Filber committee submitted interim report recommending to reduce regulations on the current operators in order to adjust the regulation upon them to the regulation upon the internet sites. These recommendations are subject to additional public hearing that took place on March 2016.

## **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 telecommunications 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 (the "Ministry").

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 therein. Our Fixed-Line Licenses are valid until 2023 and may be extended for periods of 10 years at a time upon approval by the Ministry. 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 Ministry.

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 ("the Ministry") 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 recommendations in October 2011. In May 2012, the Ministry 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 Ministry 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 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 infrastructure 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 Ministry 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 (the "Ministry") 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 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 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 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 Ministry 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 on-going basis, information about ordering of wholesale services and the deployment of existing infrastructures, to other license holders, in accordance with the requirements of the Ministry and with exceptions that will be set by it.
- 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 nine months of the publication of the reference offer, as described above, the Minister shall order the abolition of the structural 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 shall determine that in the situation of the wholesale market at that time, abolition of structural separation may 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.
- The Ministry shall set indicators or conditions under which the Minister may conclude that the level of development of the wholesale market and the level of development of competition based on bundles, including fixed and mobile services in the household sector, allows the granting of easements of the structural separation between an infrastructure owner and a radio telephone operator which is a related company, or the abolition of the said structural separation and its replacement with accounting separation.
- Should the Minister 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 shall consider the abolition of the structural separation between an infrastructure owner and a radio telephone operator which is a related company.
- The Minister 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 abolition 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 set for this purpose, within 24 months of the publication of this policy document, the Minister 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 will act to change the tariff control mechanism over the tariffs of Bezeq, such that the control shall be exercised by setting a maximum tariff.
- The Ministry 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 indexes other than the CPI.
- To clarify the Minister's authority to obligate a license holder with respect to activities, services and ancillary arrangements related to interconnection or use of infrastructures.
- The Minister shall be authorized to issue instructions to immediately apply to a license holder for a limited period, if the actions of the licensee raise concern of immediate 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 establishment of an engineering forum, with the participation of the relevant telecommunications operators, which held a number of meetings regarding the wholesale services. In parallel, the company has conducted negotiations with various operators. Since in the Ministry's opinion the relevant time for conducting negotiations between the operators has elapsed, the issue has returned to the Ministry in order for a policy on the matter to be formulated.

On June 9, 2013, the Ministry 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 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.

On January 15, 2014, HOT Telecom received the decision of the Ministry 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, the list 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 has published hearings regarding the provision of wholesale services (including regarding service file for bitstream access services at the national, regional and local level and the services files for use in passive infrastructures (dark fibers, manholes, ducts and above ground network)), and regarding the maximum tariffs for wholesale services in the Bezeq network, to which HOT Telecom submitted comments. Following the review of the positions submitted with respect to the service file for bitstream access services, and additional hearings published by the Ministry in February and August 2014, on November 17, 2014, HOT Telecom received a decision of the Minister regarding the regulation of wholesale services, including the method of setting wholesale services rates on fixed-line networks. According to the decision, after the hearing on this matter, the Minister adopted recommendations to amend infrastructure owners' licenses and determined the service files for broadband access and wholesale telephony services. The regulated services of the service files are to be provided within three to six months of the decision.

In January 2016, the Ministry of Communications published for comment a proposal regarding HOT Telecom's prices for wholesale services. The Ministry of Communications (1) determined that the pricing for the BSA services is unreasonably high and proposed that the maximum tariffs shall be set based on a normative model (also applicable to the Multicast app); (2) proposed that the Physical Infrastructure Services should be set in accordance with the pricing of Bezeq (HOT has already done so); (3) found that the tariffs for HOT's telephone services are reasonable; (4) and proposed that the tariffs for technician on-site services should be set in accordance with the pricing of Bezeq. The Ministry of Communications provided a suggested pricing list which the Communications Minister is considering implementing via regulation. In February 2016, following the above hearing, the Ministry of Communications held a further hearing regarding HOT Telecom's prices for wholesale services, which, based on data received from HOT and Bezeq, called for updating the tariffs and the pricing methods proposed in the original hearing.

On March 2016 the Cable & Satellite Broadcasting Council resolved the following regarding new tariffs policy. The council has resolved to apply on Hot and its competitor 'Yes' certain limitations and requirements with respect to sale campaigns. With respect to the customers who purchased a package of services or a certain service pursuant to then current sale campaigns, Hot, in its sole consideration, may raise the prices of such

packages or services (and provide notice thereof to the customer) but such price raise shall not occur following a period of 12 months following the date of the resolution.

In addition, the decision included final maximum rates that can be collected for wholesale services by Bezeq from other license holders who make use of its infrastructure for the years 2014 to 2018. The decision stated that the Minister intends to have the draft regulations, and the rates contained therein, approved promptly by the Minister of Finance. HOT is currently assessing the impact of the decision, but, at this stage, is unable to anticipate the full effect on its business.

### ***Implementation of Universal Service Obligations and Deployment of Fixed Lines***

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 had applied for exemptions from the terms of the Fixed-Line Licenses. 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.

On June 22, 2014, a report (the "Report") was submitted to the Minister (the "Minister"), by an Advisory Committee to the Minister in accordance with the Communication Regulations (Telecommunications and Broadcasts) (Advisory Committee), 2011 (respectively, the "Committee" and "Regulations") recommending the considerations that should be applied in relation to applications submitted by Bezeq and HOT Telecom for exemption or deferral of the obligation to extend service. Amongst other things, the Committee recommended that there should be no justification to delay or limit the provision of telecommunications services in any area nationwide on the basis of cost-benefit considerations. The Report concludes that cost-benefit considerations should be taken into account only for applications to specifically restrict or deny the provision of communications services to specific customers (an "Individual Application"), rather than for a specific area or number of requests from the same area (a "General Request").

The Committee also recommended that limitations on the provision of communication services through exemptions or deferrals should, as a rule, be done only temporarily and recommended a temporary exemption for a fixed period of 24 months. It also recommended license holders must report any change in the circumstances surrounding an application for which an exemption was approved, and if the circumstances upon which the exemption was based no longer exist the universal obligation upon the licensee will apply immediately and without delay. In addition, the Committee recommended certain timelines for the implementation of the universal service obligation in case of rejection of an application for exemption or deferral.

The Committee further recommended the rejection of all existing applications made by HOT Telecom, except with regard to one specific application relating to a particular settlement for which it suggests a deferral for a period of 24 months, subject to the provision of an alternative solution by HOT Telecom.

On July 17, 2014, HOT Telecom filed its detailed response to the Committee's recommendations to the Minister of Communications.

On November 16, 2014, the Minister of Communications published his decision to adopt the recommendations of the Committee. As part of that decision, the Minister accepted the Committee's recommendations with respect to the rejection of all existing applications for deferral and/or exemption made by HOT Telecom (subject to the exception noted above). As a result, HOT is required to implement its universal service obligations with respect to the first stage of the deployment, in 60 local jurisdictions determined by the Minister, within 24 months from the date of the adoption of the Committee's recommendations. As noted above, the prescribed pace of implementation of the obligations will be reviewed annually, taking into account any technological and regulatory changes. It was further decided that the Committee shall submit to the Minister of Communications a list of recommended local jurisdictions for the next deployment stage, if required in accordance with the then-available technological alternatives.

In addition, in his decision the Minister applied to the Judea and Samaria Communications Headquarter Officer requesting that the Civil Administration act in order to adopt the Committee's recommendations in the areas of Judea and Samaria, and the Minister instructed the Ministry of Communications to prescribe regulations that will impose the obligation to offer its services in the areas of Judea and Samaria on the broadcasting company.

HOT is currently unable to estimate the full impact of the Minister's decision on its business, but expects that implementation may have a negative impact on its results given that it will be required to expend additional capital expenditure for which it does not expect to derive a commensurate gain.

### **Hearing regarding “margin squeeze”**

On November 17, 2014, the Ministry of Communications published a hearing regarding the creation of a process to examine the potential use of “margin squeeze” by owners of fixed telecommunications infrastructure. The purpose of the hearing is to examine whether fixed infrastructure owners engage in the practice of lowering retail price offerings in order to reduce the margin between retail prices and the wholesale price of using infrastructure for service providers who do not own fixed infrastructures. The consequence of this is the erosion of profitability for such service providers and their eventual exclusion from the market.

It is proposed that HOT and Bezeq will be required to provide the Ministry of Communications with every retail offer they intend to make to new or existing subscribers, and that the Ministry may notify the infrastructure owner, if there is a concern over “margin squeeze,” that it is forbidden to offer the proposed package. HOT has been given the opportunity to respond and is currently studying the terms of the hearing. At this stage, HOT is unable to fully evaluate the consequences of the proposals on the Company.

### **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 multi-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 multi-play packages which include: (i) internet infrastructure access services (ADSL) as well as ISP services from subsidiary Bezeq International; and (ii) 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 multi-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 2 Mbps 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 indirectly, 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 also be 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.

The said merger transaction was completed in June 2015.

### **Israel Electric Company Infrastructure**

In 2010, the Israeli Ministry of Communications (the “Ministry”) announced that in order to leverage the existing infrastructure owned by the Israeli Electric Corporation (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 (the “IEC”) 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 IBC 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 IBC which holds 40%.

On August 27, 2013, the Minister 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, on that date, to the best of the company's 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.

On May 27, 2014, the Minister of Communications announced the creation of an inter-ministerial committee headed by the Director General of the Ministry and attended by senior representatives from the Ministry of Interior, Ministry of Finance, Ministry of Justice, and the Energy and Water Resources Minister of Israel. The purpose of the committee is to discuss adopting regulation to enable IBC deploy an enterprise optical fiber infrastructure and remove barriers to entry in that sector.

We believe that the granting of such licenses could result in increased competition in the domestic wired telecommunications services sector and thus significantly affect the results of HOT. HOT's assessment by its nature is forward-looking information and may differ significantly from actual results due to factors outside of HOT's control.

### ***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 broadband 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 (the "Ministry"). As a general rule, the transfer of any means of control in a relevant license holder is subject to prior approval of the Ministry. On October 31, 2012, the Ministry 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, the Non-Ionising Radiation Law and the Law for the Prevention of Environmental Hazards (Civil Claims), 1992, which enables class action claims in cases of radiation contamination. 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 was valid until February 2017, with an option for 2 years expansion, which is subject to the fulfillment of several conditions. The Mobile License with respect to the additional frequencies which we will utilize to provide UMTS-based mobile services is valid until September 2031. The Mobile License may be extended for periods of six years at a time upon approval by the Israeli Ministry of Communications (the "Ministry"). 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 Ministry.

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.

On July 2, 2014, the Ministry published a tender for a mobile phone license for the provision of advanced services using 4G-LTE technology, through which a total of eight frequency bands in the area of 1,800 MHz will be allocated (with a width of 5 MHz). On November 18, 2014, HOT Mobile submitted its offer in response to the tender.

The draft tender clarified that a licensee may enter into a network sharing agreement with another licensee subject to certain conditions. As a result, HOT Mobile has updated its request for approval by the Ministry of the Joint Network Agreement with Partner accordingly.

Further, in connection with the tender, Golan Telecom and HOT Mobile requested to replace the deployment plan they attached to the tender for the UMTS frequencies with a deployment plan for 4G, provided investment in the 4G network is equivalent to investment in the original deployment plan they committed to, and that they will only use frequencies assigned to them in the 4G tender for the provision of 4G services.

On January 12, 2015, the Israeli Ministry of Communications informed HOT Mobile that based on the results of the tender it would be awarded a frequency bandwidth of 2X5MHz in the 1.8 GHz spectrum, for a license fee of NIS 34.5 million (up to half of which may be paid by way of provision of a bank guarantee, which may be refunded, in whole or in part, upon HOT Mobile reaching certain market share milestones). The tender results will be brought before the Minister of Communications for approval.

"On August 9, 2015, the Ministry of Communications notified HOT Mobile of an amendment to its license for the provision of advanced services using LTE technology, and of the allocation of the relevant frequencies regarding which it was granted the right of use in accordance with the results of the tender. In addition the Ministry of Communications stated that each of HOT Mobile and Partner shall be entitled to make use of the frequency bands allocated to each of them by means of the network sharing, and the network sharing is



entitled to operate the cell radio centers by means of the aforesaid frequency bands. In addition, at the same time, HOT Mobile received an operation approval and following that, it has launched its 4 generation services to its subscribers.”

### ***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 (the “Plan”) 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. Plan 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, the Plan 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 Amended Plan provides for full liability for depreciated property claims on the mobile operators; (b) the Amended Plan prohibits the erection of poles in urban areas (excluding industrial zones) and in rural areas (excluding next to existing infrastructure); (c) the Amended Plan grants to the municipalities the authority to approve local zoning plans that will regulate the deployment of site; and (d) the Amended 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 may 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. The Amended Plan has not yet received the required approval.

#### *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 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 the 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’s

request, 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 nisi in the petitions. The State replied to the petitions arguing that a perpetual injunction should be awarded by the court preventing the erection of access devices until the completion of legislation of the regulation by the Ministry and Ministry of Interior. The State also replied that the exemption for the erection of access devices for HOT Mobile and Golan should last until June 30, 2014. Until a final decision has been made by the Supreme Court, HOT Mobile will be allowed to continue the deployment of its UMTS network. If this exemption is not extended by the Supreme Court, 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.

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 have a negative impact on 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 authorized to issue two types of permits: construction permits for cell site construction, and operating permits for cell site operation. These permits contain various conditions that regulate the construction and operation of cell sites. A construction permit is valid for one year (and will allow us to operate a cell site for a period not exceeding three months), and an operating permit will allow us to operate a cell site for a period of five years. We are required to submit to the Commissioner annual reports regarding radiation surveys conducted on our cell sites and other facilities by third parties that were authorized to conduct such surveys by the Commissioner. In order to receive an operating permit from the Commissioner, certain conditions must be met, such as presenting a building permit or an exemption and means taken (including technological means) to limit exposure levels from each cell site or facility (relevant also for the receipt of a construction permit). The Non-Ionising Radiation Law, grants the Commissioner authority to issue eviction orders if a cell site or other facility operates without complying with its permit, and it imposes criminal sanctions on a company and its directors and officers for violations of the law. Failure to comply with the Non-Ionising Radiation Law or the terms of a permit can lead to revocation or suspension of the permit, as well as to withholding the grant of permits to additional cell sites.

The Ministry of Environmental Protection notified us of a new condition for all of our mobile network site operation permits in order to receive operating permits, according to which we must connect to a monitoring system of the Ministry of Environmental Protection that continuously monitors and reports the level of power created in real time from the operation of our mobile network sites.

Since May 2012, we started erecting our new UMTS cell sites according to construction permits received in November 2011. We have also made practical examinations of 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 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 an, MVNO and 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 Ministry 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 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 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 then 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 achieved a market share calculated in accordance with the license agreement that entitled us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Ministry 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 Ministry notified HOT Mobile that the license fees were to 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 Our 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) were 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 exists 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 10 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 multi-play packages and must continue to offer our various services on a stand-alone basis. However, notwithstanding the requirement to maintain such structural separation, we are permitted to offer our customers multi-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 multi-play services are shared between the relevant HOT entities.

On December 9, 2013, the Knesset law approved the law for promoting competition and reducing concentration. According to the law, a committee was 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 law, 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 law, if it finds that it is unlikely that any real harm may be caused to the sector in which this right 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 law 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 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 assign this right only after considering promoting competition in the sector in consultation with the Antitrust Commissioner. Under the law, the holder of a general license to broadcast through cables is defined as a concentrated factor and therefore, HOT and its affiliates were included in the lists of centralized bodies published in 2014 by the said committee. On October 16, 2013, the Ministry 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 of developments and changes in the telecommunication market. The ministry allowed such license holders and all relevant parties to submit their position regarding the hearing until December 1, 2013. On August 14, 2013, the Ministry published a hearing by which the Ministry began formulating a new regulatory 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 the license holder to provide internet access services (ISP) and NTP. HOT Telecom submitted a response with respect to the hearing. In November 2014, the Minister of Communications approved the unified licensing framework.

### **Consumer Protection and Regulatory Bills**

On July 24, 2014, an amendment to the Consumer Protection Law (effective from January 1, 2015, subject to regulations to be issued up to that date) was enacted permitting certain means of administrative enforcement against violations of the Consumer Protection Act, including monetary sanctions (including sanctions for both continuing and recurring violations), warnings and commitments to avoid a breach. The amendment also

granted the Commissioner of Consumer Protection with the power to investigate breaches, certify inspectors and make administrative orders.

Further to such amendment, on August 18, 2014, the Council and the Ministry published hearings regarding proposed amendments to the licenses of HOT and other communication operators, including fully-owned subsidiaries of HOT. It is proposed that licenses will be amended to both add, and strengthen, requirements with respect to the quality of service provided by the service centers of the license owners, including, *inter alia*, with respect to maximum response and average daily response times, hours of operation, obligations to record calls and obligations to publish on the license-owners' websites detailed weekly reports regarding such response times. HOT has submitted its response to the hearings. In parallel, the Ministry of Communications has published a bill to amend the Communication Law to provide that, should a license holder fail to comply with the terms of its license with regard to the proposed amendments relating to response times, a subscriber may claim financial compensation at a fixed price without having to prove any damage. At this stage, HOT is unable to estimate the influence of the amendments, if implemented as currently proposed, on the company's operations and financial performance.

## **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 to provide the necessary capacity to transport signals between two points of termination of a defined network;
- b) Final services or teleservices to provide the complete capacity that makes communication possible among users (e.g. telephone, telex, telegraphic);
- c) Value added services to work as support carrier services, adding some characteristic or facility to the service that is being used on the ground (e.g. internet/intranet systems, voice mail, SMS, electronic mail, digital transmission of information in general);
- d) Broadcasting services: telecommunication services in which the communication takes place normally one way to various points of reception simultaneously (e.g. radio and television).

Law 153-98 provides a basic framework to regulate the installation, maintenance and operation of telecommunications networks and the rendering of telecommunications services. Law 153-98 reaffirms the "Universal Service Principle" by guaranteeing access to telecommunications services at affordable prices in low-income rural and urban areas. Law 153-98 created the "Contribution to the Development of Telecommunications" ("CDT") consisting of a 2% tax fund for the development of the telecommunications sector that is payable by customers and collected by telecommunications providers from customers based on billings to customers for telecommunications services.

According to Law 153-98 the *Instituto Dominicano de las Telecomunicaciones* ("Indotel") is the regulatory body created as a decentralized state entity, with operational, jurisdictional and financial autonomy, with its own patrimony and legal personality, responsible for guaranteeing the existence of sustainable, fair, and effective competition in the rendering of public telecommunications services as well as ensuring the efficient use of the public domain of the radio-electric spectrum.

Law 153-98 sets forth the responsibilities, authorities and procedures of the regulator. Indotel is made up of a Board of Directors and an Executive Director. The Board of Directors is the highest authority of Indotel, composed of five 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 non-discriminatory, strengthening effective and sustainable competition. In case of disagreement between the parties, the regulator shall intervene by means of a motivated resolution, taking as parameters the costs, including a reasonable remuneration for the investment, calculated according to the "Regulation of tariffs and costs of the services".

In accordance with Law 153-98 a concession granted by Indotel is required for providing public Telecommunications services to third parties, with the exceptions set forth in Law 153-98. The authorization process is governed by "Regulations governing on Concessions, Inscriptions in the Special Registries and Licenses to provide Telecommunications Services in the Dominican Republic" contained in Resolution No. 007-02, issued by the Board of Directors of Indotel (as amended by Resolution No. 129-04) ("Resolution 007- 02").

Pursuant to Law 153-98 a license granted by Indotel shall be required for the use of the public radio-electric domain, with the exceptions set forth in the corresponding regulations. The authorization process is governed by Resolution 007-02. When concessions and licenses are required for the rendering of a public telecommunications service, they shall be granted simultaneously.

According to Law No. 153-98 the transfer, assignment, lease or granting of rights of use of any title or the creation of a lien on licenses shall be performed, under penalty of forfeiture, prior to authorization of the regulating authority, which authorization may not be denied without justified cause. The acquirer shall meet all the conditions imposed on the grantor and shall be ruled by the same obligations as the concessionaire or licensee.

Law No. 153-98 constitutes the ratifying instrument of the Fourth Protocol attached to the General Agreement on Commerce of Services (GATS) concerning negotiations on basic telecommunications of the World Trade Organization (WTO), for liberalization of telecommunication services. Law No. 153-98 provides the corresponding regulatory framework to comply with the liberalization commitments undertaken pursuant to said agreement and to guarantee the efficient provision of telecommunications services.

Law 153-98 combined with technological advances and the sustained growth of private investment promotes the development of the telecommunications sector in the Dominican Republic.

### ***Certain Relevant Resolutions of Indotel***

On the grounds of Law 153-98 Indotel issued various resolutions. Some of such 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 (post-paid or pre-paid), regardless of the technology used to provide the service, in order to guarantee the rights of each party explicitly maintaining their respective obligations.

Resolutions 10-12 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 abovementioned regulation sets forth basics rights, including: (i) 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; (ii) their right to choose their service provider; (iii) their right to have a phone number and numeric portability; (iv) their right to sign a contract in accordance with terms,

conditions and rights set forth in this regulation; (v) their right to cancel the service in accordance with the procedure indicated in this regulation.

This regulation considers as “abusive clauses” those imposing conditions on users that affect their interests and rights, and those that are disproportionate, 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 such as to make them conform to reasonable standards. If telecommunications service providers do not amend the contract, Indotel may unilaterally enforce the amendment.

- Resolution No. 64-11 dated July 27, 2011, approved the bill of the National Frequency Allocation Plan (PNAF) drafted by Indotel to be submitted to the Executive Power for its final approval. Decree 520-11 dated August 25, 2011, issued by the Executive Power approved the new PNAF and repealed Decree of the Executive Power No. 518-02 dated July 5, 2002. The new PNAF approved by Decree 520-11 seeks to optimize and rationalize the use of the radio-electric spectrum to efficiently satisfy present and future frequency needs with regard to all systems, equipment and devices that send or receive radio-electric waves within the national territory. According to the PNAF, migration of services shall not restrain the correct functioning of services provided. Indotel is in charge of deciding, applying and resolving all matters arising in connection with the frequencies allocation and migration.
- Resolution No. 156-06 dated August 30, 2006, issued by the Board of Directors of Indotel, that approves the General Regulation related to Numeric Portability, among other resolutions issued by the Board of Directors of Indotel related to numeric portability.
- Resolution No. 022-05 that approves Regulation on Free and Fair Competition for the Telecommunications Sector provides that Indotel will review, authorize, object or condition the operations related to economic concentration which must be previously informed pursuant to said Regulation, in order to comply with the purposes of Law 153-98. Indotel will also investigate and impose sanctions in the cases where the information obligation of the mentioned operations is not complied with.
- Resolution No. 022-05 defines economic concentration in the telecommunications sector as a juridical transaction by means of which the structure of direct or indirect control, total or partial, of one or more providers of public telecommunications services is modified permanently and stably, for the benefit of persons that control other providers of public telecommunications services, whenever such transaction has the potential to modify the structure and functioning of the markets in the telecommunications sector in accordance with the purposes set forth in article 3 of Law No. 153-98.

The providers of public telecommunications services, as well as any other persons subject to said Regulation must previously inform Indotel of all those operations that could result in an economic concentration in the telecommunications sector in the terms therein defined, in order to previously obtain the authorization of Indotel to do so.

In addition to the obligations set forth in Resolution 007-02, relating to requirements for the authorization to transfer the rights or permits, the assessment to determine if there is any economic concentration in the telecommunications sector, will be based in its restrictive, predictable and verified effects, mainly considering certain circumstances set forth in Resolution No. 022-05.

The failure to inform and/or apply for an authorization prior to an economic concentration operation in the telecommunications sector constitutes an infringement of Resolution No. 022-05 that will result in the sanctions set forth therein.

Application for an authorization related to economic concentration must be filed pursuant to the provisions set forth in Chapter VIII of Resolution 007-02, before the Executive Director of Indotel.

- Resolution No. 160-05 dated October 13, 2005, that approves the Regulation concerning Cable Broadcasts and Other Measures, including “Must Carry” provisions;
- Resolution No. 038-11 dated May 12, 2011 that amends the General Ruling concerning Interconnection;
- Resolution No. 025-10 dated March 2, 2010, that approves the Ruling concerning Resolution of Controversies between the Telecommunications Services Providers;
- Resolution No. 151-04 that approves the Regulation concerning the Installation and Use of Common Telecommunications Infrastructures in Properties of Joint Ownership;
- Resolution No. 128-04 that approves the General Regulation concerning the Use of the Radio-Electric Spectrum;
- Resolution No. 120-04 that approves the Regulation concerning Television Broadcasting Service;
- Resolution No. 093-02 dated November 14, 2002, that amends several Articles of Resolution No. 045-02 that approved the Regulation concerning Sound Broadcasting Frequency Modulation (FM);

- Resolution No. 046-02 dated July 20, 2002, that approves the Regulation concerning Sound Broadcasting Amplitude Modulation (AM);

### ***Trademark/Copyright Laws***

From a technical standpoint, broadcasting services are essentially regulated by Law 153-98 and the regulations approved by the regulator. Now, 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 and 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).

The Dominican Republic grants copyright protection to original literary, dramatic, musical and artistic work, 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).

### ***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")). Much of this regulation stems from European directives.

The European regulatory framework is based on the following five directives contained in the "2002 Telecoms Package" of the European Union, which apply to the seven relevant markets defined by European Commission's recommendation 2007/879/CE dated December 19, 2007:

- Directive 2002/21/EC dated March 7, 2002, concerning a common regulatory framework for electronic communications networks and services (the "Framework Directive");
- Directive 2002/19/EC dated March 7, 2002, concerning access to, and the interconnection of, electronic communications networks and associated facilities (the "Access Directive");
- Directive 2002/22/EC dated March 7, 2002, on universal services and users' rights relating to electronic communications networks and services (the "Universal Service Directive");
- Directive 2002/20/EC dated March 7, 2002, concerning the authorization of electronic communications networks and services (the "Authorization Directive"); and
- Directive 2002/58/EC dated July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Privacy and Electronic Communications Directive").

In addition to the 2002 Telecoms Package, the following legislation also applies to the telecommunications sector:

- Directive 2002/77/EC dated September 16, 2002, concerning competition in the markets for electronic communications networks and services (the "Competition Directive");
- Directive 2009/140/EC dated November 25, 2009, amending the Framework, Access and Authorization Directives;
- Directive 2009/136/EC dated November 25, 2009, amending the Universal Services and the Privacy and Electronic Communications Directives and Regulation 2006/2004/EC on cooperation between national authorities responsible for the enforcement of consumer protection laws;
- Directive 2009/114/EC of September 16, 2009, amending Council Directive 87/372/EEC on the frequency bands to be reserved for the coordinated introduction of public pan-European cellular digital land-based mobile communications in the Community;



- Directive 2014/53/EU dated April 16, 2014, on the harmonization of the laws of the Member States relating to the making available on the market of radio equipment and repealing Directive 1999/5/EC Text with EEA relevance;
- Directive 2014/61/EC of May 15, 2014, on measures to reduce the cost of deploying high-speed electronic communications networks.

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 dated as 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;
- Regulation 531/2012/EC of June 13, 2012, on roaming on public mobile communications networks within the European Union (the “Roaming Regulation”);
- 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;
- Decree 2015-217 date February 25, 2015 modifying Decree n°2010-57 concerning the safety and the reporting of information to the public authorities on infrastructure and networks set up in their areas. This decree facilitates communication process to the public authorities of information on infrastructure and networks situated around critically important assets and updates the list of information that operators are not required to provide;
- Regulation 2015/2120/EC of November 25, 2015, laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users’ rights relating to electronic communications networks and services (the “Open Internet Access Regulation”);
- Regulation 2015/2352/EC of December 16, 2015 setting out the weighted average of maximum mobile termination rates across the European Union;
- Regulation on the general protection of personal data adopted by the European Parliament on April 14, 2016 that will soon be published in the Official Journal of the European Union and will replace the Directive 95/46/EC dated October 24, 1995, on privacy protection regarding the processing of personal data and the free movement of such data (the “Personal Data Directive”).

### ***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.

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. In the case of a serious and immediate infringement of the rules, it also could order precautionary measures without any requirement of 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 (decision n° 2013-331). An Ordinance n° 2014-329 dated March 12, 2014, has restored the power of sanction of the ARCEP and henceforth complies with the principle of separation of investigative and sanctioning powers.

Law no. 2015-990 of August 6, 2015, on Economic Growth, Activity and Equal Economic Opportunities amended the CPCE, giving ARCEP new prerogatives in terms of network sharing and allows ARCEP, after obtaining the opinion of the Competition Authority, to request the amendment of existing agreements, by specifying their geographical limits, term or conditions for their implementation. On January 12, 2016, ARCEP published draft guidelines for public consultation, in order to provide operators with greater visibility regarding the consequences of this change in legal framework.

#### *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, like any other operator, in the market of calls terminating on our network (ARCEP Decision No. 2010-1149 dated November 2, 2010). This 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, 2016 the call termination charge applied by operators is set at €0.0078 for fixed telephony and at €0.0076 for mobile telephony (Decision ARCEP No. 2014-1485 dated December 9, 2014).

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 06-0639 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. 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 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 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.

Article 117 of Law no. 2015-990 dated August 6, 2015, on economic growth, activity and equal economic opportunities instituted the status of fiber-covered zone (zone fibrée) that can be obtained once the establishment or operation of a fiber optic network that is open to sharing is advanced enough to trigger measures facilitating the switch over to superfast broadband, i.e., promoting the migration from a copper local loop to optic local loop. Application for the status would be made by the operator that rolls out the new fiber optic network, or by the local authority that established it under Article L. 1425-1 of the local authorities code. The Minister responsible for electronic communications may grant the status after obtaining ARCEP’s opinion.

By Order dated March 1st, 2016, the Ministry of the Economy, Industry and Digitalization and several other governmental agencies reinforced the requirements on information of consumers concerning the use of the term “fibre” in marketing materials, a specific information of the method of connection of the “last mile” and of the download and upload speeds.

### ***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.

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, in other 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 No. 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.

Decree No. 23-10-2013 published in the Journal official on November 1, 2013, confirmed ARCEP Decision No. 2013-0830 of June 25, 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 No. 0600639 of November 30, 2006).

### **Contribution to Universal Service Funding**

Pursuant to Law No. 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 universal service is notably governed by Articles L. 35 et seq. of the CPCE.

Orange was selected following the call for applications launched in 2013 for connection and telephone service components and was designated as service provider for these universal service components until November 2016 (a new operator could be chosen in November 2016).

The cost of the universal service is shared between operators pro rata to their revenues derived from telecommunications services.

Law no. 2015-990 of August 6, 2015, on economic growth, activity and equal economic opportunities removed access to public payphones from universal service.

### **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) (the "1986 AV Law"), the sanctions available to the CSA if an operator fails to comply with the regulatory framework include limiting the scope or reducing the term of the operator's registration, as well as suspending or even withdrawing said registration. The CSA may also impose a fine representing up to 3% of an operator's annual revenue (excluding taxes), 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, 34-4 and 34-5 of the 1986 AV Law.

Moreover, the CSA controls the content of the broadcast channels. In particular, under Article 15 of the 1986 AV Law, 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 has been modified pursuant to Decree 2013-596 dated July 8, 2013 and by Law 1014-315 dated March 11, 2014, reinforcing means to fight against infringement.

Measures to modernize copyright rules (especially the Directive 2001/29/EC) in light of the digital revolution and new consumer behavior have been announced by the European Commission, as part of an ambitious legislative program to create a Digital Single Market. The "Digital Single Market Strategy for Europe", set out in the Commission Communication of 6 May 2015, outlined key areas for legislative action to create a more modern European copyright framework, and to improve access to digital content, as part of its pillar on "Better online access for consumers and businesses across Europe".

A first legislative proposal (proposition of Regulation of December 9, 2015) on cross-border portability of online content services aims at ensuring that consumers who buy or subscribe to films, sport broadcasts,

music, e-books and games can access them when they travel in other EU countries. In 2016 more legislative proposals will follow, as set out in the Commission Communication.

### **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 notice to 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 authorized by the French data protection authority (CNIL), with 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, in particular data concerning the number of visits to our websites. These personal data are, however, processed pursuant to all applicable laws.

Lastly, 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.

The data protection regulatory framework in France and throughout the European Union is in the process of profound change. On April, 14, 2016, the European Parliament adopted the General Data Protection Regulation, which will come into force in the first semester of 2018. This regulation is intended to provide for greater harmonization of the data protection rules throughout the European Union, strengthen the protection of personal data, while reducing the burden of administrative filings.

The Law for a Digital Republic is currently being debated in the French parliament. On January 26, 2016, the National Assembly passed the bill, which now will go to the Senate for review. It envisages:

- the creation of an open data policy for government data;
- a right to data portability (obliging providers of the principal digital services such as email and cloud computing to allow their customers to easily retrieve and transfer their data). Article 12 of the Digital Republic bill (future new Article L.121-121 of the Consumer Code) is intended to promote the transferability of data stored online by introducing an obligation for all providers of electronic communication services to the general public to offer consumers a functionality for retrieving the files they put online as well as the data associated with their accounts;
- a limited right to maintain an internet connection: households experiencing payment difficulties may receive financial assistance from a universal solidarity fund and their connection is to be maintained by their access provider while their assistance request is under examination.

### **Payment services regulations applicable to OPS**

Payment services which Outremer has introduced through a fully owned subsidiary, OPS, are governed in particular by Directive 2007/64/EC Articles L. 522-1 to L. 522-20 and D.522-1 to D. 522-1-2 of the French Monetary and Financial Code (the "FMFC"), as further detailed in a Decree dated October 29, 2009, setting out prudential requirements for payment institutions (the "Decree"). As a payment institution, such subsidiary is controlled by the *Autorité de Contrôle Prudentiel et de Résolution* (the "ACPR").

### **Prior Approval**

Pursuant to the FMFC and the Decree, all payment institutions must be approved by the ACPR. When reviewing the application form, the ACPR seeks to ensure that the payment institution has adequate resources (technical, material and human) and organization to operate in compliance with the relevant regulation and examines, in particular, if the company (i) has a sound system of corporate governance, (ii) has an adequate risk management process and internal control, (iii) has implemented one of the safeguarding

methods in respect of the customers funds, holds initial capital and owns funds equal to a minimum amount determined by one of the three applicable methods, (iv) complies with security and anti money laundering requirements. 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 ACPR***

The FMFC and the Decree provide that some changes require the prior approval of the ACPR, while others only need to be notified to the ACPR. In particular and without limitation the following changes require the ACPR'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 ACPR imposed as a condition to its prior approval.

The ACPR'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 ACPR.

### ***Rules governing the management and organization of payment institutions***

The FMFC and the Decree require payment institutions to abide by a series of management and financial requirements.

### ***Payment agents and outsourcing***

When a payment institution intends to provide payment services through an agent or outsources material services, it must previously get the approval of this agent or provider from the ACPR.

### ***Control by the ACPR***

A payment institution must at all times comply with the requirements set out in the ACPR's approval and the ACPR monitors the compliance of the activities conducted by payment institutions.

The FMFC and the Decree provide that if a payment institution fails to comply with any of the requirements applicable to payment institutions, the ACPR may withdraw its approval. In such a case, the payment institution will be removed from the list of authorized payment institutions within a maximum of 15 months from the ACPR'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 15 month period.

The ACPR may also impose disciplinary sanctions on payment institutions, including their removal from the list of authorized 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 Directives on the Open Network Provision with the law of March 21, 1997, on telecommunications, which initiated the liberalization 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 abovementioned law was substantively amended by the law of May 30, 2005, on electronic communications networks and services which constitute one of the four laws of the Telecom Reform Package.

The Telecom Reform Package is effectively composed of four laws:

- The law of May 30, 2005, on networks and electronic communications services repealed by the law of February 27, 2011, on the networks and electronic communications services (the "Telecom Law");
- The law of May 30, 2005, on the organization of the management of radio frequency spectrum last amended by the law of February 27, 2011 (the "Spectrum Law");
- The law of May 30, 2005, on the organization 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 (the “Personal Data in Electronic Communication Law”).

## **Legal regime**

### *Electronic communications services and network*

Under article 2(27) of the Telecom Law, “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 Law, “electronic communications network” means transmission systems and, where applicable, switching or routing equipment and other resources which permit the conveyance of signals by wire, by radio, by optical or by other electromagnetic means, including satellite networks, fixed (circuit and packet switched, including internet) and mobile terrestrial networks, electricity cable systems, to the extent that they are used for the purpose of transmitting signals, networks used for radio and television broadcasting, and cable television networks, irrespective of the type of information conveyed.

Under Luxembourg regulation, operators are free to provide electronic communications networks and services. Indeed, under article 7 of the law of February 27, 2011, the 2011 E-Law, the provision of electronic communications services and networks can be freely exercised. Any undertaking, however, wishing to engage in such activities must first notify the Luxembourg Regulatory Institute (“LRI”) which regulates electronic communications networks and services.

The undertaking must initiate the notification procedure at least 20 days before commencing. The LRI provides a standard notification form to the undertakings. Upon receipt of the notification, the LRI issues within one week, at the request of the concerned undertaking, a standardized certificate, proving that the entity has duly filed a notification.

In principle, the LRI regulates upstream by preventing any hindrance to competition in regulated sectors and freedom of economic activity while the Luxembourg Competition Council regulates downstream by sanctioning such anti-competitive hindrances.

The LRI is also entrusted with the collection of notifications sent by undertakings planning to provide electronic communications networks and services (“notified undertakings”) and maintains a registry of notified undertakings.

The LRI also has the possibility to impose sanctions on notified undertakings not complying with the related regulations, specifications made in their implementation, and the regulatory measures of the LRI.

The maximum fine that the LRI may impose on notified undertakings is of €1 million. The LRI may also impose a daily fine (penalty) of an amount between €200 and €2,000, fixed according to the economic capacity of the undertaking and the nature of the infringement. Such a fine may be doubled for a second offense.

The LRI may also take complementary or alternative disciplinary sanctions (e.g. warnings, prohibitions on carrying out certain operations, or temporary suspension of one or more managers or directors of an undertaking).

The LRI is entitled to suspend, temporarily or definitely, without giving rise to any right to compensation, the services provided by a notified undertaking after having notified such undertaking of its infringement of the law.

### *Content regulation and protection*

Pursuant to the Personal Data in Electronic Communication Law, 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 scope of criminal offenses in order to ensure national and public security and cookies. In relation to data resulting from commercial transactions and cookies, the user or parties to the

transaction must be informed that their data may be processed, the conditions (in particular the duration) and aim of the storage, and the possibility of the user opposing such data processing.

### *Radio Spectrum*

The use of radio spectrum is regulated by the Spectrum Law and the Grand Ducal decree of April 7, 2011, on the administrative taxes applicable to telecommunications.

The frequencies are granted by the minister responsible for communications, in accordance with the national plan of allocation and assignment of frequencies. This plan allocates specific frequencies by type of use. The aim is to ensure the quality of the service and to avoid interferences. The Minister might consider technological neutrality where all the parameters ensuring service quality for shared channels are known.

Frequencies can be granted upon request or under certain circumstances (e.g. if several candidates request the exclusive use of the same frequency) through an open tendering allowing for the selection of the candidates on one of the following criteria: best offer, competition, or comparison.

The use of spectrum cannot be made license exempt. Nevertheless, spectrum can be made exempt from individual licensing. In this case, general conditions applicable to a certain type of application are pre-defined and, as far as these conditions are met, no individual license is required.

The Grand Ducal decree of April 7, 2011, on the administrative taxes applicable to telecommunications sets out the fees and levies that have to be paid. For some applications, the fees have been defined in the license itself. Generally, the fees are linked to the used amount of the spectrum.

Since the implementation of the law of February 27, 2011, allocating licenses are no longer personal. On that account it is currently possible to sell, transfer or sublease allocated spectrum, thus enhancing the flexibility of spectrum use.

## **Audio visual Media**

### **Overview**

The media sector is mainly governed by the law of July 27, 1991, on electronic media as amended by the law of December 17, 2010, and the law of April 8, 2011, as amended by the law of August 27, 2013 (the "Electronic Media Law") and the law of April 11, 2010, on freedom of expression in electronic media amending the law of June 8, 2004 (as amended), on the freedom of expression in the media sector. A certain number of Grand ducal decrees also regulate the media sector.

In addition, two laws governs the audiovisual production:

- the laws of December 21, 1998, establishing a temporary special tax regime for audiovisual investment certificates; and
- the laws of March 16, 1999, creating a national support fund for audiovisual production.

The media law creates several governmental commissions, the first of which is the Media and Communications Services which assists the Minister in the determination and the execution of the Luxembourg media policy. Its main responsibilities are to:

- promote the development of the programs viewable by the Luxembourg population;
- promote, in concert with other commissions and committees, Luxembourg as a European center for audio visual and communication activities;
- assist government representatives responsible for the supervision of the beneficiaries of licenses or authorization; and
- ensure communication with international organizations responsible for the supervision of the audio visual sector and ensure representative function within certain European committees.

In addition, there is also the Independent Radio broadcasting Commission which has three main functions:

- implementing provisions relating to authorizations of low powers transmitters;
- advising the government in authorization matters; and
- arbitration of specific potential disputes.

Finally, the National Programming Council is an independent body advising the government on matters of surveillance of certain specific television and radio programs and proposes a balanced content for socio-cultural radio programs.



The law of August 27, 2013, modifying the law of July 27, 1991, on electronic media aims at centralizing the competence of the three existing commissions into one single authority, “the Luxembourg Independent Audio-visual Authority”, which gains disciplinary powers and adopts the status of a public institution.

### ***Legal regime***

The Media law has been recently amended in order to adapt itself to the newest sorts of audio visual and radio media. More importance is attributed to content regulation. Rules are set related to enhance the protection for children and non-discriminatory content and the form and the content of commercials advertising are more regulated.

#### *Licenses for distribution of audi-visual media*

Pursuant to article 2 of the Electronic Media Law, any program which is transmitted to the public through a Luxembourg broadcasting frequency is considered a television or radio program. Pursuant to article 3 of the Electronic Media Law, no one can transmit a radio or television program without having obtained prior permission or a license granted by the Prime Minister assisting by the Services of Media and Telecommunications.

Thus, a company willing to develop an audiovisual media service (either a television or an on-demand audiovisual media service) would be required to notify to the Ministry of Economies of its intention to provide such a service either because it is considered as a Luxembourg provider or under some circumstances as a foreign media service provider by the amended Electronic Media Law which provides the applicable criteria in this respect. In that case, the company shall notify the Ministry of Economies at least 20 days prior to launching the service.

#### *License for a Luxembourg satellite program*

Applications for the granting of licenses are required to be sent by email to the Prime Minister and the Department of Media and Communication. Information about the applicant and the relevant program must be attached to the application.

The Department of Media and Communication conducts an initial review. If it is deemed complete, the license application is forwarded to the Independent Commission on broadcasting for advice. The final decision is taken by the government on the advice of the Prime Minister, and the license is granted by the Prime Minister on behalf of the government.

#### *License for Luxembourg cable program (TV and Radio)*

The same process as license for a Luxembourg satellite program is required to be conducted 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 Independent Commission on broadcasting is the body that grants the permission for programs to low power transmitters and make the call for nomination for these frequencies.

## **Internet infrastructure**

### ***Overview***

Internet access services as well as services provided through internet are regulated by the Telecom Law of May 30, 2005, which has been amended by the law of February 27, 2011.

Internet services providers are subject to telecommunications regulation depending on the type of services that is considered (i.e. access services would be regulated by electronic communications laws whereas content would depend on a different set of legislation).

Further, cyber security is one of the priorities of the Luxembourg government. Individuals and companies are encouraged to take appropriate measures to defend themselves against cyber attacks. Similarly, the government has created “CASES Luxembourg” which is a project accessible by all internet users, the purpose of which is to make the public aware of a potential cyber attack inherent to internet use and advises on how to identify them.

In July 2011, the government 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 to remove or disable access to content upon knowledge of facts or circumstances that such content is obviously illegal.

To date, there are no restrictions blocking on service providers by operators. From a legislative point of view, Luxembourg is one of the countries which defended net neutrality in the framework adoption of the telecom package.

### **Legal regime**

Pursuant to article 5 of the Telecom Law, the operation of electronic communication services or networks, notably internet services and IP- services, is subject to a notification to the Luxembourg Institute of Regulation (*Institut Luxembourgeois de Régulation*) (the "ILR").

Concerning internet service providers, the law on electronic commerce as amended of August 14, 2000, provides the obligation for hosting and caching providers to stop the activity or information from the moment that it has an actual knowledge that the activity or information is illegal or from the moment that the facts and circumstances show apparently that the activity or information is unlawful.

### **Others**

The laws listed below may be also applicable to the telecommunication, media and internet sector:

- the law of April 18, 2001, on copyrights as amended;
- the law of August 2 2002, as amended (for the last time by a law of July 28, 2011) regarding the protection of individuals as to the processing of personal data;
- the law of May 15, 2006, related to trademarks;
- the law of August 11, 1982, on privacy;
- the Consumer code introduced by the law of April 8, 2011;
- the law of 2 April 2014, amending, inter alia, the Consumer Code, Electronic Data Protection Law and the Electronic Commerce law;
- the law of 18 July 2014 on cybercrime;
- the law of 25 July 2015 on electronic archiving.

General laws are applicable for all aspects not specifically regulated by laws or regulations, in particular the provisions of the Luxembourg Criminal Code (e.g. in relation to pornography, discrimination, racism, violence theft and privacy).

In addition, a large number of Grand Ducal regulations and other regulations (particularly from ILR) have been adopted in relation to the implementation of various laws.

## MANAGEMENT AND GOVERNANCE

### The Issuer

The Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on August 17, 2012 under the name of “Altice Financing S.A.”. The registered office (*siège social*) of the Issuer is at 3, Boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg. The Issuer’s telephone number is +352 278 58 901. The Issuer is registered with the Luxembourg Register of Commerce and Companies under number B 171162.

The following table sets forth certain information regarding the members of the board of directors of the Issuer as of the date hereof. The number of directors is not subject to any maximum limit. The sole shareholder of the applicable Issuer has the authority to dismiss any director and fill any vacancy.

Name	Age	Position
Jérémie Bonnin.....	41	Chairman
Emilie Schmitz .....	33	Director
Laurent Godineau .....	42	Director

**Jérémie Bonnin**, 41, is a director of the the Issuer. See “—*Altice International—Senior Management*”.

**Emilie Schmitz**, 33, is a director of the Issuer. Before joining Altice, Mrs Schmitz served as an accountant manager of Quilvest Luxembourg Services S.A., a corporate and trust services provider. Prior to joining Quilvest Luxembourg Services S.A. in 2013, Mrs Schmitz was a Senior Advisor at Deloitte SA (Luxembourg). She graduated from the School Robert Schuman of Metz (France) with a bachelor’s degree specializing in accountancy and management.

**Laurent Godineau**, 42, is a director of the Issuer. Before joining Altice, Mr Godineau worked at Quilvest Luxembourg Services S.A., a corporate and trust services provider specialized in private equity funds. Prior to joining Quilvest Luxembourg Services S.A. in 2013, he served as a general manager of Centralis S.A., a corporate and trust services provider. Prior to joining Centralis S.A. in 2007, Mr. Godineau was a Senior Advisor at Alter Domus (Luxembourg). He graduated from the ESC Bretagne Brest with a master’s in Finance and Chartered Accountancy and also holds a Master of Sciences degree in International Business and Finance from the University of Reading.

The business address of the Board of Directors of the Issuer is 3, Boulevard Royal, L-2449 Luxembourg.

### Altice International

#### **Board of Directors**

The following table sets forth certain information regarding the members of the board of directors of Altice International as of the date hereof. The number of directors is not subject to any maximum limit. The sole shareholder of Altice International has the authority to dismiss any director and fill any vacancy.

Name	Age	Position
Jérémie Bonnin.....	41	Chairman
Emilie Schmitz .....	33	Director
Laurent Godineau .....	42	Director

The business address of the Board of Directors of Altice International is 3, Boulevard Royal, L-2449 Luxembourg.

#### **Senior Management**

All of our senior management personnel named below are employees of our parent entity and devote their time as needed to conduct our business and affairs. In addition, the management teams at our various operating subsidiaries have significant experience and are responsible for the day-to-day operations of the relevant operating subsidiary.

**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 has joined Altice in September 2012 as the CFO for the Group. Before joining Altice, he was a Treasurer for Liberty Global since 2005. From 1993 until 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. His experience includes raising and maintaining non investment grade capital across both the loan markets as well as the bond/equity capital market. In his previous capacities he was also responsible for financial risk management, treasury and operational financing. He holds a master of Business Economics of the Erasmus University Rotterdam.

**Jérémie Bonnin, General Secretary.** Jérémie Bonnin, General Secretary of Altice, 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 on the telecom sector. Since his appointment at Altice, he has been involved in all of the Group's acquisitions which have increased its footprint (in France, Belgium, Luxembourg, Switzerland, Israel, the French Overseas Territories, the Dominican Republic, Portugal and the United States). He has a long track record of successful cross-border transactions, and in financial management within the telecom sector. Jérémie Bonnin received his engineering degree from the Institut d'Informatique d'Entreprises in France in 1998. He also graduated from the DECF in France (an equivalent to the CPA).

## **PRINCIPAL SHAREHOLDER**

Altice International, the parent company of the Group, is a wholly-owned indirect subsidiary of Altice. Altice is a public company with limited liability (*naamloze vennootschap*) incorporated and existing under the laws of the Netherlands and its shares are listed on the Euronext Amsterdam. Altice is controlled by Mr. Patrick Drahi.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### **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 December 31, 2015, we estimate that the fair value of the Earnout is NIS 17.1 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 Holdco (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 Holdco received NIS 86.4 million. Furthermore, in August and September 2013, HOT transferred NIS 4.5 million and NIS 1.5 million to Migad and to the other parties, respectively, for their share of the above consideration. No further payments have been made.

### **Relationships with NSFR Group**

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

As members of the NSFR Group prior to the acquisition of Coditel Belgium and Coditel Luxembourg by Coditel Holding (the “Acquisition”), Coditel Belgium and Coditel Luxembourg relied on the NSFR Group for numerous operational functions. Our controlling shareholder Altice holds an approximately 78.14% of the voting interest in the NSFR Group.

#### ***Services Agreement***

On June 30, 2011, the date of closing of the Acquisition, Coditel Holding entered into a services agreement (the “Services Agreement”) with a subsidiary of NSFR Group, Numericable SAS. Pursuant to the Services Agreement, NSFR Group will continue to provide Coditel Holding with all the services it was providing to Coditel Holding prior to the Acquisition, including, mainly:

- VoD platform services and VoD content services;
- Television, IP and voice engineering services;
- Support and assistance in purchasing hardware and devices needed for Coditel Holding operations, and in particular set-top boxes and software, modems, routers and mobile handsets, and also television and VoD content; Numericable France undertakes to use its reasonable efforts to ensure that Coditel Holding obtain the same key terms and conditions as Numericable France for these supplies, but also for IP traffic and voice, web and webmail and material reconditioning;
- Delivery of television channels’ signal and existing data flows over Numericable France’s backbone;
- Upgrade of the billing software; and
- Continued support of Coditel Holding systems currently located in Numericable France’s premises or currently supported from its systems.

In consideration of the services provided, Coditel Holding will pay to Numericable France a total of €100,000 per year. €75,000 will be paid by Coditel Belgium and €25,000 by Coditel Luxembourg. In addition, Coditel Holding, Coditel Belgium and Coditel Luxembourg will pay to Numericable France 10% of their monthly VoD revenues.

The initial term of this agreement is six years and can thereafter be renewed for consecutive one-year periods, unless prior six months’ prior written notice to the contrary by Coditel Holding or by Numericable France. In addition, Numericable France can terminate the Services Agreement by giving six months’ prior written notice in the event that Coditel Holding, Coditel Belgium or Coditel Luxembourg is acquired by a competitor of Numericable France.

### *Trade Mark License Agreement*

On February 4, 2016 NC Numericable S.A.S. and Coditel Holding entered into a brand licencing agreement for the use of the “SFR” trademark by Coditel Holding. The terms of the agreement as substantially the same as the agreement Coditel Holding and Numericable S.A.S entered into on June 30, 2011. Under the agreement, Coditel Holding has agreed to pay a fee of 2% of their annual revenue to NC Numericable S.A.S.

### *IP and voice international call termination*

Coditel Holding also entered into an agreement with Completel for the termination of Coditel Holding’s IP and voice traffic. This agreement is based on Completel’s general terms and conditions, including pricing.

### **French Overseas Territories**

On October 24, 2013, Altice Blue Two SAS (“ABT”), an indirect subsidiary of Altice International and the parent of Le Cable, entered into a services agreement (the “Le Cable Services Agreement”) with the NSFR Group, pursuant to which the NSFR Group agreed to provide to Le Cable certain services, including, amongst others, signal transportation services between France and the West Indies, digital television distribution, Internet and telephony services.

The Le Cable Services Agreement was entered into for an initial term expiring on December 31, 2019 at which time, absent a six-month notice by either party, the contract will be renewed for an indefinite term. From its renewal, the Le Cable Services Agreement may be terminated at any time by either party upon twelve months’ notice. ABT may also terminate the Le Cable Services Agreement or any and all of the services, or any individual service, at any time, upon a one month’s notice. The Le Cable Services Agreement contains a change of control provision pursuant to which it will automatically terminate in the event of a change of control of ABT or any of its affiliates, it being understood that in the event of a change of control of any ABT’s affiliate(s), the Le Cable Services Agreement shall remain in effect in respect of the affiliates not concerned by the change of control.

Pursuant to the trademark licensing agreement included in the Le Cable Services Agreement, the NSFR Group granted a non-exclusive license to ABT to use the Numericable brand to market its products and services in the French Overseas Territories and the Caribbean and the Indian ocean regions. This agreement was entered into for an initial period expiring on December 31, 2019 and is automatically renewed annually, subject to the right of either party to terminate the contract upon three months’ notice before the anniversary date.

Pursuant to the Le Cable Services Agreement, the NSFR Group provides the services described above to Le Cable for an annual consideration of €120,000 plus telephony costs which vary depending on the volumes of minutes and the destination of calls. The Le Cable Services Agreement also provides for specific fees for identified projects such as migration to the white label interface (€150,000) and the LaBox project (€50,000 and an annual license fee of €30,000).

On February 1, 2015, Outremer and NSFR entered into a brand licencing agreement for the use of the “SFR” trademark by Outremer. Outremer has agreed to pay a fee of €3.5 million to NSFR.

### **Call termination fees**

HOT, Wananchi and Cabovisão pay call termination fees on the NSFR Group’s networks for calls made by their subscribers to subscribers of the NSFR Group’s networks, and HOT, Wananchi and Cabovisão receive call termination fees from the NSFR Group for calls made by the NSFR Group’s subscribers to their subscribers. The NSFR Group also provides software licenses and user interaction platform services to most of these operators. All of these services are provided on market terms.

### **Disposal of Valvision**

On June 27, 2013, the Group disposed of its interests in Valvision, a small regional cable operator in France, a small telecommunications operator with business primarily in the cities of Audincourt, Dole, Moretau and Montbeliard with approximately 5,000 individual subscribers and 8,000 bulk subscribers, to the NSFR Group.

### **Auberimmo**

Auberimmo rents infrastructure to the NSFR Group. Auberimmo’s only client is Completel S.A.S., a NSFR Group member. The NSFR Group estimates that the rental payments correspond to the rental value of such infrastructure. For the years ended December 31, 2013, 2014 and 2015, the NSFR Group paid Auberimmo total rental payments of €1.1 million, €0.5 million and €0.7 million, respectively and for the year ended December 31, 2015, the NSFR Group paid Auberimmo total rental payments of an immaterial amount. We

have designated Auberimmo as an unrestricted subsidiary under the terms governing over existing indebtedness.

### ***Content Distribution Agreements***

In October 2013, we acquired Ma Chaîne Sport and SportV (now Altice Entertainment News & Sport). Ma Chaîne Sport and Altice Entertainment News & Sport 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, Portugal, 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 Altice Entertainment News & Sport receive annual fees, which are either fixed or subject to gradual yearly increases, from each of the operators. In addition, Ma Chaîne Sport and Altice Entertainment News & Sport 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.



## DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the terms of the 2012 Senior Secured Notes, the 2012 Senior Notes, the 2013 June Senior Notes, the 2013 December Senior Secured Notes, the 2013 December Senior Notes, the 2013 Term Loan, the 2015 Term Loan, the Coditel Senior Facilities Agreement, the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility Agreement, the 2013 Guarantee Facility, the Existing HOT Unsecured Notes and the Intercreditor Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Capitalized terms not otherwise defined in this section shall, unless the context otherwise requires, have the same meanings set out in the 2012 Indentures, the 2013 June Senior Notes Indenture, the 2013 December Senior Secured Notes Indenture, the 2013 December Senior Notes Indenture, the 2013 Term Loan, the 2015 Term Loan, the Existing Revolving Credit Facility Agreements, the Coditel Senior Facilities Agreement, the 2013 Guarantee Facility, the Existing HOT Unsecured Notes or the Intercreditor Agreement as applicable.

### The 2012 Notes

On December 12, 2012 and December 20, 2012, the Issuer issued \$460 million aggregate principal amount of its 7<sup>7</sup>/<sub>8</sub>% 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 Holdco issued \$425 million aggregate principal amount of its 9<sup>7</sup>/<sub>8</sub>% 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 the Issuer and (i) rank *pari passu* in right of payment with any future indebtedness of the Issuer 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 the Issuer that is expressly subordinated in right of payment to the 2012 Senior Secured Notes, and (iii) are effectively subordinated to any future indebtedness of the Issuer 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, Altice Caribbean, Cool Holding, Hadaros, Altice Holdings, Altice West Europe, Green, Altice Portugal, Altice Bahamas, Tricom, Global Interlink, Altice Hispaniola, PT Portugal and PT OpCo (collectively, the “Guarantors”). Each 2012 Senior Secured Notes Guarantee is a general obligation of the relevant Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor’s 2012 Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantor’s 2012 Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure such Guarantor’s 2012 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Guarantor that does not guarantee the 2012 Senior Secured Notes. The 2012 Senior Secured Notes Guarantees are subject to the terms of the Intercreditor Agreement. The 2012 Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2012 Senior Secured Notes are currently secured on a first-ranking basis by (i) share pledges over all of the share capital of the Issuer and the Guarantors (other than Altice International and Green) (subject to the non-pledged shares of Green’s minority shareholders), (ii) a pledge over the bank accounts and all receivables of the Issuer, including the Issuer Pledged Proceeds Notes, (iii) subject to certain exceptions, a pledge (or an assignment, as applicable) over all of the material assets of each of the Guarantors (other than Altice Portugal, PT Portugal and PT OpCo), including all of the share capital of HOT (other than certain minority shareholder call options and management options), (iv) a pledge over the Existing Senior Notes Proceeds Loans, and (v) a pledge over the Cool Shareholder Loan. See “*Corporate and Financing Structure*”.

Prior to December 15, 2015, the Issuer 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. The Issuer 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, the Issuer 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), the Issuer 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, Holdco 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, the Issuer 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 the Senior Secured Notes Issuer or the Covenant Parties experience specific kinds of changes in control, the Issuer 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 the Issuer, 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 the Issuer so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the 2012 Senior Secured Notes 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 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 Secured Notes have been refinanced with a portion of the proceeds of the Notes. See “*Use of Proceeds*”.

### ***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 Holdco and (i) rank *pari passu* in right of payment with any future indebtedness of the relevant Guarantor, including any existing or future indebtedness of Holdco, 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 Holdco that is expressly subordinated in right of payment to the 2012 Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Holdco 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 the Guarantors and the Issuer (collectively, the “Senior Notes Guarantors”). Each 2012

Senior Notes Guarantee is a general obligation of the relevant Senior Notes Guarantor and (i) is subordinated in right of payment with any existing and future indebtedness of the relevant Senior Notes Guarantor that is not subordinated in right of payment to such 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 Senior Notes Guarantor; (iii) ranks senior in right of payment to all existing and future indebtedness of the relevant Senior Notes Guarantor that is expressly subordinated in right of payment to such Senior Notes Guarantor's 2012 Senior Notes Guarantee; (iv) is effectively subordinated to any existing and future indebtedness of the relevant Senior Notes Guarantor that is secured by property or assets that do not secure such 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 structurally subordinated to the indebtedness and other obligations of any subsidiary of such Guarantor that does not guarantee the 2012 Senior Notes. The 2012 Senior Notes Guarantees are subject to the terms of the 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 are currently secured by (i) a first-ranking share pledge over all of the share capital of Holdco, (ii) second-ranking share pledges over all of the share capital of the Issuer, Altice Holdings and Cool Holding, (iii) second-ranking pledges over the Existing Senior Notes Proceeds Loans, and (iv) a second-ranking pledge over the Cool Shareholder Loan (collectively, the "Senior Notes Collateral").

Prior to December 15, 2016, Holdco 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. Holdco 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, Holdco 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, Holdco 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 Holdco or the Covenant Parties experience specific kinds of changes in control, Holdco 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 Holdco, 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 Holdco 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 no default or event of default outstanding, the 2012 Senior Notes 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 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 June Senior Notes

On June 14, 2013, Holdco issued €250 million aggregate principal amount of its 9% senior notes due 2023 (the "2013 June Senior Notes").

The 2013 June Senior Notes mature on June 15, 2023. Interest on the 2013 June Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 June Senior Notes are general obligations of Holdco and (i) rank pari passu in right of payment with any existing or future indebtedness of Holdco that is not subordinated in right of payment to the 2013 June Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Holdco that is expressly subordinated in right of payment to the 2013 June Senior Notes, and (iii) are effectively subordinated to any future indebtedness of Holdco that is secured by property or assets that do not secure the 2013 June Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 June Senior Notes benefit from guarantees from the Senior Notes Guarantors on a senior subordinated basis (the "2013 June Senior Notes Guarantees"). Each 2013 June Senior Notes Guarantee is a general obligation of the relevant Senior Notes Guarantor and is secured by the Senior Notes Collateral.

Prior to June 15, 2018, Holdco may redeem all or a portion of the 2013 June Senior Notes at a price equal to 100% of the principal amount plus a "make-whole" premium. Holdco may redeem some or all of the 2013 June 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, Holdco may redeem up to 40% of the aggregate principal amount of the 2013 June 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 June Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Holdco may redeem all of the 2013 June 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 Holdco or Altice International experience specific kinds of changes in control, Holdco may be required to make an offer to repurchase the 2013 June Senior Notes at specified redemption prices.

The 2013 June Senior Notes Indenture, among other things, limits the ability of Holdco, 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 June Senior Notes permit the incurrence of indebtedness by Holdco 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 no default or event of default outstanding, the 2013 June Senior Notes 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 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 June 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 June 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 June Senior Notes Indenture, the 2013 June Senior Notes and the 2013 June Senior Notes Guarantees are governed by the laws of the State of New York.

## The December 2013 Notes

On December 12, 2013, the Issuer issued \$900 million aggregate principal amount of its 6<sup>1</sup>/<sub>6</sub>% senior secured notes due 2022 (the “2013 December Dollar Senior Secured Notes”) and €300 million aggregate principal amount of its 6<sup>1</sup>/<sub>6</sub>% senior secured notes due 2022 (the “2013 December Euro Senior Secured Notes” and together with the 2013 December Dollar Senior Secured Notes, the “2013 December Senior Secured Notes”), and Holdco issued \$400 million aggregate principal amount of its 8<sup>1</sup>/<sub>8</sub> senior notes due 2022 (the “2013 December Senior Notes”, and together with the 2013 December Senior Secured Notes, the “December 2013 Notes”).

### The 2013 December Senior Secured Notes

The 2013 December Senior Secured Notes mature on January 15, 2022. Interest on the 2013 December Senior Secured Notes is payable semi-annually in cash in arrears on each July 15 and January 15, commencing July 15, 2014.

The 2013 December Senior Secured Notes are general obligations of the Issuer and (i) rank *pari passu* in right of payment with any existing or future indebtedness of the Issuer that is not subordinated in right of payment to the 2013 December Senior Secured Notes, (ii) rank senior in right of payment to any existing or future indebtedness of the Issuer that is expressly subordinated in right of payment to the 2013 December Senior Secured Notes, and (iii) are effectively subordinated to any existing or future indebtedness of the Issuer that is secured by property or assets that do not secure the 2013 December Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 December Senior Secured Notes are guaranteed on a senior basis by the Guarantors (the “2013 December Senior Secured Notes Guarantees”). Each 2013 December Senior Secured Notes Guarantee is a general obligation of the relevant Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor’s 2013 December Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantor’s 2013 December Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant Guarantor that is secured by property or assets that do not secure such Guarantor’s 2013 December Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Guarantor that does not guarantee the 2013 December Senior Secured Notes. The 2013 December Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2013 December Senior Secured Notes are secured by (i) first-ranking pledges over all of the share capital of the Issuer, all the Guarantors (other than Altice International and Green) and the capital stock of HOT, (ii) a first-ranking pledge over the bank accounts and all receivables of the Issuer, (iii) subject to certain exceptions, first-ranking pledges (or assignments, as applicable) over all of the material assets of each Guarantor (other than Altice Portugal, PT Portugal and PT OpCo), (iv) a first-ranking pledge over the Existing 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. See “*Corporate and Financing Structure*”.

Prior to December 15, 2016, the Issuer may redeem all or a portion of the 2013 December Senior Secured Notes at a price equal to 100% of the principal amount plus a “make-whole premium”. The Issuer may redeem some or all of the 2013 December 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, the Issuer may redeem up to 40% of the aggregate principal amount of each series of the 2013 December 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 December 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 December 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 December Senior Secured Notes Indenture) the Issuer must offer to repurchase the 2013 December 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, the Issuer must offer to repurchase the 2013 December Dollar Senior Secured Notes and the 2013 December 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, the Issuer may redeem all of the 2013 December 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 the Issuer or Altice International experience specific kinds of changes in control, the Issuer may be required to make an offer to repurchase the 2013 December Senior Secured Notes at specified redemption prices.

The indenture governing the 2013 December Senior Secured Notes (the “2013 December Senior Secured Notes Indenture”) among other things, limits the ability of the Issuer and the ability of the other subsidiaries of Altice International (other than Holdco) 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 December Senior Secured Notes permit the incurrence of senior secured indebtedness by the Issuer so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the 2013 December 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 December 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 December 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 December Senior Secured Notes Indenture, the 2013 December Senior Secured Notes and the 2013 December Senior Secured Notes Guarantees are governed by the laws of the State of New York.

### ***The 2013 December Senior Notes***

The 2013 December Senior Notes mature on June 15, 2024. Interest on the 2013 December Senior Notes is payable semi-annually in cash in arrears on each January 15 and July 15, commencing January 15, 2014.

The 2013 December Senior Notes are general obligations of Holdco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Holdco that is not subordinated in right of payment to the 2013 December Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Holdco that is expressly subordinated in right of payment to the 2013 December Senior Notes, and (iii) are effectively subordinated to any existing or future indebtedness of the relevant Guarantor, including any existing or future indebtedness of Holdco, that is secured by property or assets that do not secure the 2013 December Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2013 December Senior Notes benefit from guarantees from the Senior Notes Guarantors on a senior subordinated basis (the “2013 December Senior Notes Guarantees”). Each 2013 December Senior Notes Guarantee is a general obligation of the relevant Senior Notes Guarantor and is secured by the Senior Notes Collateral.

Prior to December 15, 2018, Holdco may redeem all or a portion of the 2013 December Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Issuer may redeem some or all of the 2013 December 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, Holdco may redeem up to 40% of the aggregate principal amount of the 2013 December 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 December Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Holdco may redeem all of the 2013 December 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 Holdco or Altice

International experience specific kinds of changes in control, Holdco may be required to make an offer to repurchase the 2013 December Senior Notes at specified redemption prices. The indenture governing the 2013 December Senior Notes (the “2013 December 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 December Senior Notes permit the incurrence of indebtedness by Holdco 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 no default or event of default outstanding, the 2013 December Senior Notes 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 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 December 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 December 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 December Senior Notes and the 2013 Senior Notes Guarantees are governed by the laws of the State of New York.

### **The 2015 Notes**

On February 4, 2015, the Issuer issued \$2,060 million aggregate principal amount of its 6<sup>5</sup>/<sub>8</sub>% senior secured notes due 2023 (the “2015 Dollar Senior Secured Notes”) and €500 million aggregate principal amount of its 5<sup>1</sup>/<sub>4</sub>% senior secured notes due 2023 (the “2015 Euro Senior Secured Notes”) and together with the 2015 Dollar Senior Secured Notes, the “2015 Senior Secured Notes”), and Holdco issued \$385 million aggregate principal amount of its 7<sup>5</sup>/<sub>8</sub>% senior notes due 2023 (the “2015 Senior Notes”, and together with the 2015 Senior Secured Notes, the “2015 Notes”).

### **The 2015 Senior Secured Notes**

The 2015 Senior Secured Notes mature on February 15, 2025. Interest on the 2015 Senior Secured Notes is payable semi-annually in cash in arrears on each April 1 and October 1, commencing October 1, 2015.

The 2015 Secured Notes are guaranteed on a senior basis by the Guarantors (the “2015 Senior Secured Notes Guarantees”). Each 2015 Senior Secured Notes Guarantee is a general obligation of the relevant Guarantor and (i) ranks *pari passu* in right of payment with any existing and future indebtedness of the relevant Guarantor that is not subordinated in right of payment to such Guarantor’s 2015 Senior Secured Notes Guarantee; (ii) ranks senior in right of payment to all existing and future indebtedness of the relevant Guarantor that is expressly subordinated in right of payment to such Guarantor’s 2015 Senior Secured Notes Guarantee; (iii) is effectively subordinated to any existing and future indebtedness of the relevant Guarantor, including any existing or future indebtedness of Holdco that is secured by property or assets that do not secure such Guarantor’s 2015 Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such indebtedness; and (iv) is structurally subordinated to the indebtedness and other obligations of any subsidiary of such Guarantor that does not guarantee the 2015 Senior Secured Notes. The 2015 Senior Secured Notes Guarantees are subject to release under certain circumstances.

The 2015 Senior Secured Notes are currently secured on a first-ranking basis by the Collateral (other than Collateral provided by Altice International and Altice Portugal).

The 2015 Senior Secured Notes are secured by (i) first-ranking pledges over all of the share capital of the Issuer, all the Guarantors (other than Altice International and Green) and the capital stock of HOT, (ii) a first-ranking pledge over the bank accounts and all receivables of the Issuer, including the Issuer Pledged Proceeds Notes, (iii) subject to certain exceptions, first-ranking pledges (or assignments, as applicable) over all of the material assets of each Guarantor (other than Altice Portugal), (iv) a first-ranking pledge over the

Existing 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. See “*Corporate and Financing Structure*”.

Prior to February 15, 2020, the Issuer may redeem all or a portion of the 2015 Senior Secured Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Issuer may redeem some or all of the 2015 Senior Secured Notes at any time on or after February 15, 2020, 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 February 15, 2018, the Issuer may redeem up to 40% of the aggregate principal amount of the 2015 Senior Secured Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 107.625% of their principal amount of the Senior Secured Notes, 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 2015 Senior Secured Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, the Issuer may redeem all of the 2015 Secured 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 the Issuer or Altice International experience specific kinds of changes in control, the Issuer may be required to make an offer to repurchase the 2015 Senior Secured Notes at specified redemption prices.

The 2015 Senior Secured 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 2015 Senior Secured Notes permit the incurrence of indebtedness by the Issuer 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 no default or event of default outstanding, the 2015 Senior Secured Notes 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 day of the first full fiscal quarter commencing prior to December 12, 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 2015 Senior Secured Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The 2015 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 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 €50 million or more.

The 2015 Senior Secured Notes Indenture, the 2015 Senior Secured Notes and the 2015 Senior Secured Notes Guarantees are governed by the laws of the State of New York.

### **The 2015 Senior Notes**

The 2015 Senior Notes mature on February 15, 2025. Interest on the 2015 Senior Notes is payable semi-annually in cash in arrears on each April 1 and October 1, commencing October 1, 2015.

The 2015 Senior Notes are general obligations of Holdco and (i) rank *pari passu* in right of payment with any existing or future indebtedness of Holdco that is not subordinated in right of payment to the 2015 Senior Notes, (ii) rank senior in right of payment to any future indebtedness of Holdco that is expressly subordinated in right of payment to the 2015 Senior Notes, and (iii) are effectively subordinated to any existing or future indebtedness of Holdco that is secured by property or assets that do not secure the 2015 Senior Notes, to the extent of the value of the property and assets securing such indebtedness.

The 2015 Senior Notes benefit from guarantees from the Senior Notes Guarantors on a senior subordinated basis (the “2015 Senior Notes Guarantees”). Each 2015 Senior Notes Guarantee is a general obligation of the relevant Senior Notes Guarantor and is secured by the Senior Notes Collateral.



Prior to February 15, 2020, Holdco may redeem all or a portion of the 2015 Senior Notes at a price equal to 100% of the principal amount plus a make-whole premium. The Issuer may redeem some or all of the 2015 Senior Notes at any time on or after February 15, 2020, 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 February 15, 2018, Holdco may redeem up to 40% of the aggregate principal amount of the 2015 Senior Notes with the proceeds of certain public or private equity offerings at a redemption price equal to 106.250% of the principal amount of the Senior Notes, 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 2015 Senior Notes remains outstanding after the redemption and the redemption occurs within 180 days after the closing of such equity offering. Further, Holdco may redeem all of the 2015 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 Holdco or Altice International experience specific kinds of changes in control, Holdco may be required to make an offer to repurchase the 2015 Senior Notes at specified redemption prices.

The 2015 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 2015 Senior Notes permit the incurrence of indebtedness by Holdco 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 no default or event of default outstanding, the 2015 Senior Notes 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 day of the first full fiscal quarter commencing prior to December 12, 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 2015 Senior Notes are permitted so long as the consolidated leverage ratio (pro forma for such transaction) is not greater than 4.0 to 1.0.

The 2015 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 €50 million or more.

The 2015 Senior Notes Indenture, the 2015 Senior Notes and the 2015 Senior Notes 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 provides for U.S. dollar term loans (the “2013 Term Loans”) in an aggregate principal amount equivalent to \$1,034 million, was entered into among the Issuer, 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 the Issuer’s option, either (a) a base rate determined by reference to the highest of (1) the U.S. Federal Funds Effective Rate as published by the Federal Reserve Bank of New York plus 0.50%, (2) the rate of interest per annum quoted in the print edition of The Wall Street Journal, Money Rates Section 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 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 the Issuer to prepay outstanding term loans thereunder, subject to certain exceptions, with (i) 100% of the net cash proceeds in excess of a specified threshold amount of certain asset sales, subject to reinvestment rights and certain other exceptions; and (ii) 50% of the annual excess cash flow, which percentage will be reduced to 0% if the Consolidated Leverage Ratio is less than 4.0 to 1.0.

### ***Voluntary Prepayments***

Voluntary prepayments (including any effective prepayment by way of a repricing amendment) of the 2013 Term Loan Facility on or prior to July 2, 2016, are subject to a call premium of 1.00%. Otherwise, the 2013 Term Loan Facility may be voluntarily prepaid at any time subject to customary “breakage” costs with respect to Eurodollar Loans.

### ***Amortization and Final Maturity***

The Issuer is 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 July 2, 2019.

### ***Guarantees***

Each of the 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 Agreement permits the incurrence of senior secured indebtedness by the Issuer so long as the consolidated senior secured leverage ratio (pro forma for such transaction) is not greater than 3.0 to 1.0. Subject to compliance with the same consolidated senior secured leverage ratio (pro forma for such transaction) and so long as there is no default or event of default outstanding, the 2013 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 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 Agreement 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 2013 Term Loan Facility has been refinanced with a portion of the proceeds of the Notes. See “*Use of Proceeds*”.

## **The 2015 Term Loan**

### ***Overview***

On January 30, 2015 the Issuer entered into a senior secured term loan credit facility (the “Initial 2015 Term Loan”) which provided for Euro and U.S. dollar term loans in an aggregate principal amount equivalent to €841 million, with the Issuer as borrower, certain lenders party thereto and Deutsche Bank AG, London Branch and Deutsche Bank AG, New York Branch as the administrative agents and Citibank N.A., London Branch as the security agent (as amended from time to time, the “2015 Term Loan Agreement”). The proceeds of the 2015 Term Loan, together with the other sources of funds, were used to finance a portion of the PT Portugal Acquisition and related fees and expenses. On July 14, 2015, the Issuer and certain of its subsidiaries entered into an incremental term loan agreement under the 2015 Term Loan Agreement with various lenders, pursuant to which such lenders agreed to lend a new Euro denominated tranche of term loans in an aggregate principal amount of €450 million (the “Incremental 2015 Term Loans” and, together with the Initial 2015 Term Loans, the “2015 Term Loans”).

### ***Interest Rate and Fees***

Borrowings under the 2015 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 Effective Rate as published by the Federal Reserve Bank of New York plus 0.50%, (2) the prime rate determined from time to time 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 2.00% 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) 1.00%, 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 1.00%.

The applicable margin means, for any day, with respect to the Initial 2015 Term Loan, (a) with respect to any alternative base rate loan, 3.25% per annum, (b) with respect to any Eurodollar loan, 4.25% per annum; (c) with respect to any Euro denominated loan, 4.25% per annum; and with respect to the Incremental 2015 Term Loans (d), 3.50% per annum.

In addition to paying interest on outstanding principal under the 2015 Term Loan, we are required to pay a ticking fee to the lenders in respect of the unutilized commitments thereunder, payable on the date of each drawing and upon any reduction or termination of the commitments.

### ***Mandatory Prepayments***

The 2015 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 2016, 50% of our annual excess cash flow, which percentage will be reduced to 0% if our Consolidated Net Leverage Ratio is less than 4.5 to 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 Altice International and its Restricted Subsidiaries.

### ***Voluntary Prepayments***

The 2015 Term Loan may be voluntarily prepaid at any time subject to customary “breakage” costs with respect to Eurodollar Loans.

### ***Amortization and Final Maturity***

We are required to make scheduled quarterly payments each equal to 0.25% of the original principal amount of the term loans borrowed under the 2015 Term Loan, with the balance of the Initial 2015 Term Loan expected to be due on February 4, 2022 and the balance of the Incremental 2015 Term Loan expected to be due on July 24, 2022.

### ***Guarantees***

Each Guarantor of the Notes and the Issuer guarantees, on a senior basis, the obligations of each other obligor under the 2015 Term Loan Agreement and related finance documents subject to applicable guarantee limitations specified therein.

## **Security**

The 2015 Term Loan is secured by the same collateral securing, *inter alia*, the Notes.

### **Certain Covenants and Events of Default**

The 2015 Term Loan Agreement includes negative covenants that substantially reflect the covenants contained in the indenture governing the 2015 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 2015 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 2015 Term Loan will be entitled to take various actions, including the acceleration of amounts due under the 2015 Term Loan and all actions permitted to be taken by a secured creditor, subject to the Intercreditor Agreement.

The 2015 Term Loan permits 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 3.0 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 2015 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 February 4, 2015 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 2015 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.

For so long as no default or event of default is outstanding under the relevant debt instrument, and while Altice International or a parent of Altice International is a public company, Altice International 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 by Altice International from certain public equity offerings and (ii) the greater of 5% of the market capitalization of Altice at the time of its initial public offering and 5% of market capitalization of Altice 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 Altice International is 4.0x or less and provided further that the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the capital stock of such parent.

A portion of the 2015 Term Loan has been refinanced with a portion of the proceeds of the Notes. See “*Use of Proceeds*”.

## **The Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility**

### **The Existing Revolving Credit Facility Agreements**

The Existing Revolving Credit Facility Agreements are comprised of: (1) a \$80 million revolving facility (as amended from time to time, the “2012 Revolving Credit Facility”) agreement entered into on November 27, 2012, between, among others, the Issuer, 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 Limited (previously Citibank International plc) as facility agent and Citibank, N.A., London Branch as security agent (the “2012 Revolving Credit Facility Agreement”), (2) a €80 million revolving facility (as amended from time to time, the “2013 Revolving Credit Facility”) agreement entered into on July 1, 2013, between, among others, the Issuer, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Citibank International Limited (previously Citibank International Plc) as facility agent and Citibank, N.A., London Branch as security agent (the “2013 Revolving Credit Facility Agreement”), (3) a €330 million super senior revolving facility (as

amended from time to time, the “2015 Super Senior Revolving Credit Facility”) agreement entered into on January 30, 2015, between, among others, the Issuer, as original borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, J.P. Morgan Limited, Deutsche Bank AG, London Branch, Morgan Stanley Bank International Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Société Générale Corporate and Investment Bank, Nomura International plc, HSBC France and Citigroup Global Markets Limited as mandated lead arrangers, the borrower, Citibank International Limited as facility agent and the Citibank, N.A., London Branch as security agent (the “2015 Super Senior Revolving Credit Facility Agreement”), and (4) a €501 million pari passu revolving facility (as amended from time to time, the “2014 Pari Passu Revolving Credit Facility”, together with the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility and the 2015 Super Senior Revolving Credit Facility, the “Existing Revolving Credit Facilities”) agreement entered into on December 9, 2014, between, among others, the Issuer, as original borrower and guarantor, certain lenders party thereto, Morgan Stanley Bank International Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank USA, J.P. Morgan Limited, Credit Suisse AG, London Branch, BNP Paribas Fortis SA/NV, Crédit Agricole Corporate and Investment Bank, Barclays Bank plc and ING Bank France as mandated lead arrangers, Citibank International Limited as facility agent and Citibank N.A., London Branch as security agent (the “2014 Pari Passu Revolving Credit Facility Agreement”, together with the 2012 Revolving Credit Facility Agreement, the 2013 Revolving Credit Facility Agreement and the 2015 Super Senior Revolving Credit Facility Agreement, the “Existing Revolving Credit Facility Agreements”). Each Existing Revolving Credit Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower”, “borrowers”, “guarantor” or “guarantors” under this section refer to the Issuer and any additional borrowers or guarantors (as applicable) who accede to the Existing Revolving Credit Facility Agreements in that capacity.

### ***Structure of the Existing 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 final maturity date of the 2015 Super Senior Revolving Credit Facility is the earlier of (i) the date falling five years after June 2, 2015 and (ii) the date on which the 2015 Super Senior Revolving Credit Facility has been fully repaid and cancelled. The final maturity date of the 2014 Pari Passu Revolving Credit Facility is the earlier of (i) the date falling five years after December 10, 2014 and (ii) the date on which the 2014 Pari Passu Revolving Credit Agreement has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the Existing 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 the Issuer and the relevant lenders), but no such period shall end beyond the final maturity date of the relevant Revolving Credit Facility Agreement. Drawdowns under the Existing 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 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 Restricted Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the Restricted 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.

As of the Issue Date, we expect that certain lenders under each of the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility may transfer their commitments under such facilities to the 2015 Super Senior Revolving Credit Facility. We do not expect the aggregate commitments under our Existing Revolving Credit Facilities to increase as a result of such transfers.

### ***The 2013 Guarantee Facility***

A guarantee facility agreement for an amount of up to €15 million (the “2013 Guarantee Facility”) was entered into on July 1, 2013 (as amended from time to time), by, among others, the Issuer, as borrower and guarantor, certain lenders party thereto, Goldman Sachs Bank USA, Morgan Stanley Bank International Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch and ING Bank N.V. as mandated lead arrangers, Wilmington Trust (London) Limited as Facility Agent and Citibank, N.A., London Branch as security agent (“2013 Guarantee Facility Agreement”). The 2013

Guarantee Facility has been made available to the borrowers for general corporate and working capital purposes of the Restricted Group, including, but not limited to, the refinancing of all or part of any existing financial indebtedness of the Restricted Group. The 2013 Guarantee Facility Agreement provides for the accession of additional borrowers and guarantors subject to the requirements set out therein. References to the “borrower”, “borrowers”, “guarantor” or “guarantors” under this section refer to the Issuer and any additional borrowers or guarantors (as applicable) who accede to the 2013 Guarantee Facility Agreement in that capacity.

### ***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 Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement are subject to certain customary conditions precedent on the date the drawdown is requested and on the drawdown date including the following (in the case of the Existing Revolving Facility Agreements): (i) no default continuing or occurring as a result of that drawdown; and (ii) certain representations and warranties specified in the Existing Revolving Credit Facility Agreements being true in all material respects. Drawdowns under the 2015 Super Senior Revolving Credit Facility Agreement and under the 2014 Pari Passu Revolving Credit Facility Agreement are subject to the following additional conditions precedent on the date the drawdown is requested and on the drawdown date: other than in respect of rollover loans, the facility agent having received certification from the Issuer that, pro forma for the drawdown, the consolidated leverage ratio for the ratio period immediately preceding the drawdown is not greater than 5.25 to 1.

### ***Interest Rates and Fees***

The interest rate on each loan under the Existing Revolving Credit Facility Agreements for each interest period is equal to the aggregate of: (x) the applicable margin; (y) LIBOR, or, in relation to any loan in Euro, EURIBOR; 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 Restricted Group so that: (a) if the Consolidated Leverage Ratio is greater than or equal to 3.0 to 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 to 1, the applicable margin under the 2012 Revolving Credit Facility Agreement will be 3.75% per annum; and (c) if the Consolidated Leverage Ratio is less than 2.0 to 1, the applicable margin under the 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 2015 Super Senior Revolving Credit Facility Agreement is 3.50% per annum. The margin under the 2014 Pari Passu Revolving Credit Facility Agreement is 4.00% per annum. The margin under the 2013 Guarantee Facility is 3.50% per annum.

Interest under the Existing 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 Revolving Credit Facility Agreements and the 2013 Guarantee Facility, 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 uncanceled commitments from the date falling 30 days after the date of the relevant Existing Revolving Credit Facility Agreement and the 2013 Guarantee Facility (as applicable) until one month prior to the final maturity date of the relevant Existing Revolving Credit Facility Agreement and the 2013 Guarantee Facility (as applicable). 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 an issuance/administration fee in the amount and at the times specified in a fee letter.

## **Guarantees**

Each of the Existing Senior Secured Guarantors guarantees, on a senior basis, the obligations of each other obligor under the Existing Revolving Credit Facility Agreements, the 2013 Guarantee Facility Agreement and, in each case, related finance documents.

## **Security**

The Existing Revolving Credit Facilities and the 2013 Guarantee Facility are secured by the same collateral securing, inter alia, the Existing Senior Secured Notes.

## **Mandatory Prepayment**

For so long as an event of default has occurred and is continuing under the Existing 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 Revolving Credit Facilities in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in each of the Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility, as applicable), the borrowers must repay the Existing 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 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 utilizations 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 Restricted Group, the relevant borrowers must apply an amount equal to such excess in cancellation of the Existing Revolving Credit Facilities and, if applicable, prepayment of the loans drawn thereunder.

Subject to certain exceptions, if an amount in excess of 50% of the Senior Secured Debt (as defined in the 2015 Super Senior Revolving Credit Facility Agreement) is repaid, prepaid, purchased, redeemed or defeased or acquired directly or indirectly by a member of the Restricted Group, the relevant borrowers must apply a pro rata amount of such excess in cancellation of the 2015 Super Senior Revolving Credit Facility and, if applicable, prepayment of the loans drawn thereunder.

Certain excess proceeds received by the borrowers and guarantors 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 Revolving Credit Facilities.

## **Financial Covenants, Events of Default**

Each of the Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility requires the Issuer and the Restricted Group to maintain a Consolidated Leverage Ratio (as defined in each of the Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement), of no more than 5.25 to 1, to be tested at the end of each fiscal quarter.

The Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications would allow the lenders party thereto to: (i) cancel the total commitments; (ii) accelerate all outstanding loans together with other accrued amounts and/or (iii) declare that all or part of the loans be repayable on demand.

Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of collateral will be applied towards repayment of the Existing Revolving Credit Facilities (other than the 2014 Pari Passu Revolving Credit Facility) and certain hedging obligations prior to repayment of the Notes, the 2014 Pari Passu Revolving Credit Facility, the 2012 Senior Secured Notes, the 2013 Term Loan, the 2012 Senior Notes, the 2013 June Senior Notes, the 2013 Guarantee Facility and the 2015 Term Loan.

## **Representations and Warranties**

The Existing 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 Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement contain certain restrictive covenants which substantially reflect the covenants contained in the 2012 Senior Secured Notes and the 2013 Term Loan.

The Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement also require the Restricted 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 authorizations; (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 authorization 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 Revolving Credit Facility Agreements or the 2013 Guarantee Facility Agreement, 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 Agent (as defined in the Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility Agreement, as appropriate)/accountants/other professional advisers having access to investigate reasonably suspected events of default; (x) maintenance and protection of intellectual property rights; (xi) no amendments to constitutional documents that are likely to materially adversely affect the pledges over shares or partnership interests; (xii) an entity not moving its center of main interest from, or having an establishment in any jurisdiction other than, its jurisdiction of incorporation; (xiii) restricting the business and trading activities of and assets and liabilities held by Altice International, Cool Holding, Hadaros and the Issuer; and (xiv) restricting the making of proceeds drawn under the Existing Revolving Credit Facility Agreements or the 2013 Guarantee Facility available to any sanctioned person or sanctioned country.

## **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 €177 million (based on the exchange rate as of September 30, 2014) 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 €145 million (based on the exchange rate as of September 30, 2014) 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, 2014, the CPI linked principal amount of Existing Series A HOT Notes outstanding was NIS 687 million or €148 million (based on the exchange rate as of September 30, 2014) and the principal amount of the Existing Series B HOT Notes outstanding was NIS 535 million or €115 million (based on the exchange rate as of September 30, 2014).

The Existing Series A HOT Notes and the Existing Series B HOT Notes mature on September 30, 2018. The amortization 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 amortization 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 amortization 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 are:

- 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 June Senior Notes, the 2013 December Senior Notes, the 2013 December Senior Secured Notes, the 2015 Senior Notes, the 2015 Senior Secured Notes and the Notes and the 2012 Senior Secured Notes Guarantees, the 2013 June Senior Notes Guarantees, the 2013 December Senior Notes Guarantees, the 2013 December Senior Secured Notes Guarantees, the 2015 Senior Notes Guarantees and the 2015 Senior Secured Notes Guarantees granted by certain Guarantors and certain Senior Notes Guarantors, as applicable.

The Existing HOT Unsecured Notes are not 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.

### **The Intercreditor Agreement**

To establish the relative rights of certain of our creditors, certain obligors under the 2012 Notes, 2013 June Senior Notes, 2013 December Notes, the 2015 Notes, the Existing Revolving Credit Facility Agreements, the 2013 Guarantee Facility, the 2013 Term Loan, the 2015 Term Loan and certain counterparties to hedging obligations relating to the foregoing, have entered into an intercreditor agreement (the "Intercreditor Agreement") with:

- the creditors of the Revolving Credit Facilities (the "RCF Creditors");
- any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements in accordance with the terms of the Intercreditor Agreement (the "Hedging Agreements" and any person that accedes to the Intercreditor Agreement as counterparties to the Hedging Agreements are referred to in such capacity as the "Hedging Banks" and, together with the RCF Creditors, the "Super Priority Creditors");
- any persons that accede to the Intercreditor Agreement under any future term facility (including the 2013 Term Loan and the 2015 Term Loan) or revolving bank facility (including the 2013 Guarantee Facility and the 2014 *Pari Passu* Revolving Credit Facility but excluding the other Existing Revolving Credit Facilities) designated a senior bank facility in accordance with the terms of the Intercreditor Agreement (the "Senior Bank Creditors");
- any persons that accede to the Intercreditor Agreement as trustee (the "Senior Secured Notes Trustee") for the 2012 Senior Secured Notes, the 2013 December Senior Secured Notes, the 2015 Senior Secured Notes and the Notes (and together the "Senior Secured Notes") on its behalf and on behalf of the holders of the Senior Secured Notes (the "Senior Secured Notes Creditors" and, together with any Senior Bank Creditors, the "Senior Creditors" and, together with the Super Priority Creditors, the "Senior Secured Creditors");
- any persons that accede to the Intercreditor Agreement as trustee for the 2012 Senior Notes, the 2013 June Senior Notes, the 2013 December Senior Notes and the 2015 Senior Notes (and together the "Senior Subordinated Notes") (the "Senior Subordinated Notes Trustee" on its behalf and on behalf of the holders of the Senior Subordinated Notes (the "Senior Subordinated Notes Creditors" or the "Senior Subordinated Creditors");
- certain intra-group creditors (the "Intercompany Creditors");
- certain members of the group who are or become structural creditors in respect of certain intra-group liabilities (the "Structural Creditors");
- certain investors (the "Shareholders", together with Intercompany Creditors, the "Subordinated Creditors");
- Citibank, N.A., London Branch, as security agent for the Senior Secured Creditors (the "Security Agent");
- Citibank International plc, as facility agent or any other administrative agent or replacement agent; and

- Citibank, N.A., London Branch as security agent for the Structural Creditors (the “Structural Creditor Security Agent”).

The Intercreditor Agreement provides that future indebtedness may be incurred by us and our subsidiaries subject to the terms of the Intercreditor Agreement and each finance document then existing. Future Super Priority Debt may, however, only be in the form of a revolving credit facility, which is a working capital facility or hedging indebtedness to the extent permitted (or not prohibited) by the terms of each finance document (including the indentures) or consented to by the appropriate parties. The aggregate commitment under all revolving credit facilities (including the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility and the 2015 Super Senior Revolving Credit Facility) that are designated as Super Priority Debt cannot exceed the greater of \$80 million or 4% of total assets at any time.

For the purposes of the Intercreditor Agreement, the creditors of each class of debt will vote together and a representative trustee or agent of debt 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 <sup>2</sup>/<sub>3</sub>% of creditors of that class of debt) (a “Relevant Majority”). Hedging Banks will vote together with the Super Priority Creditors while any Super Priority Debt remains outstanding. In addition, in certain circumstances (as set out in the 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 not been incurred or, if incurred, has been discharged and while any Senior Secured Notes Debt remains outstanding) the Senior Secured Notes Creditors, (ii) (while Senior Bank Debt (as defined below) remains outstanding) the Senior Creditors, and (iii) (if the Senior Secured Debt has been discharged and while the Senior Subordinated Notes Debt remains outstanding) the Senior Subordinated Creditors.

By accepting a Senior Secured Note or a Senior Subordinated Note, as the case may be, the relevant holder thereof shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement.

The following description is a summary of certain provisions, among others, that are contained in the Intercreditor Agreement that relate to the rights and obligations of the Senior Secured Notes Creditors and the Senior Subordinated Notes Creditor. It does not restate the Intercreditor Agreement nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt or capital expenditures.

## Order of Priority

### *Ranking & Priority*

The Intercreditor Agreement provides, subject to certain provisions, that the liabilities of each issuer, obligor or borrower subject to the Intercreditor Agreement (the “Obligors”) (other than the Issuers of the Senior Subordinated Notes) under or in respect of the Existing Revolving Credit Facility Agreements (excluding the 2014 Pari Passu Revolving Credit Facility Agreement, the “RCF Debt”), the Hedging Agreements (the “Hedging Debt” and, together with the RCF Debt, the “Super Priority Debt”), any Senior Bank Facilities, including the 2013 Term Loan, the 2014 Pari Passu Revolving Credit Facility Agreement, the 2015 Term Loan and the 2013 Guarantee Facility (the “Senior Bank Debt”), the Senior Secured Notes (the “Senior Secured Notes Debt” and, together with the Senior Bank Debt, the “Senior Debt”), the Senior Subordinated Notes (the “Senior Subordinated Notes Debt”), structural intra-group debt owed to the Structural Creditors (the “Structural Debt”) and certain liabilities of members of the group owed to Holdco (the “Holdco Debt”) and certain other liabilities will rank in right and order of payment in the following order:

- first*, the RCF Debt, the Hedging Debt, the Senior Bank Debt, the Senior Secured Notes Debt, the Structural Debt and future permitted senior or super priority debt, *pari passu* without any preference among them;
- second*, the Senior Subordinated Notes Debt and future permitted senior subordinated debt, *pari passu* without any preference among them;
- third*, the intercompany debt and the Holdco Debt, *pari passu*, without any preference among them; and
- fourth*, the shareholder debt.

To the extent any liability is owed by Holdco in respect of any debt, the debt will rank in right and order of payment:

- firstly*, the Senior Secured Debt (as defined below), *pari passu* without any preference among such debt; and
- secondly*, the shareholder debt.

### *Priority of Security*

The Intercreditor Agreement provides that the Security (other than any Security created pursuant to the pledge of the shares of Holdco) provided by the Obligors (and any other parties) for the Super Priority Debt, the Senior Debt (together, the “Senior Secured Debt”), the Senior Subordinated Notes Debt (together with the Senior Secured Debt, the “Secured Debt”) will rank in the following order:

- i. *firstly*, the Senior Secured Debt (*pari passu* among such class of debt); and
- ii. *secondly*, the Senior Subordinated Notes Debt.

### **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 Intercreditor Agreement restricts:

- The ability of the Obligors and their subsidiaries to create or permit to subsist any security interest over any of their assets for any debt owed to the Senior Subordinated Creditors and the intercompany creditors and shareholders (the “Subordinated Debt”);
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Notes Debt or the Holdco Debt, or otherwise to provide financial support in relation to such liabilities, except in respect of any Senior Subordinated Notes Debt in connection with any such payment or acquisition of any Senior Subordinated Notes Debt by the Issuer or Holdco in respect of the Senior Subordinated Debt (the “Senior Subordinated Notes Issuer”); and
- the ability of the Senior Subordinated Creditors to enforce the Senior Subordinated Notes Debt or the Holdco Debt and the security relating thereto, to demand or receive payments toward the discharge of any Senior Subordinated Notes Debt, any Holdco Debt or to apply money or property toward the discharge of any Senior Subordinated Notes Debt or any Holdco Debt,

in each case, unless consented to by the applicable Super Priority Creditors and whilst any Senior Debt is outstanding to the extent prohibited by the Senior Designated Debt Documents, the applicable Senior Creditors.

In addition, the Intercreditor Agreement provides that the Security and guarantees relating to the Senior Secured Debt (and the Senior Subordinated Notes Debt) will be released in certain circumstances. See “—Release of Security and Guarantees”. Moreover, certain proceeds received by the Senior Secured Creditors and the Senior Subordinated Creditors or the Subordinated Creditors (other than in connection with the Senior Subordinated Notes Debt of the Senior Subordinated Notes Issuer) must be turned over to the Security Agent pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement. See “—Turnover”.

The Intercreditor Agreement provides for certain additional restrictions on the form, provisions and terms of the documents evidencing the Structural Debt. No Structural Creditor and no member of the Group will be entitled to make material amendments to the documents evidencing the Structural Debt without the prior written consent of the relevant Representative representing the Super Priority Creditors, the Senior Bank Creditors and the Senior Secured Notes Creditors.

### **Limitation of Credit Support**

Pursuant to the 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**

The Intercreditor Agreement permits Obligors to pay, *inter alia*:

1. while any Senior Secured Debt is outstanding, any amounts then due under the Senior Subordinated Notes Debt if:
  - a. the payment is a Permitted Payment (as defined below) (or in lieu thereof, a payment of an amount to the issuer of Senior Subordinated Notes to enable it to make a corresponding Permitted Payment) or is not prohibited under the terms of any documents governing the Senior Secured Debt;
  - b. on the date falling two days prior to the date of payment, no payment default is outstanding (or has been accelerated/placed on demand); and

- c. no Stop Notice (as defined below) is outstanding; or
  - d. with the consent of each of:
    - i. (while any of the Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Creditors;
    - ii. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indenture) the Senior Secured Notes Creditors; and
    - iii. (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited under the Senior Secured Notes Indentures) the Representative representing Relevant Majority of the Senior Secured Notes Creditors;
2. while any Senior Subordinated Debt is outstanding, any amounts under the intercompany debt and the shareholder debt if:
- a. except in relation to an intercompany debt to an Obligor, the amount is due and payable under the terms of the intercompany debt documents;
  - b. the payment is not prohibited under the terms of any documents governing the Senior Secured Debt and/or the Senior Subordinated Notes Debt; and
  - c. in relation to an intercompany debt to a non-Obligor and any shareholder debt, no enforcement trigger event is outstanding; or
  - d. with the consent of each of:
    - i. (while any Super Priority Debt is outstanding) the Representative representing the Relevant Majority of the Super Priority Debt;
    - ii. (while any Senior Bank Debt is outstanding) the Representative representing the Relevant Majority of (A) the Senior Bank Creditors and (B) (only to the extent prohibited by the Senior Secured Notes Indentures), the Senior Secured Notes Creditors;
    - iii. (if any Senior Bank Debt has been discharged but while any Senior Secured Notes Debt is outstanding and only to the extent prohibited under the Senior Secured Notes Indenture (to the extent prohibited by a Senior Secured Notes Designated Debt Document (as defined below)) the Representative representing the Relevant Majority of the Senior Secured Notes Creditors; and
    - iv. (while any Senior Subordinated Debt is outstanding), the Representative representing the Relevant Majority of Senior Subordinated Creditors; and
3. while any Senior Secured Debt is outstanding, the Obligors will only be permitted to make payments of Holdco 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. (while any Senior Bank Debt is outstanding) the Representatives representing the Relevant Majority of (x) the Senior Bank Creditors and (y) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives Senior Secured Notes Creditors; and
    - iii. (if any Senior Bank Debt has been discharged and while the Senior Secured Notes Debt is outstanding) (only to the extent prohibited by the Senior Secured Notes Indenture) the relevant Representatives representing the Relevant Majority of the Senior Secured Notes Creditors; or
  - b. such payments are equal to the amount of payments in respect of the liabilities owed to the Senior Subordinated Notes Creditors.

A Representative representing i) the relevant Senior Bank Lenders or ii) the relevant Senior Secured Notes Creditors or iii) the relevant Super Priority Creditors (each in accordance with its underlying documents) may serve a notice specifying that an event of default is outstanding and suspend the payment of any Senior Subordinated Notes Debt (a "Stop Notice") until the earlier of: (i) 179 days after the Stop Notice, (ii) if an enforcement notice specifying a default under the Senior Subordinated Notes Debt has been served by a Representative of the Relevant Majority of the Senior Subordinated Creditors (an "Enforcement Notice") and a standstill period of 179 days (a "Standstill Period") is already in effect, the date on which the aforementioned

Standstill Period expires, (iii) the date on which the event of default under the relevant Super Priority Debt document or Senior Debt document has been remedied or waived in accordance with the relevant debt document, (iv) the date on which each Representative that served the Stop Notice cancels such Stop Notice, (v) the date on which the creditors with respect to the Senior Subordinated Debt take enforcement action in accordance with (and as permitted by) the Intercreditor Agreement, and (vi) the date the Senior Secured Debt is no longer outstanding. The Stop Notice is to be issued within 45 days of receipt of notice of such default and only one such notice may be served within any 360 day period and not more than one Stop Notice may be served in respect of the same event or set of circumstances. Notwithstanding the foregoing, the Senior Secured Notes Trustee will be entitled to receive and retain certain amounts payable for its own account. A Stop Notice shall be deemed to be in effect if a payment default is outstanding in respect of any Senior Secured Debt.

For purposes of the Intercreditor Agreement, "Permitted Payments" is defined to include certain customary permitted payments which include scheduled payments of interest; amounts payable under Senior Subordinated Notes by way of default interest, liquidated charges or penalty interest; amounts payable under applicable gross up provisions or currency indemnities; fees, costs, expenses and taxes incurred in respect of the issuance and offering of the Senior Subordinated Notes or the ordinary day-to-day administration of the Senior Notes; principal amount of the Senior Subordinated Notes upon or after their originally scheduled maturity; any other amount not exceeding an agreed amount in any 12-month period; note trustee costs and security agent costs; certain permitted defeasance trust payments; amounts funded from the proceeds of issuance of, or exchanged for or converted into certain defined permitted junior securities any other amounts consented to by the Representatives representing the Relevant Majority of each of the Super Priority Debt and Senior Debt.

### ***Restrictions on Enforcement***

Subject to certain limited exceptions, and except with the consent of the Relevant Majority of Super Priority Creditors (while the Super Priority Debt is outstanding) and the Instructing Group, while Senior Secured Debt is outstanding, the Senior Subordinated Creditors cannot (i) demand payment of any Senior Subordinated Notes Debt or Subordinated Debt, (ii) accelerate any of the Senior Subordinated Notes Debt or the Subordinated 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 Senior Subordinated Notes Debt or Subordinated Debt by attachment, set-off, execution or otherwise, (iv) (in the case of Senior Subordinated Creditors) enforce the Security relating to the Senior Subordinated Notes Debt, (v) 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 Senior Subordinated Notes Debt or Subordinated Debt. The aforementioned does not prohibit the Senior Subordinated Creditors from, among others, (i) taking any necessary action to preserve the validity and existence of any claims, (ii) taking any action against any creditor to challenge the basis on which any sale or disposal is to take place pursuant to powers granted under any security documents, (iii) bringing proceedings in relation to violations of securities laws/regulations or for fraud, (iv) solely for injunctive relief to restrain any actual or punitive breach of the indenture governing the Senior Subordinated Notes or for specific performance not claiming damages not inconsistent with the Intercreditor Agreement, (v) against the Senior Subordinated Notes Issuer, or (vi) requesting judicial interpretation of any provision of any Senior Subordinated Creditor finance document. A Senior Subordinated Creditor or Subordinated Creditor 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. Subject to the written instructions of the Security Agent (acting on the instructions of the relevant Creditors entitled to take enforcement action with respect to the Collateral) no Structural Creditor may, while any Senior Secured Debt is outstanding take certain actions in respect of the Structural Debt including (i) accelerate any of the Structural Debt or otherwise declare any of the Structural Debt prematurely due or payable as a result of a default or an event of default (howsoever described), (ii) enforce any of the Structural Debt by attachment, set-off, execution or otherwise, (iii) enforce (or give instructions to the Structural Creditor Security Agent to enforce) the security securing the Structural Debt, (iv) petition (or vote in favor of any resolution in favor of) or initiate or take any steps with a view to any insolvency or any voluntary agreement or assignment for the benefit of creditors or any similar proceedings involving HOT and/or its direct or indirect subsidiaries, (v) sue or bring or support any legal proceedings against HOT and/or any of its direct or indirect Subsidiaries, or (vi) otherwise exercise any remedy for the recovery of any Structural Debt.

In addition to customary termination rights under the Hedging Agreements, the Hedging Banks benefit from certain additional termination rights permitting termination or close-out of the relevant Hedging Agreement prior to its stated maturity in the following circumstances (in each case subject to a grace period of at least 30 days from the date of occurrence of the relevant circumstance, and subject in each individual circumstance to the applicable grace periods set out in the relevant finance document):

- (a) a payment default under any financial indebtedness (subject to any applicable grace period) of Holdco, any Covenant Party or their subsidiaries in excess of \$20 million has occurred;
- (b) a default (other than a payment default) and subsequent acceleration of any amounts of financial indebtedness equal to or greater than \$20 million;
- (c) failure by the Issuer, an Obligor or a Significant Subsidiary (as defined in Senior Secured Notes Indentures) to pay final judgments aggregating in excess of \$20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final;
- (d) any impairment of security and/or guarantees which constitutes an event of default under the Senior Secured Notes Indentures;
- (e) any event of default or prepayment event under the Senior Secured Notes Indentures or any other relevant finance document caused by a change of control; or
- (f) any event of default or prepayment event under the Senior Secured Notes Indentures or any other relevant finance document which is caused as a result of: (i) a cross-default, (ii) a breach of the covenant relating to indebtedness, (iii) a breach of the covenant relating to restricted payments, (iv) a breach of the covenant relating to certain distributions, (v) a breach of the covenant relating to asset sales and subsidiary stock, (vi) a breach of the covenant relating to issuer activities, (vii) a breach of the covenant relating to holding company activities, (viii) a breach of the covenant relating to impairment of security and (ix) a breach of the covenant relating to affiliate transactions.

### ***Permitted Enforcement***

Despite the restrictions of enforcement described above, the Intercreditor Agreement allows the Senior Subordinated Creditors to take the aforementioned enforcement actions while any Senior Secured Debt is outstanding if (i) payment of the Senior Secured Debt has been accelerated or declared prematurely due and payable or payable on demand or the Relevant Majority of Super Priority Creditors and/or Senior Creditors have taken any enforcement action under the security documents in relation to such debt, (ii) certain insolvency, liquidation or other similar enforcement events have occurred with respect to an Obligor (other than an Obligor that is not a borrower or guarantor under any Senior Secured Debt) and such actions are taken with respect to such Obligor, (iii) there is an event of default under the Senior Subordinated Notes Debt for failure to pay principal at its originally scheduled maturity, (iv) the proposed enforcement action has been consented to by the Relevant Majority of Super Priority Debt, Senior Bank Creditors, Senior Secured Notes Creditors or (v) a period (the "Standstill Period") of not less than 179 days has elapsed from the date any Representative of the Senior Secured Creditors received an Enforcement Notice from the Senior Subordinated Creditors relating to an event of default under the applicable documents relating to such Senior Subordinated Debt and such event of default is outstanding at (and has not been waived prior to) the end of the Standstill Period.

The Intercreditor Agreement will require the Security Agent to give prompt notice to the representative of the Senior Subordinated Notes Debt if it is instructed to enforce the security relating to the equity/ownership interest securing Senior Secured Debt (a "Senior Enforcement"). During the period from the giving of that notice to the date that the Security Agent ceases to use all reasonable commercial efforts to carry out that Senior Enforcement as expeditiously as reasonably practicable having regard to the circumstances:

- the Security Agent will not be permitted to enforce any Security over such equity interests in a manner that would adversely affect such Senior Enforcement; and
- no Senior Subordinated Creditor will be permitted to take, or will be permitted to give any instructions to the Security Agent to take, any enforcement action prohibited by the preceding bullet,

provided that the foregoing will not prejudice any other rights of the Senior Subordinated Creditors to take any enforcement action against any other Obligor that are permitted under the Intercreditor Agreement. The Intercreditor Agreement will require the Security Agent to give prompt notice to the Representative of Senior Subordinated Notes Debt of its ceasing to carry out a Senior Enforcement.

## **Enforcement Instructions**

No Senior Secured Creditor or Senior Subordinated Notes Creditor has any independent power to enforce, or have recourse to, any Security except through the Security Agent and the Security Agent shall enforce Security (if then enforceable) if so instructed by (i) while the Super Priority Debt is outstanding, the Relevant Majority of Super Priority Creditors or the Instructing Group, and (ii) after the discharge of the Senior Secured Debt (or if permitted to do so as described above under “—*Limitations on Enforcement*”), the Relevant Majority of Senior Subordinated Creditors. 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 Intercreditor Agreement. The Security Agent is not obliged to enforce the Security if it is not appropriately indemnified by the relevant creditors.

No Structural Creditor has any independent power to enforce, or have recourse to, any security serving the Structural Debt.

To the extent any Super Priority Creditors or the Instructing Group wish to accelerate any debt owing to any Senior Secured Creditor, it must notify the Security Agent and each other Senior Secured Representative at least three business days prior to the date it intends to accelerate. To the extent that the Super Priority Creditors or the Instructing Group wish to enforce Security, they must notify the Security Agent and each other Senior Secured Representative 10 business days prior to the date it issues the enforcement instructions (the “Proposed Enforcement Instruction Date”). 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 the delay) could reasonably be expected to have a material adverse effect on the ability to enforce the Security or the realization of proceeds of enforcement.

While the 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 30 day consultation period between the two parties 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 30 day consultation period has elapsed without the Instructing Group issuing instructions, 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 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 (hereinafter defined). “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 Intercreditor Agreement, the time frame for realization 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 U.S.\$ 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 Holdco Group (being any Covenant Party and Holdco and their respective Subsidiaries from time to time) over which Security exists.

the Security Agent shall, if so requested by (while the 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) “big four” 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 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***

An Obligor may dispose of an asset outside of the Holdco Group if (i) the disposal is not 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 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 Intercreditor Agreement, and, in each case, the Security Agent is authorized to release any Security or any security securing the Structural Debt 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 or any security securing the Structural Debt, 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 is applied in accordance with the relevant finance document and with the Intercreditor Agreement.

Where a disposal relates to (ii) or (iii) above, the Security Agent is only authorized to release the relevant Security and liabilities owing to the Senior Subordinated Creditors if (i) the proceeds are received by the Security Agent in cash (or substantially all cash); (ii) the disposal is made pursuant to a public auction or with an opinion from a restructuring advisor confirming that the disposal price is fair (taking into account all relevant circumstances); (iii) the debt is simultaneously and unconditionally released (and not assumed by a purchaser or affiliate of a purchaser) and (iv) the proceeds are applied in accordance with the Intercreditor Agreement.

Where liabilities in respect of any Senior Secured Debt would otherwise be released, the relevant creditor may elect to transfer such liabilities to Holdco or the original Shareholder. If shares in an Obligor or its holding company are being disposed of 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 Secured 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 Intercreditor Agreement also provides that if any Super Priority Creditor, Senior Secured Creditor (with respect to proceeds from the enforcement of security and proceeds of certain disposals only), Structural Creditor (with respect to proceeds from the enforcement of security securing the Structural Debt only), Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment of any Senior Secured Debt, Structural Debt, Senior Subordinated Notes Debt or Subordinated Debt which is prohibited by the 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 the loss sharing provisions of the Intercreditor Agreement.

### ***Subordination on Insolvency***

After the occurrence of an insolvency event in relation to any Obligor (the “Insolvent Obligor”), the Senior Subordinated 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. Moreover, the shareholder debt and (unless otherwise required by (while the Super Priority Debt remains outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group) the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Secured Debt owed by such Insolvent Obligor.

### ***Filing of Claims***

While any Senior Secured Debt is outstanding, the Security Agent is authorized (acting on the instructions of (while any Super Priority Debt excluding Hedging Debt is outstanding) 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 (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 and (iv) receive all payments of or in respect of any debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under “—*Application of Proceeds*.” Notwithstanding the foregoing, nothing shall (i) entitle any party to exercise or require any other party to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require any Senior Subordinated Notes Creditor to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of any finance documents, or (iii) authorize any Super Priority Creditor or Senior Secured Creditor to take any action against the Senior Subordinated Notes Issuer in respect of the Senior Subordinated Debt.

If the Security Agent is not entitled or does not take any of the actions referred to above the representative of Senior Subordinated Debt, the Senior Subordinated Notes Creditor and the Subordinated Creditors (i) will each do so promptly when requested by the Security Agent (acting on the instructions of (while Super Priority Debt is outstanding) the Relevant Majority of Super Priority Creditors or the Instructing Group subject, in the case of Senior Subordinated Creditors only, to either or both the Super Priority Creditors or the Senior Creditors giving an appropriate indemnity for any costs and expenses which may be reasonably incurred by the Senior Subordinated Creditors and their representative in doing or taking the actions so requested); and (ii) may each do so to the extent permitted as described under “—*Restrictions on Enforcement*.”

### ***Application of Proceeds***

Subject to the rights of any creditor (other than a Secured Creditor or a Structural Creditor) with prior security or preferential claims, (i) 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 realization or enforcement of all or any part of the security in favor of the Senior Secured Debt or Senior Subordinated Notes Debt (other than the pledge of the shares of Holdco), the sale of any asset of any Obligor pursuant to an insolvency event or, an enforcement action, judicial supervised or sanctioned reorganization or

administrative work-out restructuring or otherwise and (ii) all amounts from time to time received or recovered by the Structural Creditor Security Agent in connection with the realization or enforcement of the security securing the Structural Debt, shall be held by the Security Agent or the Structural Security Agent, on trust, in each case to apply them at any time as the Security Agent or the Structural Creditor Security Agent sees fit 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 the Structural Creditor Security Agent and thereafter to the trustees to the Senior Subordinated Notes and Senior Secured Notes of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Super Priority Debt, Senior Bank Debt, Senior Secured Notes Debt and Senior Subordinated Notes 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, the Structural Debt Documents or the Intercreditor Agreement;
- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Super Priority 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 of the balance of the costs and expenses of each Senior Creditor in connection with such enforcement;
- fifth, in payment *pari passu* and pro rata to each representative of Senior Debt for application towards (i) Senior Bank Debt and (ii) Senior Secured Notes Debt;
- sixth, (only to the extent secured) in payment of the balance of the costs and expenses of each Senior Subordinated Creditor in connection with such enforcement;
- seventh, (only to the extent secured) in payment *pari passu* and pro rata to each Senior Subordinated Creditor towards the balance of the Senior Subordinated Notes Debt;
- eighth, in payment of the surplus (if any) to the Obligors or other person entitled to it.

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 or recovered by the Security Agent in connection with the realization or enforcement of Security created pursuant to the pledge of the shares of Holdco shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit in the following order:

- first, in payment of the following amounts in the following order of priority: (i) to the Security Agent and trustee to the Notes and of any amounts due to each such party, and (ii) *pari passu* and pro rata to each representative of Senior Subordinated Notes Debt and of such other senior subordinated 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 Intercreditor Agreement;
- second, in payment *pari passu* and pro rata of the balance of the costs and expenses of each Senior Subordinated Creditor and such other senior subordinated debt creditor in connection with such enforcement;
- third, in payment *pari passu* and pro rata to the representative of the Senior Subordinated Notes Debt and of such other senior subordinated debt for application towards the balance of the Senior Subordinated Notes Debt;
- fourth, in payment of the surplus (if any) to the Obligors or other person entitles to it.

### **Amendment**

Prior consent of each Representative (other than any Senior Subordinated Representative unless in respect of an amendment, waiver or consent under any security document evidencing Security in favor of the Senior Subordinated Creditors) is required for any waivers, consents, or amendments in relation to any security documents (including any Structural Debt Security document) if any such amendments, waivers or consents would adversely affect the nature or scope of the charged property or the nature or scope of the assets which are or expressed to be the subject of security for the Structural Debt (the "Structural Debt Security") or the manner in which the proceeds of enforcement of Security or the Structural Debt Security is distributed.

Any Senior Subordinated Notes documents may be amended in accordance with their terms i) if permitted by the Senior Secured Debt documents or with the consent of (while Super Priority Debt excluding Hedging Debt is outstanding) the representatives representing the Super Priority Creditors, the Senior Bank Creditors and

(but only to the extent prohibited by the indentures governing the Senior Secured Notes) the Senior Secured Note Creditors or ii) in certain other limited circumstances.

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 Senior Subordinated Creditors, the Super Priority Creditors, the Security Agent, Holdco and the Issuer), 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 Secured Notes Creditors and the Majority Senior Subordinated Creditors, the Issuer, the Security Agent and the Structural Creditor Security Agent.

### **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 providing 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 Our 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, 2014, we estimate that the fair value of the Earnout is NIS 75 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 Holdco (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 Holdco 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. See "*Certain Relationships and Related Party Transactions—HOT Mobile Earnout*".

### **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, the Issuer 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 the Issuer.

### *Change of Control*

If a change of control occurs, the Issuer 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 the Issuer, (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 the Issuer 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

the Issuer 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 June Senior Notes and the 2015 Senior Notes do 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 the Issuer 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 the Issuer 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, the Issuer has agreed and acknowledged that (as between HOT and the Issuer 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, the Issuer 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 the Issuer may make available to HOT amounts borrowed by the Issuer 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.

#### **Existing Senior Notes Proceeds Loans**

The Existing Senior Notes Proceeds Loans comprise of the following:

- (i) On the 2012 Transaction Completion Date, in connection with the 2012 Transaction, Holdco 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 the Issuer.
- (ii) On July 2, 2013 Holdco made an intercompany loan of €250 million pursuant to which the proceeds of the 2013 June Senior Notes were loaned to the Issuer (the "2013 June Senior Notes Proceeds Loan").
- (iii) On December 12, 2013 Holdco made an intercompany loan of \$400 million pursuant to which the proceeds of the 2013 December Senior Notes were loaned to the Issuer (the "2013 December Senior Notes Proceeds Loan").
- (iv) On June 2, 2015, Holdco made an intercompany loan to the Issuer pursuant to which it loaned the proceeds of the 2015 Senior Notes to the Issuer (the "2015 Senior Notes Proceeds Loan", and, together with the 2012 Senior Notes Proceeds Loan and the 2013 June Senior Notes Proceeds Loan, the "Existing Senior Notes Proceeds Loans").

The terms of the Existing 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 and its maturity date is the same date as the 2012 Senior Notes. The 2013 June Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 June Senior Notes and its maturity date is the same date as the 2013 June Senior Notes. The 2013 December Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2013 December Senior Notes and its maturity date is the same date as the 2013 December Senior Notes. The 2015 Senior Notes Proceeds Loan accrues interest at a rate equal to the interest rate of the 2015 Senior Notes and its maturity date is the same date as

the 2015 Senior Notes. Payments on the Existing Senior Notes Proceeds Loans are subject to the Intercreditor Agreement.

The Existing Senior Notes Proceeds Loans are pledged as security for the Senior Secured Debt and the Senior Debt.

### **Additional Intercompany Proceeds Loans**

On the 2012 Transaction Completion Date, the Issuer 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. The Issuer expects to make certain additional intercompany loans with a portion of the proceeds of the Notes (the "New Issuer Proceeds Notes") which will be utilized to refinance, in whole or in part, all or any of the intercompany proceeds loans made on the 2012 Transaction Completion Date.

On July 2, 2013 the Issuer made an intercompany loan to Altice Holdings with the proceeds of the 2013 June Senior Notes and the 2013 Term Loan. Altice Holdings made additional intercompany proceeds loans (or subscriptions to bonds), including the Altice West Europe Proceeds Loan, the Outremer Proceeds Loans and the Le Cable Proceeds Loans (the "Covenant Party Pledged Proceeds Loans") to certain entities in the Group in connection with consummation of the 2013 June Transactions.

On December 12, 2013 the Issuer made intercompany proceeds loans to certain entities in the Group with the proceeds of the 2013 December Senior Secured Notes and the 2013 June Senior Notes Proceeds Loan in connection with the consummation of the Tricom Acquisition and the Altice Hispaniola Acquisition.

On December 2, 2014, in connection with the repayment of the Existing Coditel Mezzanine Facility Agreement, the Issuer made intercompany proceeds loans to Altice Holdings in an aggregate principal amount of €126 million. Altice Holdings further on-lent this amount through two intercompany proceeds loans of €19 approximately million and approximately €107 million.

In connection with the PT Portugal Acquisition, the Issuer used amounts borrowed under the 2015 Senior Notes Proceeds Loan, the proceeds of the offering of the 2015 Senior Secured Notes, amounts borrowed under the 2015 Term Loan and certain amounts borrowed under the 2015 Super Senior Revolving Credit Facility to make a proceeds loan (the "2015 AH Proceeds Loan") to Altice Holdings. Altice Holdings used the proceeds under the 2015 AH Proceeds Loan and the ASA Notes Proceeds Contribution to make the AWE Proceeds Loan to Altice West Europe which in turn made the AP Proceeds Loan to Altice Portugal to consummate the PT Portugal Acquisition. Furthermore, Altice Portugal, PT Portugal, PT OpCo, PT Móveis and SIRESP entered into the PT Group Loans as part of the PT Portugal Acquisition.

These loans (other than the AP Proceeds Loan and the PT Group Loans) are pledged as security for the Senior Secured Debt. The 2013 June Senior Notes, 2013 December Senior Notes, the 2012 Senior Notes and the 2015 Senior Notes do not benefit from any security over the intercompany proceeds loans granted by the Issuer.

## DESCRIPTION OF NOTES

You will find definitions of certain capitalized terms used in this “Description of Notes” under the heading “Certain Definitions”. Certain capitalized terms used in this “Description of Notes” may have different definitions than the same term used in other sections of these Listing Particulars. For purposes of this “Description of Notes”, references to the “Issuer” refer only to Altice Financing S.A.

Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*), with registered office at 3 Boulevard Royal, L-2449 Luxembourg (the “*Issuer*”) will be the issuer of the Notes offered hereby. The Issuer is a wholly owned subsidiary of Altice Finco S.A., a Luxembourg public limited liability company (*société anonyme*), with registered office at 3 Boulevard Royal, L-2449 Luxembourg (“*HoldCo*”).

The Issuer has issued \$2,750 million aggregate principal amount of its U.S. dollar-denominated Senior Secured Notes due 2026 (the “*Notes*”) under an indenture (the “*Indenture*”), between, *inter alios*, itself, Altice International S.à r.l. (“*Altice International*”), a private limited company (*société a responsabilité limitée*) incorporated under the laws of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B143.725, Cool, H. Hadaros 2012, Ltd., Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Bahamas, Tricom, Global Interlink, Altice Hispaniola, Altice Portugal, PT Portugal and PT OpCo (collectively, with Altice International, the “*Guarantors*”, and each a “*Guarantor*”), Deutsche Bank Trust Company Americas, as trustee (the “*Trustee*”), Paying Agent, Transfer Agent and Registrar and Citibank, N.A., London Branch, as security agent (“*Security Agent*”).

The gross proceeds of the offering of the Notes sold on the Issue Date have been used (1) to redeem (i) the principal amount outstanding under the 2012 Dollar Senior Secured Notes, at a redemption price equal to 103.938% plus accrued and unpaid interest to the date of redemption and (ii) the principal amount outstanding under the 2012 Euro Senior Secured Notes, at a redemption price equal to 104.000% plus accrued and unpaid interest to the date of redemption, in each case of (i) and (ii), in accordance with the 2012 Senior Secured Notes Indenture, (2) to repay the principal amount outstanding under the 2013 Senior Credit Facility at a prepayment price equal to 101%, together with any accrued and unpaid interest and related premiums (3) to repay \$497.5 million and €398 million aggregate principal amount of term loans outstanding under the Senior Credit Facility and (4) to pay fees and expenses in relation to the foregoing. The foregoing transactions are hereinafter referred to collectively as the “*Refinancing Transactions*” as further described in these Listing Particulars under “*Summary—The Refinancing Transactions*” and “*Use of Proceeds*”. In connection with the Refinancing Transactions, the Issuer may amend and/or restate, modify or replace certain of the Issuer Proceeds Loans issued on December 27, 2012.

The Indenture is unlimited in aggregate principal amount and \$2,750 million aggregate principal amount of Notes have been issued in this offering. We may issue an unlimited principal amount of additional Notes at later dates under the same Indenture (the “*Additional Notes*”); *provided, however*, that we will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness (as described below under “*—Certain Covenants—Limitation on Indebtedness*”) and the Incurrence of Liens (as described below under “*—Certain Covenants—Limitation on Liens*”). The Notes and, if issued, any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise stated in the Indenture. However, in order for any Additional Notes to have the same CUSIP number and ISIN as the Notes, such Additional Notes must be fungible with the Notes for U.S. federal income tax purposes. Unless the context otherwise requires, in this “*Description of Notes*”, references to the “*Notes*” include the Notes and any Additional Notes that are actually issued. The terms of the Notes include those set forth in the Indenture. The Indenture is not qualified under, and will not incorporate by reference any of the provisions of, and is not required to be subject to, the U.S. Trust Indenture Act of 1939, as amended.

This “*Description of Notes*” is intended to be an overview of the material provisions of the Notes and the Indenture, and refers to the Intercreditor Agreement and the Security Documents (as defined below). It does not restate those agreements in their entirety. Since this description of the terms of the Notes is only a summary, you should refer to the Indenture, the form of Notes, the Intercreditor Agreement and the Security Documents for complete descriptions of the obligations of the Issuer and your rights because they, and not this summary, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement are available as set forth under “*Available Information*”. See the section entitled “*Description of Other Indebtedness—Intercreditor Agreement*” for a summary of certain material terms of the Intercreditor Agreement.

The registered holder of a Note will be treated as the owner of such Note for all purposes. Only registered holders will have rights under the Indenture.

## General

### The Notes

The Notes:

- are general obligations of the Issuer;
- are guaranteed by the Guarantors and benefit from the security as set forth below under “—Notes Security”;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including Indebtedness under the Existing Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and certain Hedging Obligations;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- are effectively subordinated to all existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- are effectively subordinated to all existing and future Indebtedness of Subsidiaries of Altice International that are not Guarantors.

### The Note Guarantees

Subject to the following paragraph, the Notes have been guaranteed (the “*Note Guarantees*”) by the Guarantors; *provided that* (i) the Note Guarantee of PT Portugal, together with its guarantee of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €4,634.4 million; (ii) the Note Guarantee of PT OpCo, together with its guarantee of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €968.4 million; and (iii) the Note Guarantees of Altice Portugal, together with its guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €95 million. None of HOT, Altice Blue Two S.A.S (“*Altice Blue Two*”) or any of their Subsidiaries Guarantee the Notes. See “*Corporate and Financing Structure*”.

Each Note Guarantee of the Notes:

- is a general obligation of the relevant Guarantor;
- ranks *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Guarantor’s Note Guarantee, including such Guarantor’s Guarantee of the Issuer’s Indebtedness under the Existing Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility and certain Hedging Obligations;
- ranks senior in right of payment to all existing and future obligations of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- benefits from the security as set forth below under “—Notes Security”;
- is effectively subordinated to all existing and future Indebtedness of that Guarantor that is secured by liens on property or assets that do not secure that Guarantor’s guarantee, to the extent of the value of the property or assets securing such Indebtedness; and
- is effectively subordinated to the Indebtedness and the other obligations of Subsidiaries of Altice International that do not Guarantee the Notes.

The Notes do not benefit from a direct guarantee from HOT or any of its Subsidiaries, Altice Blue Two or any of its Subsidiaries or Coditel Holdco or any of its Subsidiaries. However, as a result of the pledge of:

- the HOT Proceeds Note on December 27, 2012, the Notes indirectly benefit from the HOT Proceeds Note and the HOT Proceeds Note Guarantees by the HOT Proceeds Note Guarantors;
- as a result of the pledge of the OMT Proceeds Loans on July 5, 2013, the Notes indirectly benefit from the OMT Proceeds Loans; and



- as a result of the pledge over the loans outstanding under the Coditel Senior Credit Facility (all of which are held by Altice Holdings), the Notes indirectly benefit from the loans under the Coditel Senior Credit Facility.

In addition, the Existing HOT Unsecured Notes rank *pari passu* with the HOT Proceeds Note to the extent the amount of the HOT Proceeds Note exceeds the value of the assets of the HOT Proceeds Note Obligor and will rank effectively senior to the Notes and the Note Guarantees of the Guarantors in respect of such assets. As of December 31, 2015 the total principal amount of the Existing HOT Unsecured Notes outstanding was approximately NIS 1,062 million.

Further, the obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance under applicable law, or otherwise to reflect limitations under applicable law or capital maintenance regulations. See “*Risk Factors—Risks Relating to the New Notes and the Structure—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*” and “*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*”.

As of December 31, 2015, on an as-adjusted consolidated basis after giving effect to the Refinancing Transactions, including the issuance of the Notes, and the application of the proceeds therefrom as described under “*Use of Proceeds*” elsewhere in these Listing Particulars, Altice International and its Restricted Subsidiaries would have had outstanding €8,373 million equivalent aggregate principal amount of Indebtedness. As of December 31, 2015, on an as-adjusted basis after giving effect to the Refinancing Transactions, including the issuance of the Notes, and the application of the proceeds therefrom, the Issuer would have had €6,572 million equivalent aggregate principal amount of outstanding Indebtedness (in each case, excluding Guarantees of the Indebtedness of Holdco).

Each of Altice International, Altice Holdings, Altice West Europe, Altice Caribbean, Altice Bahamas, Altice Portugal, Cool, H. Hadaros 2012, Ltd., PT Portugal and certain other Guarantors is a holding company and does not conduct any operations and is wholly dependent on payments from its respective Subsidiaries to meet its obligations, including under its Note Guarantee and any Issuer Proceeds Loan to which it is a party.

### **Principal and Maturity**

The Issuer issued \$2,750 million aggregate principal amount of Notes on the Issue Date. The Notes will mature on May 15, 2026 at which time 100% of the principal amount of the Notes shall be payable, unless redeemed prior thereto as described herein. The Notes have been issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

### **Interest**

Interest on the Notes will accrue at the rate of 7.500% per annum.

Interest on the Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on each January 15 and July 15 commencing on January 15, 2017;
- be payable to the holder of record of such Notes on January 1 and July 1 immediately preceding the related interest payment date; and
- computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal and interest, including Additional Amounts, if any, will accrue at a rate that is 1% higher than the interest rate on the Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

### **Methods of Receiving Payments on the Notes**

Principal, interest and premium, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that payments on the Global Notes (as defined below) will be made to Cede & Co. as the registered holder of the Global Notes and DTC or its nominee.

Principal, interest and premium, if any, on any certificated securities (“*Definitive Registered Notes*”) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in New York, New York. In addition, at the option of the Issuer, interest on the Definitive Registered Notes may be paid by check mailed to the Person entitled thereto as shown on the register for the Definitive Registered Notes. See “—*Paying Agent and Registrar for the Notes*”.

### **Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents for the Notes (each, a “*Paying Agent*” and together, the “*Paying Agents*”) in New York, New York. The initial Paying Agent is Deutsche Bank Trust Company Americas.

The Issuer will also maintain one or more registrars (each, a “*Registrar*”). The initial Registrar will be Deutsche Bank Trust Company Americas. The Issuer will also maintain one or more transfer agents (each, a “*Transfer Agent*”, and collectively the “*Transfer Agents*”). The initial Transfer Agent is Deutsche Bank Trust Company Americas. The Registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time, if any, and will facilitate transfers of Definitive Registered Notes on behalf of the Issuer. Each Transfer Agent shall perform the functions of a transfer agent. Each Registrar shall provide a copy of the register and any update thereof to the Issuer and the Issuer shall maintain a register of the Notes at its registered office in order to comply with Luxembourg law (the “*Duplicate Register*”). In case of discrepancy between any register and the Duplicate Register, the Duplicate Register shall prevail for Luxembourg law purposes.

The Issuer may change any Paying Agents, Registrars or Transfer Agents for the Notes without prior notice to the Holders of such Notes. However, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules and the regulations of the Luxembourg Stock Exchange. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

### **Transfer and Exchange**

The Notes have been issued in the form of several registered notes in global form, without interest coupons, as follows:

- The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*144A Global Notes*”).
- The 144A Global Notes were deposited with a custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co., as nominee of DTC on the Issue Date.
- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*Regulation S Global Notes*” and together with the 144A Global Notes, the “*Global Notes*”).
- During the 40-day “*distribution compliance period*” (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Regulation S Global Notes are initially credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the permanent Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Note may be (1) held only through Euroclear and Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A. Ownership of interests in the Global Notes (“*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*”. In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same currency only upon delivery by

the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “*qualified institutional buyer*” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant who owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of \$200,000 in principal amount and integral multiples of \$1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at DTC to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrar will be entitled to treat the registered holder of a Note as the owner of it for all purposes.

## **The Note Guarantees**

### ***General***

As of the Issue Date, the Notes have been Guaranteed by the Guarantors that grant a Note Guarantee on a senior basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The Note Guarantees of Altice Portugal together with its guarantees of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €95 million. The Note Guarantee of PT Portugal, together with its guarantee of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €4,634.4 million. The Note Guarantee of PT OpCo, together with its guarantee of obligations under the Revolving Credit Facilities, the Guarantee Facility, the Existing Senior Secured Notes, the Senior Credit Facility, the Existing Senior Notes, certain Hedging Obligations and certain future Indebtedness that may be incurred shall be limited to €968.4 million.

As of the Issue Date, the Notes did not and will not benefit from a direct guarantee from HOT or any of its Subsidiaries, from Altice Blue Two or any of its Subsidiaries or from Coditel Holdco or any of its Subsidiaries.

The obligations of each Guarantor under its Note Guarantee are or will be, as applicable, contractually limited under the applicable guarantees to reflect limitations under applicable law with respect to maintenance of share capital applicable to such Guarantor and its shareholders, directors and general partners. See *“Limitation on Validity and Enforceability of the Guarantees and the Security Interests”*.

The Issuer is a special purpose finance vehicle and does not conduct, and is prohibited by the Indenture from engaging in, any operations. Upon completion of the Refinancing Transactions, the Issuer’s only assets will be the Issuer Proceeds Loans made on December 27, 2012; July 2, 2013; July 5, 2013; August 8, 2013; March 12, 2014; April 9, 2014; and June 2, 2015 and cash in its bank accounts. As a result, the Issuer is wholly dependent on payments from Altice International and the other Restricted Subsidiaries, including payments made by the borrowers under the Issuer Proceeds Loans, to fund its obligations, including its obligations under the Notes, to the extent it does not otherwise have funds available to it.

The operations of each of Altice International and each of the other Guarantors that are holding companies are conducted through their respective Subsidiaries and, therefore, each of Altice International and such other Guarantors depend on the cash flow of their respective Subsidiaries to meet their respective obligations, including their obligations under Note Guarantees and the Issuer Proceeds Loans to which they are a party. See *“Risk Factors—Risks Relating to the New Notes and the Structure—Altice International and most of the other Guarantors are holding companies and conducts no business of their own and will depend on payments from their direct and indirect subsidiaries to provide them with funds to meet their obligations under the Guarantees.”*

The Note Guarantees are effectively subordinated to the Existing HOT Unsecured Notes. The Existing HOT Unsecured Notes are not subject to the Intercreditor Agreement and, as a result, in the event of an enforcement sale of the shares of Cool, HOT or any of its holding companies, as the case may be, 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. In addition, the Notes and the Note Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of Subsidiaries of Altice International that do not Guarantee the Notes. Any right of the Issuer or any Guarantor to receive assets of any of the Subsidiaries of Altice International that do not Guarantee the Notes upon that non-guarantor Subsidiary’s liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) is effectively subordinated to the claims of that non-guarantor Subsidiary’s creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor, as the case may be, would still be subordinate in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer or such Guarantor.

### **Additional Note Guarantees**

Altice International may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (the *“Additional Guarantors”*) by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an *“Additional Guarantee”*) on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Additional Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. Subject to the foregoing, any Additional Guarantee issued by a Restricted Subsidiary shall be issued on substantially the same terms as the Note Guarantees of the Restricted Subsidiaries that will become Guarantors on the Issue Date. For purposes of the Indenture and this *“Description of Notes”*, references to the Note Guarantees include references to any Additional Guarantees and references to the Guarantors include references to any Additional Guarantors.

### **Releases of the Note Guarantees**

The Note Guarantee of Altice International may be released:

- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in *“—Defeasance”* and *“—Satisfaction and Discharge”*;
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

- as described under “—*Amendments and Waivers*”;
- if Altice International is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under “—*Merger and Consolidation—Altice International*”; or
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Note Guarantee of a Subsidiary Guarantor will terminate automatically:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant Subsidiary Guarantor (whether by direct sale or sale of a holding company of such Subsidiary Guarantor) or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to Altice International or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (i) upon the designation in accordance with the Indenture of that Subsidiary Guarantor as an Unrestricted Subsidiary or (ii) such Subsidiary Guarantor otherwise becomes an Excluded Subsidiary (other than pursuant to clause (1) of the definition thereof);
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “—*Amendments and Waivers*”;
- as described under “—*Certain Covenants—Additional Guarantors*”;
- with respect to any Subsidiary Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under “—*Merger and Consolidation—The Subsidiary Guarantors*”; or
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

The Trustee and the Security Agent (as applicable) shall each take all necessary actions as requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effective without the consent of the Holders or any action on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

## Notes Security

### General

As of the Issue Date, the Notes have been secured by:

- share pledges over all of the Capital Stock of the Issuer and the Guarantors (other than Altice International (with the share pledges over the share capital of Altice Hispaniola, Tricom and Global Interlinks becoming effective upon approval by Indotel));
- a pledge over the bank accounts and all receivables of the Issuer, including the Issuer Proceeds Loans made on December 27, 2012; July 2, 2013; August 8, 2013; March 12, 2014; April 9, 2014; and June 2, 2015;
- a pledge over substantially all of the material assets of each of the Guarantors (other than Altice Portugal, PT Portugal and PT OpCo), including all of the Capital Stock of HOT; *provided that*, to the extent fair market value of a real estate asset owned by ODO, Tricom or Global Interlinks, as the case may be, is less than €5 million, such real estate asset shall be excluded from the relevant pledge;
- a pledge over the HoldCo Proceeds Loans;
- a pledge over the Subordinated Shareholder Loan;
- a pledge over the AWE Proceeds Loans;
- a pledge over the Covenant Party Pledged Proceeds Loans; and
- pledges over all of the Capital Stock of PT Cloud e Data Centers, S.A. (“*PT Cloud*”), and PT Móveis Serviços de Telecomunicações, SGPS, S.A. (“*PT Móveis*”),

(collectively, the “Notes Collateral”)

In the event that the Issuer or the relevant grantor of security is required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Note Guarantees, as applicable, such Security Documents were entered into within 20 Business Days after the Issue Date.

The Notes Collateral also secures Indebtedness under the Revolving Credit Facilities, the Existing Senior Secured Notes, the Senior Credit Facility, the Guarantee Facility and certain Hedging Obligations. The pledge agreements and the other security documents in respect of the Notes Collateral entered into on December 27, 2012; July 2, 2013; July 5, 2013; August 8, 2013; March 12, 2014; April 9, 2014 and June 2, 2015 (or any other date on which security interests in the Notes Collateral were granted in connection with existing Indebtedness), as amended and/or restated, modified or replaced from time to time, in respect of the Notes Collateral are referred to as the “Security Documents”. Any other additional security interests that may in the future be granted to secure the obligations under the Notes, the Note Guarantees and the Indenture would also constitute Notes Collateral. Other than pursuant to the HOT Proceeds Note, the OMT Proceeds Loans and the Coditel Senior Credit Facility, Altice International has only a shareholder’s claim over the assets of HOT and its Subsidiaries, Altice Blue Two and its Subsidiaries and Coditel Holdco and its Subsidiaries, which are junior to the claims that creditors of HOT and its Subsidiaries have against HOT and such Subsidiaries, the claims of the creditors of Altice Blue Two and its Subsidiaries have against Altice Blue Two and such Subsidiaries and the claims of the creditors of Coditel Holdco and its Subsidiaries have against Coditel Holdco and such Subsidiaries. Holders of the Notes are only creditors of the Issuer and the Guarantors and do not have any direct claim on the cash flows or assets of HOT and its Subsidiaries, Altice Blue Two and its Subsidiaries or Coditel Holdco and its Subsidiaries, and none of HOT, Altice Blue Two or Coditel Holdco and their respective Subsidiaries will have any obligation, contingent or otherwise, to pay amounts due under the Notes or the Note Guarantees or to make funds available to the Issuer or the Guarantors for those payments (other than their respective obligations to pay certain amounts due to the Issuer under the HOT Proceeds Note and amounts due to Altice Holdings under the OMT Proceeds Loans and the Coditel Senior Credit Facility).

The assets of Altice Portugal, PT Portugal and PT OpCo secure the Notes subject to the applicable Aggregate Portuguese Security and Guarantee Limit Amount.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, Altice International and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured on the Notes Collateral, including any Additional Notes, certain Indebtedness under Credit Facilities (including revolving credit facility Indebtedness which may be Super Priority Indebtedness) and Hedging Obligations (which in the case of Interest Rate Agreements and Currency Agreements may be Super Priority Indebtedness) and certain other Hedging Obligations (which may be Super Priority Indebtedness), in each case, permitted under the Indenture and other Indebtedness of Altice International and its Subsidiaries. In addition, subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, HOT and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured on the HOT Proceeds Note Collateral and Altice Blue Two and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured on the OMT Proceeds Loans Collateral.

The proceeds from the sale of the Notes Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Holders of the Notes. No appraisals of the Notes Collateral have been made in connection with this offering of Notes. By its nature, some or all of the Notes Collateral will be illiquid and may have no readily ascertainable market value. In addition, certain Liens over the Notes Collateral may not be enforced without the prior consent of the Israeli Minister of Communications, including the Liens over the Capital Stock of HOT and Cool. Accordingly, the Notes Collateral may not be able to be sold in a short period of time, or at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the security interests in some of the Notes Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Notes Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See “*Description of Other Indebtedness—The Intercreditor Agreement*” and “*Risk Factors—Risks Relating to the New Notes and the Structure—The value of the Collateral may not be sufficient to satisfy our obligations under the New Notes and such Collateral may be reduced or diluted under certain circumstances, which may be time consuming and cumbersome*”. Certain Collateral and Guarantees will be limited to a specified maximum amount.

The creditors under the Revolving Credit Facilities, the trustee under the Existing Senior Secured Notes Indentures, the creditors under the Senior Credit Facility, and the Guarantee Facility, the counterparties to certain Hedging Obligations and the Trustee have, and by accepting a Note, each holder will be deemed to

have, irrevocably appointed the Security Agent to act as its agent and security agent under the Intercreditor Agreement and the Security Documents. The creditors under Revolving Credit Facilities, the trustee under the Existing Senior Secured Notes Indentures, the creditors under the Senior Credit Facility and the Guarantee Facility, counterparties to certain Hedging Obligations and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

### **Security Documents**

Under the Security Documents, the applicable grantor of security has granted or will grant security over the Notes Collateral to secure the payment when due of the Issuer's and/or the Guarantors' payment obligations under the Notes, the Note Guarantees and/or the Indenture (as applicable). The Security Documents to be entered into will be, and the existing Security Documents have been, entered into by the relevant security provider and the Security Agent as agent for the secured parties referred to therein. When entering into the Security Documents, the Security Agent has acted and will act in its own name, but also as a representative of the secured parties (including the Holders from time to time). Under the Intercreditor Agreement, the Security Agent will also act on behalf of the holders of the Existing Senior Secured Notes and the Existing Senior Notes, the lenders under the Revolving Credit Facilities, the Senior Credit Facility, the Guarantee Facility, the counterparties under certain Hedging Obligations, and holders of any additional Indebtedness that is permitted to be secured by the Notes Collateral in favor of such parties.

The Indenture provides that, subject to the terms thereof, and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by the security interest in the Notes Collateral that is created by the Security Documents and secures obligations under the Notes, the Note Guarantees and/or the Indenture (the "*Security Interests*"). Such Security Interests in the Notes Collateral will also secure the obligations under the Revolving Credit Facilities, the Existing Senior Secured Notes, the Senior Credit Facility, the Guarantee Facility, the counterparties to certain Hedging Obligations and certain other Indebtedness permitted by the Indenture to be incurred in the future and secured by such Notes Collateral. However, the Security Interests may be released under certain circumstances as provided under "*—Release of Note Collateral*" below. See "*Risk Factors—Risks Relating to the New Notes and the Structure—There are circumstances other than repayment or discharge of the New Notes under which the Collateral and the Guarantees will be released automatically, without your consent or the consent of the Trustee*".

The Security Documents provide that the rights with respect to the Notes and the Note Guarantees must be exercised by the Security Agent. Because the Holders will not be a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

In the event that Altice International, a Subsidiary of Altice International or other grantor of a security interest in the Notes Collateral enters into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the New Notes and the Structure—Each Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*" and "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*".

### **Release of Notes Collateral**

The Issuer and the Guarantors will be entitled to release the Security Interests in respect of the Notes Collateral securing the Notes and the Note Guarantees under any one or more of the following circumstances:

- (1) in connection with (i) an exercise of the Minority Shareholder Call Option or (ii) any sale or other disposition of the Notes Collateral (other than the pledge over all of the Capital Stock of the Issuer (the "*Issuer Share Pledge*")) to a Person that is not Altice International or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*", but only in respect of the Notes Collateral sold or otherwise disposed of;
- (2) in connection with the release of a Guarantor from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

- (3) if Altice International designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary (other than the Issuer Share Pledge and the pledges over the HoldCo Proceeds Loans);
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- (5) in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement (see “*Description of Other Indebtedness—The Intercreditor Agreement—Restrictions on Enforcement*”);
- (6) as described under “—*Amendments and Waivers*”, “—*Certain Covenants—Impairment of Security Interests*” and the second paragraph under “—*Certain Covenants—Limitation on Liens*”;
- (7) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;
- (8) to release and re-take any Lien on any Notes Collateral to the extent not otherwise prohibited by the terms of the Indenture, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) in connection with a transaction permitted by the covenant described below under the caption “—*Certain Covenants—Merger and Consolidation*”;
- (10) with the consent of holders of at least 75% in aggregate principal amount of Notes (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes); or
- (11) with respect to any Notes Collateral that is transferred to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, and with respect to any Securitization Asset that is transferred in one or more transactions, to a Receivables Subsidiary pursuant to a Qualified Receivables Financing, but only in respect of the Notes Collateral so transferred.

Upon certification by the Issuer, the Trustee (to the extent action is required by it) and the Security Agent shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Agent and the Trustee (as applicable) will take all necessary action required to effectuate any release of the Notes Collateral, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

### **The Issuer Proceeds Loans**

On the December 27, 2012, the Issuer made:

- (1) an Issuer Proceeds Loan to Cool in aggregate principal amount of approximately NIS 1,052.8 million (€247.8 million equivalent as of December 31, 2015);
- (2) an Issuer Proceeds Loan to H. Hadaros 2012 in aggregate principal amount of approximately NIS 955.5 million (€224.9 million equivalent as of December 31, 2015);
- (3) an Issuer Proceeds Loan to HOT, in aggregate principal amount of approximately NIS 1,900 million (€447.3 million equivalent as of December 31, 2015); and
- (4) a revolving note facility available to HOT in aggregate principal amount of NIS 320 (€75.3 million equivalent as of December 31, 2015) million with each borrowing thereunder to be made pursuant to an Issuer Proceeds Loan.

On July 2, 2013, the Issuer made an Issuer Proceeds Loan to Altice Holdings in aggregate principal amount of €933 million. On August 8, 2013, the Issuer made an Issuer Proceeds Loan to Altice Holdings in aggregate principal amount of €69.2 million. On March 12, 2014, the Issuer made an Issuer Proceeds Loan to Altice Holdings in an aggregate principal amount of €400 million. On April 9, 2014, the Issuer made Issuer Proceeds Loans to Altice Holdings in an aggregate principal amount of €300 million and \$900 million (€829.0 million equivalent as of December 31, 2015), respectively.

On June 2, 2015, the Issuer made an Issuer Proceeds Loan to Altice Holdings in aggregate principal amount of €3,724 million equivalent.

See “*Description of Other Indebtedness—HOT Refinancing Note*” and “—*Additional Intercompany Proceeds Loans*”.



Each Issuer Proceeds Loan has been or will be assigned as Notes Collateral to secure the Obligations of the Issuer and the Guarantors under the Notes and the Note Guarantees.

Upon an event of default under the Notes, HOT and its Subsidiaries, Altice Blue Two and its Subsidiaries and Coditel Holdco 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, any repayment premiums or accrued and unpaid interest thereon, under the Notes. Further, the HOT Proceeds Note Guarantors will only guarantee HOT's obligations under the HOT Proceeds Note. The HOT Proceeds Note Guarantees are limited to an aggregate amount equal to the outstanding HOT Proceeds Note, which may vary from time to time in accordance with the terms of the HOT Proceeds Note. Holders of the Notes will only be able to seek remedies against (i) the HOT Proceeds Note Obligors in the event of an event of default under the applicable HOT Proceeds Note, in each case, indirectly as a result of the assignment of the applicable HOT Proceeds Note and/or the ability of the holders of the Notes to direct the actions of the Issuer in connection with the applicable HOT Proceeds Note in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby; (ii) Altice Blue Two or the applicable Restricted Subsidiary of Altice Blue Two in the event of an event of default under the applicable OMT Proceeds Loan, in each case, indirectly as a result of assignment of such OMT Proceeds Loan and/or the ability of the holders of the Notes to direct the actions of Altice Holdings in connection with a OMT Proceeds Loan in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby; and (iii) Coditel Holdco or the applicable Restricted Subsidiary of Coditel Holdco in the event of an event of default under the Coditel Senior Credit Facility, in each case, indirectly as a result of the assignment of the Coditel Senior Loans and/or the ability of the holders of the Notes to direct the actions of Altice Holdings in connection with the Coditel Senior Loans in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby.

The HOT Proceeds Note is effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of HOT's non-guarantor Subsidiaries (including the bank guarantee provided by HOT Mobile to the State of Israel which, based on having achieved a market share calculated in accordance with the license agreement, HOT requested the Israeli Ministry of Communications, and the Israeli Ministry of Communications agreed, to reduce to an amount of NIS 80 million and that is secured by a pledge of all of the assets of HOT Mobile). Any right of the Issuer to receive assets of any of HOT's non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation or reorganization (and the consequent indirect right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Issuer would still be subordinate in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Issuer.

Only the security agent under the HOT Proceeds Note will be able to enforce the security interests in the HOT Proceeds Note Collateral at a time that an event of default under the applicable HOT Proceeds Note is continuing. As a result, upon the occurrence of an Event of Default, the Trustee and the Holders of the Notes will not have the right to enforce such security interests in the HOT Proceeds Note Collateral and, subject to the Intercreditor Agreement, will only have the right to enforce the first-ranking pledge over the HOT Proceeds Note. The Holders of the Notes must then rely on the ability of the Issuer to enforce its rights under the HOT Proceeds Note upon an event of default thereunder in order to access the HOT Proceeds Note Collateral. An Event of Default will not trigger an event of default under the HOT Proceeds Note.

Only the security agent under the OMT Proceeds Loans will be able to enforce the security interests in the OMT Proceeds Loans Collateral at a time that an event of default under the applicable OMT Proceeds Loan is continuing. As a result, upon the occurrence of an Event of Default, the Trustee and the Holders of the Notes will not have the right to enforce such security interests in the OMT Proceeds Loans Collateral and, subject to the Intercreditor Agreement, will only have the right to enforce the first-ranking pledge over the applicable OMT Proceeds Loan. The Holders of the Notes must then rely on the ability of Altice Holdings to enforce its rights under such OMT Proceeds Loan upon an event of default thereunder in order to access the OMT Proceeds Loans Collateral securing such OMT Proceeds Loan. An Event of Default will not trigger an event of default under any OMT Proceeds Loan.

Only the security agent under the Coditel Senior Credit Facility will be able to enforce the security interests in the collateral securing the Coditel Senior Credit Facility (the "*Coditel Collateral*") at a time that an event of default under the Coditel Senior Credit Facility is continuing. As a result, upon the occurrence of an Event of Default, the Trustee and the Holders of the Notes will not have the right to enforce such security interests in the Coditel Collateral and, subject to the Intercreditor Agreement, will only have the right to enforce the first-ranking pledge over the loans under the Coditel Senior Credit Facility (the "*Coditel Senior Loans*"). The Holders of the Notes must then rely on the ability of Altice Holdings to enforce its rights under such Coditel Senior Loan upon an event of default thereunder in order to access the Coditel Collateral. An Event of Default may not trigger an event of default under the Coditel Senior Credit Facility.

## **The HOT Proceeds Note Guarantees**

### **General**

The HOT Proceeds Note has been guaranteed by the HOT Proceeds Note Guarantors on a senior basis for the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise of, all payment obligations of the HOT under the HOT Proceeds Note, whether for payment of principal of or interest on or in respect of the HOT Proceeds Note, fees, expenses, indemnification or otherwise.

The obligations of each HOT Proceeds Note Guarantor under its HOT Proceeds Note Guarantee are contractually limited under the applicable guarantees to reflect limitations under applicable law with respect to maintenance of share capital applicable to such HOT Proceeds Note Guarantor and its shareholders, directors and general partners. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests*".

### **Additional HOT Proceeds Note Guarantees**

HOT may from time to time designate a Restricted Subsidiary of HOT as an additional guarantor of the HOT Proceeds Note, and each such additional HOT Proceeds Note Guarantor will, jointly and severally, with the other HOT Proceeds Note Guarantors, irrevocably guarantee on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of HOT under the HOT Proceeds Note, whether for payment of principal of or interest on or in respect of the HOT Proceeds Note, fees, expenses, indemnification or otherwise. The obligations of any such additional HOT Proceeds Note Guarantor will be contractually limited under its guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such additional HOT Proceeds Note Guarantor and its shareholders, directors and general partner.

### **Releases of the HOT Proceeds Note Guarantees**

The HOT Proceeds Note Guarantee of a HOT Proceeds Note Guarantor may be released:

- upon a sale or other disposition (including by way of consolidation, merger, amalgamation or combination) of the Capital Stock of the relevant HOT Proceeds Note Guarantor (whether by direct sale or sale of a holding company of such HOT Proceeds Note Guarantor) or the sale or disposition of all or substantially all the assets of the HOT Proceeds Note Guarantor (other than to the Issuer, Altice International or a Restricted Subsidiary), in each case if the sale or other disposition does not violate the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";
- upon the designation in accordance with the Indenture of that HOT Proceeds Note Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in "*Defeasance*" and "*Satisfaction and Discharge*";
- as described under "*Amendments and Waivers*";
- as described under "*Certain Covenants—Additional Note Guarantees*";
- as described under "*Direct Obligation Events*"
- with respect to any HOT Proceeds Note Guarantor that is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction that complies with the provisions described under "*Merger and Consolidation—HOT Proceeds Note Obligors*"; or
- upon the full and final payment and performance of all obligations of HOT under the HOT Proceeds Note.

## **HOT Proceeds Note Security**

### **General**

The HOT Proceeds Note and the HOT Proceeds Note Guarantees have been secured by Liens over substantially all of HOT's and the HOT Proceeds Note Guarantor's assets but excluding (a) the licenses issued by the Israeli Ministry of Communications, which are not assignable as a matter of law, and (b) certain end-user equipment (the "*Excluded Assets*"). In addition, the HOT Proceeds Note and the HOT Proceeds Note Guarantees are secured by first ranking security interests on a first priority basis over all of the Capital Stock of each HOT Proceeds Note Guarantor. The foregoing property and assets subject to such security interests are referred to herein as the "*HOT Proceeds Note Collateral*". Any other additional security interests that may in the future be granted to secure the HOT Proceeds Note and the HOT Proceeds Note Guarantees would also constitute HOT Proceeds Note Collateral.

Subject to certain conditions, including compliance with the covenants described under “—*Certain Covenants—Limitation on Liens*” and “—*Certain Covenants—Impairment of Security Interests*”, HOT and its Restricted Subsidiaries are permitted to incur certain additional Indebtedness in the future that may be secured on the HOT Proceeds Note Collateral.

The proceeds from the sale of the HOT Proceeds Note Collateral remaining after sharing with other creditors entitled to share in such proceeds may not be sufficient to satisfy the obligations owed to the Issuer as a lender under the HOT Proceeds Note. No appraisals of the HOT Proceeds Note Collateral have been made in connection with this offering of Notes or the offering of the Existing Senior Secured Notes. By its nature, some or all of the HOT Proceeds Note Collateral will be illiquid and may have no readily ascertainable market value. In addition, certain Liens over the HOT Proceeds Note Collateral may not be enforced without the prior consent of the Israeli Ministry of Communications. Accordingly, the HOT Proceeds Note Collateral may not be able to be sold in a short period of time, or at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the security interests in some of the HOT Proceeds Note Collateral, by reference to the interests of other creditors. These limitations may include requirements that some or all of the HOT Proceeds Note Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See “*Description of Other Indebtedness—The Intercreditor Agreement*” and “*Risk Factors—Risks Relating to the New Notes and the Structure—The value of the Collateral may not be sufficient to satisfy our obligations under the New Notes and such Collateral may be reduced or diluted under certain circumstances, which may be time consuming and cumbersome and certain Collateral and Guarantees will be limited to a specified maximum amount*”.

### **Security Documents**

Under the HOT Security Documents, the HOT Proceeds Note Obligors grant security over the HOT Proceeds Note Collateral to secure the payment when due of HOT’s and the HOT Proceeds Note Guarantors’ payment obligations under the HOT Proceeds Note and the HOT Proceeds Note Guarantees. The HOT Security Documents will be entered into by the relevant security provider and the Security Agent as agent for the secured parties referred to therein.

Each of the HOT Proceeds Note and the Indenture provides that, subject to the terms thereof and of the HOT Security Documents and the Intercreditor Agreement, the HOT Proceeds Note and the HOT Proceeds Note Guarantees, as applicable, are secured by the security interest in the HOT Proceeds Note Collateral that is created by the HOT Security Documents and secures obligations under the HOT Proceeds Note or the HOT Proceeds Note Guarantees (the “*HOT Proceeds Note Security Interest*”). Such HOT Proceeds Note Security Interests in the HOT Proceeds Note Collateral may also secure certain other Indebtedness permitted by the Indenture and the HOT Proceeds Note to be Incurred in the future and secured by the HOT Proceeds Note Collateral. However, the HOT Proceeds Note Security Interests may be released under certain circumstances as provided under “—*Release of HOT Proceeds Note Collateral*” below. See “*Risk Factors—Risks Relating to the New Notes and the Structure—There are circumstances other than repayment or discharge of the New Notes under which the Collateral and the Guarantees will be released automatically, without your consent or the consent of the Trustee*”.

### **Release of HOT Proceeds Note Collateral**

The HOT Proceeds Note Obligors will be entitled to release the HOT Proceeds Note Security Interests in respect of the HOT Proceeds Note Collateral under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of the HOT Proceeds Note Collateral to a Person that is not HOT or a Restricted Subsidiary of HOT or, to the extent after such sale or other disposition such assets are pledged to secure the obligations under the Notes, the Note Guarantees and the Indenture, Altice International or any Restricted Subsidiary of Altice International (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, but only in respect of the HOT Proceeds Note Collateral sold or otherwise disposed of;
- (2) in connection with the release of a HOT Proceeds Note Guarantor from its HOT Proceeds Note Guarantee pursuant to the terms of the HOT Proceeds Note, the release of the property and assets, and Capital Stock, of such HOT Proceeds Note Guarantor;
- (3) if the Issuer designates any Restricted Subsidiary of HOT to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;

- (5) as described under “—*Amendments and Waivers*”, “—*Certain Covenants—Impairment of Security Interests*” and the second paragraph under “—*Certain Covenants—Limitation on Liens*”;
- (6) upon the full and final payment and performance of all obligations of HOT under the HOT Proceeds Note;
- (7) to release and re-take any Lien on any HOT Proceeds Note Collateral to the extent not otherwise prohibited by the terms of the HOT Proceeds Note and the HOT Security Documents;
- (8) in connection with a transaction permitted by the covenant described below under the caption “—*Certain Covenants—Merger and Consolidation*”; or
- (9) with the consent of holders of at least 75% in aggregate principal amount of Notes (including, without limitation, consent obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes);

In addition, all of the HOT Proceeds Note Collateral may be release in connection with the HOT Direct Obligation Event, described below under “—*Direct Obligation Events*”.

### ***Direct Obligation Events***

Altice International may at any time elect to cause the HOT Proceeds Note Obligors to become direct Guarantors of the Notes by causing each of them to execute and deliver a supplemental indenture in the form attached to the Indenture pursuant to which HOT and each HOT Proceeds Note Guarantor will provide a Note Guarantee on a senior basis in an amount equal to or greater than the HOT Proceeds Note and the Guarantees thereof as of the date of such HOT Direct Obligation Event. Concurrently with the granting of such Note Guarantee, HOT and each HOT Proceeds Note Guarantor will grant an equivalent Lien over all of its assets that constitute HOT Proceeds Note Collateral on such date. In connection therewith, the HOT Proceeds Note Guarantees and the HOT Proceeds Note Collateral will be released, *provided* that no Default or Event of Default is outstanding or would result from any of the foregoing (collectively, the “*HOT Direct Obligation Event*”).

Altice International may at any time elect to cause Altice Blue Two and its Subsidiaries that are obligors or guarantors under an OMT Proceeds Loan (the “*OMT Proceeds Loan Guarantors*”, together with Altice Blue Two, the “*OMT Proceeds Loan Obligors*”) to become direct Guarantors of the Notes by causing each of them to execute and deliver a supplemental indenture in the form attached to the Indenture pursuant to which each OMT Proceeds Loan Obligor will provide a Note Guarantee on a senior basis in an amount equal to or greater than the applicable OMT Proceeds Loan and the Guarantees thereof (if any) as of the date of such OMT Direct Obligation Event. Concurrently with the granting of such Note Guarantee, such OMT Proceeds Loan Obligor will grant an equivalent Lien over all of its assets that constitute OMT Proceeds Loans Collateral on such date. In connection therewith, the applicable OMT Proceeds Loan Guarantees and the applicable OMT Proceeds Loans Collateral will be released, *provided* that no Default or Event of Default is outstanding or would result from any of the foregoing (collectively, the “*OMT Direct Obligation Event*”).

### **Intercreditor Agreement**

To establish the relative rights of certain creditors of the Group under its financing arrangements, including, without limitation, the lenders under the Revolving Credit Facilities, the lenders under the Guarantee Facility, the lenders under the Senior Credit Facility, the counterparties under certain Hedging Obligations secured on the Notes Collateral, the trustee and the holders of notes under the indentures governing the Existing Senior Secured Notes and the trustee and the holders of notes under the indentures governing the Existing Senior Notes, Altice International and the Guarantors, the agents under the Revolving Credit Facilities, the agent under the Guarantee Facility, the agents under the Senior Credit Facility, the trustee under the indentures governing the Existing Senior Secured Notes, the trustee under the indentures governing the Existing Senior Notes, and certain hedging counterparties and the Security Agent entered into or acceded to the Intercreditor Agreement. Please see “*Description of Other Indebtedness—Intercreditor Agreement*”. On the Issue Date the Trustee became party to the Intercreditor Agreement. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facilities (other than the 2014 Pari Passu Revolving Credit Facility), certain Hedging Obligations that are permitted to be secured on the Notes Collateral (see “*Certain Definitions—Permitted Collateral Liens*”) and any other Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Notes Collateral on a super-priority basis will receive priority over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral pursuant to the Intercreditor Agreement. Any proceeds received upon any enforcement over any Notes Collateral, after all obligations under the Revolving Credit Facilities (other than the 2014 Pari Passu Revolving Credit Facility) have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied pro rata in repayment of all obligations under the Indenture, the Notes, the Existing Senior Secured Notes, the Senior Credit Facility, the

Guarantee Facility, and the 2014 Pari Passu Revolving Credit Facility and any other Indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by the Note Collateral on a senior basis pursuant to the Indenture and the Intercreditor Agreement.

Subject to the Security Interest becoming enforceable, the Holders of the Notes (together with any other holders of senior secured indebtedness of the Issuer and the Guarantors that is not Super Priority Indebtedness) and the holders of Super Priority Indebtedness, in each case acting through their respective agent or trustee, are entitled to instruct the Security Agent on enforcement of the Notes Collateral. In the event either group of creditors issues conflicting enforcement instructions, subject to certain exceptions, a 30-day consultation period is required. In the event both creditor groups do not agree on the manner of enforcement after the consultation period, the Intercreditor Agreement provides that the Security Agent will act on the instructions of an “*instructing group*” consisting of a majority of the aggregate principal amount of the Notes and all other senior secured indebtedness (except Super Priority Indebtedness) of the Issuer and the Guarantors then outstanding. If all Super Priority Indebtedness is not repaid within six months after date on which either creditor group issues proposed enforcement instructions or the Security Agent has not commenced any enforcement action within three months of such date, thereafter instructions of the majority holders of Super Priority Indebtedness will prevail. See “*Description of Other Indebtedness—The Intercreditor Agreement*”.

The Indenture also provides that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

#### **Additional Intercreditor Agreements; Agreement to Be Bound**

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under “—*Certain Covenants—Additional Intercreditor Agreements*”.

The Indenture provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement and to have authorized the Trustee and the Security Agent to enter into any such Intercreditor Agreement or any such Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

As of the Issue Date, all of Altice International's Subsidiaries were Restricted Subsidiaries other than Holdco, Green Datacenter and Auberimmo SAS. However, in the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*”, Altice International will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture.

#### **Optional Redemption**

Except as described below and except as described under “*Redemption for Changes in Withholding Taxes*”, the Notes are not redeemable until May 15, 2021. On and after May 15, 2021 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of the Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on May 15 of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2021 .....	103.750%
2022 .....	102.500%
2023 .....	101.250%
2024 and thereafter .....	100.000%

Prior to May 15, 2019, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Notes (including the principal amount of any Additional Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.500% of the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption

date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 60% of the original principal amount of the Notes (including the principal amount of any Additional Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering.

At any time prior to May 15, 2021, the Issuer may also redeem all or, from time to time, a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

In connection with any tender offer or other offer to purchase for all of the Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice following such purchase date, to redeem all Notes that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer (other than any incentive payment for early tenders), plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, the repurchase date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a tender offer or other offer to purchase for all of the Notes, as applicable, Notes owned by an affiliate of the Issuer or by funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer or other offer, as applicable.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or the portion thereof called for redemption on the applicable redemption date.

Any redemption notice given in respect of the redemption of any series of the Notes (including upon an Equity Offering or in connection with a transaction (or series of related transactions) or an event that constitutes a Change of Control) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including, but not limited to, the completion or occurrence of the relevant transaction, as the case may be. In addition, if such redemption or purchase is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (including more than 60 days after the date the notice of redemption was mailed or delivered, including by electronic transmission) as any or all such conditions shall be satisfied or waived, or such redemption or purchase may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date as so delayed, or such notice may be rescinded at any time in the Issuer's discretion if in the good faith judgment of the Issuer any or all of such conditions will not be satisfied. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. In no event shall the Trustee be responsible for monitoring, or charged with knowledge of, the maximum aggregate amount of the Notes eligible under the Indenture to be redeemed.

If the Issuer effects an optional redemption of Notes, it will, for so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

### **Sinking Fund**

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

## Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected in accordance with the procedures of DTC or if DTC prescribes no method of selection, then the Issuer will instruct the Trustee or the Registrar to select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar or if the Notes are not so listed or such exchange prescribes no method of selection, based on a method that most nearly approximates a *pro rata* selection or by lot; *provided, however*, that no Note of \$200,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by it or DTC in accordance with this paragraph.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will (if such Notes are in certificated form) mail notice of redemption to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. If such Notes are in global form, notice of redemption will be delivered to DTC for communication to the entitled account holder. Such notice of redemption may also be posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

## Redemption for Changes in Withholding Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of such Notes, the Issuer or any Guarantor is or would be required to pay Additional Amounts, and (a) the Issuer or the relevant Guarantor cannot avoid such requirement by taking reasonable measures available to it (including the designation of a different Paying Agent), (b) in the case of a Guarantor, such amounts cannot be paid by the Issuer or any other Guarantor who in turn can pay such amounts without the obligation to pay Additional Amounts and (c) the requirement arises as a result of:

- (1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction (as defined in "*—Withholding Taxes*" below) which change or amendment is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such payment or withholding if a payment in respect of such Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of such Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of independent tax counsel to the effect that there has been such amendment or change which would entitle the Issuer to redeem the Notes hereunder. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that (a) it or the relevant Guarantor cannot avoid its obligation to pay Additional Amounts by the Issuer or the relevant Guarantor taking reasonable measures available to it and (b) in the case of a Guarantor, the amounts giving rise to such

obligation cannot be paid by the Issuer or any other Guarantor without the obligation to pay Additional Amounts.

In the absence of bad faith on its part, the Trustee will accept and shall be entitled to conclusively rely without further inquiry on such Officer's Certificate and Opinion of Counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes and any political subdivision thereof or therein.

### **Withholding Taxes**

All payments made under or with respect to the Notes or any Note Guarantee have been and will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, assessment or other governmental charge, including any related interest, penalties or additions to tax ("*Taxes*") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business for tax purposes or resident for tax purposes or any political subdivision or governmental authority thereof or therein having power to tax or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent for the Notes) or any political subdivision thereof or therein (each, a "*Tax Jurisdiction*") will at any time be required to be made from any payments made under or with respect to the Notes or any Note Guarantee, including, without limitation, payments of principal, redemption price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by each holder or beneficial owner of the Notes after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any actual or deemed present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including, without limitation, being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), other than connections arising from the holding of such Note or any Note Guarantee, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes or any excise Taxes imposed on transfers;
- (4) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;
- (5) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner and made at least 60 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally eligible to provide such certification or documentation;
- (6) all United States federal backup withholding taxes;



- (7) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), as of the Issue Date (or any amended or successor version of such sections), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code; or
- (8) any combination of items (1) through (7) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (8) inclusive above.

In addition to the foregoing, the Issuer and the Guarantors, as the case may be, will also pay and indemnify the holder or beneficial owner for any present or future stamp, issue, registration, court or documentary Taxes, or any other excise or property Taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect thereto, or the enforcement of, any of the Notes or any Note Guarantee (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (7) above).

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, each of the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 10 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 10 days prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer’s Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay such Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer’s Certificate as conclusive proof that such payments are necessary.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a holder or beneficial owner upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity’s efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

Whenever in the Indenture or in this “*Description of Notes*” there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, and any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated or organized, engaged in business for tax purposes or resident for tax purposes (and any political subdivision or governmental authority thereof or therein having power to tax) and any jurisdiction from or through which payment is made by or on behalf of such Person on the Notes or any Note Guarantee and any political subdivision thereof or therein.

### **Change of Control**

If a Change of Control Triggering Event occurs, subject to the terms of the covenant described under this heading “*Change of Control*”, each Holder will have the right to require the Issuer to repurchase all or any part (equal to \$200,000 or an integral multiple of \$1,000 in excess thereof) of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase the Notes as described under this heading, “*Change of*

*Control*”, in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below \$200,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control Triggering Event or, at the Issuer’s option, at any time prior to a Change of Control Triggering Event following the public announcement thereof or if a definitive agreement is in place for the Change of Control, the Issuer will send a notice (the “*Change of Control Offer*”) to each Holder of any such Notes by mail or otherwise in accordance with the procedures set forth in the Indenture, with a copy to the Trustee:

- (1) stating that a Change of Control Triggering Event has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);
- (2) stating the repurchase date (which shall be no earlier than 10 days from the date such notice is mailed nor later than the later of 60 days from the date such notice is mailed and 60 days after the Change of Control Triggering Event) (the “*Change of Control Payment Date*”) and the record date;
- (3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control Triggering Event;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased;
- (6) if such notice is mailed prior to the occurrence of a Change of Control Triggering Event, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control Triggering Event; and
- (7) certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See “*Risk Factors—Risks Relating to the New Notes and the Structure—We may not be able to obtain enough funds necessary to finance an offer to repurchase the New Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the New Indentures) as required by the New Indentures*”.

On the Change of Control Payment Date, if the Change of Control Triggering Event shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the applicable Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and

- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent, at the Issuer's expense, will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly instruct its authenticating agent to authenticate and, at the Issuer's expense, mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount that is at least \$200,000 and integral multiples of \$1,000 in excess thereof.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish a notice with respect to the results of the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control Triggering Event may deter a third party from seeking to acquire Altice International or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not validly withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control Triggering Event, conditional upon such Change of Control Triggering Event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described above, purchases all of the Notes validly tendered and not validly withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of the delivery of the notice for such redemption. In determining whether the Holders of at least 90% of the aggregate principal amount of the then outstanding Notes have validly tendered and not withdrawn Notes in a Change of Control Offer, Notes owned by any affiliate of the Issuer or funds controlled or managed by any affiliate of the Issuer, or any successor thereof, shall be deemed to be outstanding for the purposes of such Change of Control Offer.

The provisions of the Indenture do not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with Altice International's management or its Affiliates or certain other sale transactions, including a takeover, reorganization, recapitalization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of Altice International by management or its Affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control Triggering Event.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of the conflict.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The existing indebtedness of the Issuer, Altice International or the Restricted Subsidiaries contains, and its respective future indebtedness may also contain, prohibitions of certain events that would constitute a "*change of control*" thereunder or require such Indebtedness to be repurchased or repaid upon such a change of control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by Altice International's and its Restricted Subsidiaries' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Relating to the New Notes and the Structure—We may not be able to obtain enough funds necessary to*

*finance an offer to repurchase the New Notes upon the occurrence of certain events constituting a change of control triggering event (as defined in the New Indentures) as required by the New Indentures”.*

The definition of “*Change of Control*” includes a direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the property and assets of Altice International and its Restricted Subsidiaries taken as a whole to a Person (including any “*person*” (as that term is used in Section 13(d)(3) of the Exchange Act)), other than a Permitted Holder. Although there is a limited body of case law interpreting the phrase “*substantially all*”, there is no precise established definition of the phrase “*substantially all*” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “*all or substantially all*” of the property or assets of a Person. Holders of the Notes may not be entitled to require the Issuer to purchase their Notes in certain circumstances involving a significant change in the composition of Altice International’s board of directors, including in connection with a proxy contest, where Altice International’s board of directors initially publicly opposes the election of a dissident slate of directors, but subsequently approves such directors for the purposes of the Indenture. This may result in a change in the composition of the board of directors that, but for such subsequent approval, would have otherwise constituted a Change of Control requiring a repurchase offer under the terms of the Indenture. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above. The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Notes as a result of a Change of Control Triggering Event may be waived or modified with the written consent of holders of a majority in outstanding principal amount of the Notes.

### **Offer to Repurchase with Minority Shareholder Option Proceeds**

Pursuant to the Minority Shareholder Call Options granted under the Minority Shareholder Purchase Agreements, each Minority Shareholder is entitled to re-acquire all or a portion of the shares of HOT sold by it to Cool in connection with the Take-Private Transaction at an exercise price equal to NIS 48 per share (subject to customary anti-dilution rights and purchase price adjustments) during the three-year period commencing on December 27, 2013. Subject to certain limitations, each Minority Shareholder Call Option may be exercised in up to three transactions. See “*Description of our Business—HOT Minority Shareholder Agreements*”. The transfer of shares of Capital Stock of HOT upon any exercise of a Minority Shareholder Call Option will not be deemed to be an Asset Disposition under the Indenture. However, the Issuer will be required to offer to repurchase the Notes with the Net Cash Proceeds of such exercise as described below.

Any Net Cash Proceeds received by Altice International or any Restricted Subsidiary from any Minority Shareholder Option Exercise will constitute “*Minority Shareholder Option Proceeds*”. When the aggregate amount of Minority Shareholder Option Proceeds exceeds NIS 100 million (the “*Minority Shareholder Option Offer Threshold*”), the Issuer will be required within ten (10) Business Days to make an offer (a “*Minority Shareholder Option Proceeds Offer*”) to all holders of Notes and, to the extent the Issuer elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which such Minority Shareholder Option Proceeds Offer applies that may be purchased out of the Applicable Minority Shareholder Option Proceeds Offer Amount, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 103% of the principal amount of the Notes and 103% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof, *provided* that the Minority Shareholder Option Offer Threshold shall not apply in the event that (i) at the time of receipt of such Minority Shareholder Option Proceeds, all Minority Shareholder Call Options have been exercised in full, (ii) all unexercised Minority Shareholder Call Options have expired pursuant to the terms of the relevant Minority Shareholder Purchaser Agreements or (iii) all unexercised Minority Shareholder Call Options have been terminated.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to a Minority Shareholder Option Proceeds Offer is less than the Minority Shareholder Option Proceeds, Altice International may use any remaining Minority Shareholder Option Proceeds for general corporate purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Minority Shareholder Option Proceeds Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the Minority Shareholder Option Proceeds, the Minority Shareholder Option Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date

selected by the Issuer that is within the Minority Shareholder Option Proceeds Offer Period (as defined below).

To the extent that any portion of Net Available Cash payable in respect of the relevant Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Minority Shareholder Option Proceeds Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “*Minority Shareholder Option Proceeds Offer Period*”). No later than five (5) Business Days after the termination of the Minority Shareholder Option Proceeds Offer Period (the “*Minority Shareholder Option Proceeds Purchase Date*”), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the “*Minority Shareholder Option Offer Amount*”) or, if less than the Minority Shareholder Option Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Minority Shareholder Option Proceeds Offer.

On or before the Minority Shareholder Option Proceeds Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Minority Shareholder Option Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Minority Shareholder Option Proceeds Offer, or if less than the Minority Shareholder Option Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer’s Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Minority Shareholder Option Proceeds Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note and in the case of Definitive Registered Notes, deliver or cause to be delivered to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer (or, in the case of Global Notes, cause the Paying Agent to reduce the aggregate principal amount of the applicable Global Note), and the Trustee, upon receipt of an Officer’s Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of \$200,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

## **Certain Covenants**

### ***Limitation on Indebtedness***

Altice International will not and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer may Incur Senior Secured Indebtedness if on the date on which such Senior Secured Indebtedness is Incurred, the Consolidated Net Senior Secured Leverage Ratio would have been no greater than 3.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if such Senior Secured Indebtedness had been incurred at the beginning of the relevant two-quarter period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers’ acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof, in a maximum aggregate principal amount at any time outstanding not to exceed the greater of (i) €1,950 million and (ii) 100% of L2QA Pro Forma EBITDA; *provided*, that any Indebtedness Incurred under this clause (1) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, *plus*, any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith;
- (2) (a) Guarantees by Altice International or any Restricted Subsidiary of Indebtedness of Altice International or any Restricted Subsidiary to the extent such guaranteed Indebtedness was permitted to be Incurred by another provision of this covenant; *provided* that (i) if such Indebtedness is subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or a Note Guarantee, as applicable, then the Guarantee of such Indebtedness shall be subordinated in right of payment to, or *pari passu* in right of payment with, the Notes or such Note Guarantee, as applicable, substantially to the

same extent as such guaranteed Indebtedness and (ii) if such guarantee is of Indebtedness of the Issuer, a Guarantor, HOT, a HOT Proceeds Note Guarantor or an OMT Proceeds Loan Obligor, such Restricted Subsidiary complies with the first, second and third paragraph (as applicable) of the covenant described under “—*Additional Guarantors*”; or (b) without limiting the covenant described under “—*Limitation on Liens*”, Indebtedness arising by reason of any Lien granted by or applicable to Altice International or any Restricted Subsidiary securing Indebtedness of Altice International or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is not prohibited by the terms of the Indenture;

- (3) Indebtedness of Altice International owing to and held by any Restricted Subsidiary, or Indebtedness of a Restricted Subsidiary owing to and held by Altice International or any other Restricted Subsidiary; *provided, however*, that if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in connection with cash management positions of Altice International and the Restricted Subsidiaries and (ii) only to the extent legally permitted (Altice International and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Notes, in the case of the Issuer, or the Note Guarantee, in the case of a Guarantor; *provided that*:
- (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than Altice International or a Restricted Subsidiary; and
  - (ii) any sale or other transfer of any such Indebtedness to a Person other than Altice International or a Restricted Subsidiary,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by Altice International or such Restricted Subsidiary, as the case may be;

- (4) (a) Indebtedness represented by the Notes (other than any Additional Notes) issued on the Issue Date and the Note Guarantees, and Indebtedness under the Senior Credit Facility incurred on or prior to the Issue Date and the Guarantees thereof, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date, after giving effect to the Refinancing Transactions, including the Issuance of the Notes, and the application of the proceeds thereof, (c) Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any, or otherwise Incurred in respect of any, Indebtedness described in sub-clauses (a), (b) or (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances and (e) Indebtedness represented by the Security Documents, the HOT Security Documents and the OMT Proceeds Loans Security Documents and including, with respect to each such Indebtedness, “*parallel debt*” obligations created under the Intercreditor Agreement, the HOT Security Documents, the Security Documents and the OMT Proceeds Loans Security Documents;
- (5) Indebtedness (i) of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with Altice International or a Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities (including in contemplation of such transaction) by Altice International or a Restricted Subsidiary or (ii) of the Issuer or any Guarantor Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or pursuant to any acquisition of assets and/or assumption of related liabilities by Altice International or any Restricted Subsidiary or was otherwise acquired by Altice International or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition or other transaction; *provided, however*, with respect to each of clause (5)(i) and (5)(ii), that immediately following the consummation of such acquisition or other transaction, (x)(i) if such Indebtedness is Senior Secured Indebtedness, the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (ii) the Consolidated Net Senior Secured Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction; and (y)(i) if such Indebtedness is not Senior Secured Indebtedness (including Indebtedness of Holdco that is Guaranteed by the Issuer or a Guarantor, the Issuer or a Guarantor would have been able to Guarantee €1.00 of additional Indebtedness of HoldCo pursuant to clause (15) of this paragraph after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (ii) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

- (6) [Reserved];
- (7) (a) Indebtedness under Currency Agreements (other than Currency Agreements described in (b) below), Interest Rate Agreements and Commodity Hedging Agreements and (b) Indebtedness under Currency Agreements entered into in order to hedge any operating expenses and capital expenditures Incurred in the ordinary course of business; in each case with respect to clauses (a) and (b) hereof, entered into for *bona fide* hedging purposes of Altice International or the Restricted Subsidiaries or (in respect of Currency Agreements and Interest Rate Agreements related to Indebtedness of HoldCo that is permitted to be Guaranteed by the Issuer and the Guarantors under clause (15) below) HoldCo and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of Altice International);
- (8) Indebtedness consisting of (A) mortgage financings, Purchase Money Obligations or other financings Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property (real or personal), plant or equipment or other assets (including Capital Stock) used or useful in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8) and then outstanding, will not exceed at any time outstanding the greater of €350 million and 2.8% of Total Assets; *provided* that any Indebtedness incurred under this clause (8) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, *plus*, any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith.
- (9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by Altice International or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing; (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;
- (10) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of Altice International and the Restricted Subsidiaries in respect of all such Indebtedness in connection with such disposition shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by Altice International and the Restricted Subsidiaries in connection with such disposition;
- (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (12) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing, so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (13) [Reserved];
- (14) Indebtedness Incurred by the Issuer or a Guarantor (including any Refinancing Indebtedness in respect thereof) or Disqualified Stock of Altice International in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by Altice

International and the Restricted Subsidiaries from the issuance or sale (other than to Altice International or a Restricted Subsidiary) of its Subordinated Shareholder Funding (other than the AI Mandatory Convertible Notes) or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of Altice International, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1) and (6) of the third paragraph of the covenant described below under “— *Certain Covenants—Limitation on Restricted Payments*” to the extent Altice International or a Restricted Subsidiary Incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (14) to the extent Altice International or any Restricted Subsidiary makes a Restricted Payment under the first paragraph and clauses (1) and (6) of the third paragraph of the covenant described below under “— *Certain Covenants—Limitation on Restricted Payments*” in reliance thereon;

- (15) (A) the Guarantee by the Issuer or any Guarantor of Indebtedness of HoldCo if, on the date of the Incurrence of such Guarantee, the Consolidated Net Leverage Ratio would have been no greater than 4.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds from the Incurrence of such Indebtedness), as if such Guarantee had been Incurred at the beginning of the relevant two-quarter period, *provided* such Guarantees shall be subordinated to the Notes and the Note Guarantee of such Guarantor pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement to substantially the same extent, and on substantially the same terms as is customary for debt structures of this type on the Issue Date; and (B) the Incurrence of Indebtedness by the Issuer under a HoldCo Proceeds Loan representing all or substantially all of the net proceeds of a substantially concurrent Incurrence of Indebtedness by HoldCo that is guaranteed by the Issuer and the Guarantors pursuant to sub-clause (A) of this clause (15) or clauses (14) and (16) of this paragraph, *provided that* (i) any HoldCo Proceeds Loan is subordinated to the Notes to the same extent as the Guarantees referred to in clause (A) of this clause (15), and (ii) any HoldCo Proceeds Loan is granted as Notes Collateral and any payments under such HoldCo Proceeds Loan are subject to the Intercreditor Agreement or any Additional Intercreditor Agreement; and
- (16) Indebtedness Incurred (including any Refinancing Indebtedness in respect thereof) in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed the greater of (i) €975 million and (ii) 50% of L2QA Pro Forma EBITDA; *provided that* any Indebtedness incurred under this clause (16) may be refinanced with additional Indebtedness in an amount equal to the principal of the Indebtedness so refinanced, *plus*, any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith.

So long as Coditel Holding Lux S.à r.l. is not a Guarantor but is a Subsidiary of a Altice International, (i) none of Altice International or any other Guarantor shall permit the obligors under the Coditel Senior Credit Facility to extend the maturity thereof, reduce the interest rate payable thereon or make any unscheduled payment of principal thereon; *provided, however*, that the obligors under the Coditel Senior Credit Facility shall be permitted to prepay the Coditel Senior Credit Facility from time to time in an aggregate amount not to exceed €30 million.

Notwithstanding the foregoing, for so long as Altice Blue Two is not a Guarantor, Altice Blue Two and its Subsidiaries shall not be permitted to Incur more than €30 million of Indebtedness at any time outstanding excluding any Indebtedness referred to in clauses (2)(a) (to the extent the Guarantee(s) relate to Indebtedness Incurred under clause (3) above), (3), (4)(d), (5), (8), (9), (10) and (11) of the second paragraph of this covenant.

In the event the Issuer Incurs any Indebtedness pursuant to the first paragraph of this covenant or clauses (8), (14), (15) (upon receipt from HoldCo of the Net Cash Proceeds of such Incurrence of such Indebtedness by HoldCo) or (16) of the second paragraph of this covenant, the Issuer will substantially concurrently with the Incurrence of such Indebtedness (or in the case of any Indebtedness the proceeds of which are deposited into an escrow account or similar arrangement pending the occurrence of one or more events, concurrently with the release of such proceeds from such escrow account or similar arrangement (other than in the case that such proceeds are returned to the holders of, or lenders under, such Indebtedness pursuant to the terms of such escrow account or similar arrangement)), make one or more Issuer Proceeds Loans to one or more Guarantors or (prior to the HOT Direct Obligation Event) to HOT and any of its Subsidiaries that are HOT Proceeds Note Guarantors (so long as HOT or such Subsidiary grants a Lien over its material assets and, in the case of such Subsidiary provides a HOT Proceeds Note Guarantee, in the amount of such additional Issuer Proceeds Loan) with all or substantially all of the net proceeds of the Incurrence of such Indebtedness by the Issuer.



For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that Indebtedness Incurred under clauses (1) and (15) of the second paragraph of this covenant cannot be reclassified; *provided further* that any Indebtedness outstanding on the Issue Date under the Revolving Credit Facilities shall be deemed to be Incurred under clause (1) of the second paragraph and not clause 4(b) of the second paragraph of this covenant
- (2) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (8), (14) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of Altice International or a Restricted Subsidiary, or Preferred Stock of Altice International or a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*Limitation on Indebtedness*", the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, on the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus any additional amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a currency other than euro is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal amount and interest payable on such Indebtedness, the amount of such Indebtedness, will be the Euro Equivalent of the principal payment required to be made under such Currency Agreement plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement.

For purposes of determining compliance with the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio on the Incurrence of Indebtedness, the Euro Equivalent of the principal

amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, or at the option of the Issuer, the date first committed; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced plus any amount to pay premiums (including tender premiums), accrued and unpaid interest, expenses, defeasance costs and fees in connection therewith; and (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

In addition, for purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio to test compliance with any covenant in the Indenture, in determining the amount of Indebtedness outstanding in euro on any date of determination, with respect to any Indebtedness denominated in a currency other than euro (the "*Foreign Currency*"):

- (1) subject to a currency swap arrangement or contract, the aggregate principal amount of such Foreign Currency Indebtedness on any such date of determination shall be the euro amount of the aggregate principal amount to be paid by the Issuer or a Restricted Subsidiary on the maturity date of such currency swap arrangement or contract pursuant to the terms thereof; or
- (2) subject to a currency forward arrangement, forward accretion curve or contract, the aggregate principal amount of such Foreign Currency Indebtedness shall be converted into euro at the exchange rate specified under the terms of such currency forward arrangement, forward accretion curve or contract as applicable to such Foreign Currency Indebtedness on such date of determination.

For the avoidance of doubt, notwithstanding a Group member entering into any such arrangement or contract hedging foreign exchange exposure of any Foreign Currency Indebtedness, for the purposes of calculating the Consolidated Net Senior Secured Leverage Ratio or the Consolidated Net Leverage Ratio, the aggregate principal amount of Indebtedness subject to any such arrangement or contract shall be attributed to the total Indebtedness of the Person that originally Incurred such Indebtedness.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that Altice International or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Neither the Issuer nor any Guarantor will incur any Indebtedness (including any Indebtedness permitted to be Incurred pursuant to the second paragraph of this covenant) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms (as determined in good faith by the Issuer); *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral, by virtue of not being guaranteed by one or more of Altice International's Subsidiaries, by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment-ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

### ***Limitation on Restricted Payments***

Altice International will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of or in respect of Altice International's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving Altice International or any Restricted Subsidiary) except:
  - (a) dividends or distributions payable in Capital Stock of Altice International (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of Altice International (other than Disqualified Stock) or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to Altice International or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than Altice International or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or Altice International) any (a) Capital

Stock of Altice International or any direct or indirect Parent of Altice International held by Persons other than Altice International or a Restricted Subsidiary (other than in exchange for Capital Stock of Altice International (other than Disqualified Stock) or (b) Capital Stock of HOT (including the Minority Shareholder Call Options) held by any party to a Minority Shareholder Purchase Agreement (other than Cool));

- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement; and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);
- (4) make any cash payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than in exchange for Capital Stock of Altice International (other than Disqualified Stock) or for options, warrants or other rights to purchase such Capital Stock of Altice International (other than Disqualified Stock)); or
- (5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) above are referred to herein as a “*Restricted Payment*”), if at the time Altice International or a Restricted Subsidiary makes such Restricted Payment:

- (a) a Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) except in the case of a Restricted Investment, the Issuer and the Guarantors are not able to Guarantee €1.00 of additional Indebtedness of HoldCo pursuant to clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”, after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made by Altice International and the Restricted Subsidiaries subsequent to December 12, 2012 (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the immediately succeeding paragraph), (6), (10), (17) and (18) of the immediately succeeding paragraph, but excluding all other Restricted Payments permitted by the immediately succeeding paragraph) would exceed the sum of (without duplication):
  - (i) an amount equal to 100% of the Consolidated EBITDA for the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 to the end of Altice International’s most recently ended full fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of Altice International are available, taken as a single accounting period, less the product of 1.5 times the Consolidated Interest Expense for such period;
  - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by Altice International from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to February 4, 2015 or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice International subsequent to February 4, 2015 (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to Altice International or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice International or any Subsidiary of Altice International for the benefit of its employees to the extent funded by Altice International or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph, (y) Excluded Contributions and (z) Net Cash Proceeds received from the AI Mandatory Convertible Notes;
  - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or

marketable securities, received by Altice International or any Restricted Subsidiary from the issuance or sale (other than to Altice International or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice International or any Subsidiary of Altice International for the benefit of its employees to the extent funded by Altice International or any Restricted Subsidiary) by Altice International or any Restricted Subsidiary subsequent to February 4, 2015 of any Indebtedness that has been converted into or exchanged for Capital Stock of Altice International (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property or assets or marketable securities, received by Altice International or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the immediately succeeding paragraph, and (y) Excluded Contributions;

- (iv) the amount equal to the net reduction in Restricted Investments made by Altice International or any of the Restricted Subsidiaries resulting from repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than Altice International or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to Altice International or any Restricted Subsidiary, which amount, in each case under this clause (iv), constituted a Restricted Payment made after February 4, 2015; *provided, however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv);
- (v) the amount of the cash and the fair market value (as determined in accordance with the second last paragraph of this covenant) of property, assets or marketable securities received by Altice International or any Restricted Subsidiary in connection with:
  - (A) the sale or other disposition (other than to Altice International or a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice International or any Subsidiary of Altice International for the benefit of its employees to the extent funded by Altice International or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of Altice International; and
  - (B) any dividend or distribution made by an Unrestricted Subsidiary to Altice International or a Restricted Subsidiary;

which Unrestricted Subsidiary was designated as such after February 4, 2015; *provided, however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v); and

- (vi) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to Altice International or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into Altice International or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value (as determined in accordance with the second last paragraph of this covenant) of any property, assets or marketable securities received by Altice International or Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding any amount of any Investment in such Unrestricted Subsidiary pursuant to clause (16) of the definition of "*Permitted Investment*", in each case of this clause (vi), which Unrestricted Subsidiary was designated as such after February 4, 2015; *provided however*, that no amount will be included in Consolidated EBITDA for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (vi); *provided further, however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

- (1) any Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to Altice International or a Subsidiary of Altice International) of, Capital Stock of Altice International (other than

Disqualified Stock or Designated Preference Shares or through an Excluded Contribution), Subordinated Shareholder Funding (other than the AI Mandatory Convertible Notes) or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of Altice International; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the second last paragraph of this covenant) of property, assets or marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and for purposes of the “*Optional Redemption*” provisions of the Indenture;

- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the Net Cash Proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) (a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of Altice International or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Preferred Stock of Altice International or a Restricted Subsidiary, and (b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of Altice International or a Restricted Subsidiary made by exchange for or out of the Net Cash Proceeds of the substantially concurrent sale of Disqualified Stock of Altice International or a Restricted Subsidiary, as the case may be, that, in each case under (a) and (b), is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case (other than such sale of Preferred Stock of Altice International that is not Disqualified Stock) constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (or any loans, advances, dividends or other distributions by Altice International to any Parent to permit such Parent to purchase, repurchase, redeem, defease or otherwise acquire or retire the Indebtedness of any Parent so long as the Net Cash Proceeds (or portion thereof) of such Indebtedness has been received by Altice International from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (other than the AI Mandatory Convertible Notes) subsequent to February 4, 2015 or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice International subsequent to February 4, 2015):
  - (a) (i) from Net Cash Proceeds of the Minority Shareholder Option Exercises permitted under “—*Offer to Repurchase with Minority Shareholder Option Proceeds*” and from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Issuer shall have first complied with the terms described under “—*Offer to Repurchase with Minority Shareholder Option Proceeds*” above and “—*Limitation on Sales of Assets and Subsidiary Stock*”, as applicable, and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs expenses and fees incurred in connection therewith); or
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness or such Indebtedness of any Parent, following the occurrence of a Change of Control (or other similar event described therein as a “*change of control*”), but only (i) if required, if the Issuer shall have first complied with the terms described under “*Change of Control*” and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness or making any such loans, advances, dividends or other distributions to any Parent and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness or such Indebtedness of any Parent plus accrued and unpaid interest (and costs, expenses and fees incurred in connection therewith); or
  - (c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by Altice International or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and at a purchase price not greater than 100% of the principal amount of such Acquired Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness (and costs expenses and fees incurred in connection therewith);

- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of Altice International, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by Altice International to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice International, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Altice International, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Restricted Payments made under this clause (6) do not exceed €20 million in any fiscal year), *plus* (2) the Net Cash Proceeds received by Altice International or the Restricted Subsidiaries since February 4, 2015 (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice International from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph of this covenant;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or other payments by Altice International or any Restricted Subsidiary in amounts equal to (without duplication) the amounts required for any Parent to pay:
  - (a) any Parent Expenses or any Related Taxes; and
  - (b) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (2) (with respect to fees and expenses incurred in connection with the transactions described therein), (5), and (11) of the second paragraph under “—*Limitation on Affiliate Transactions*,”
- (10) [Reserved];
- (11) payments by Altice International, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of Altice International or any Parent in lieu of the issuance of fractional shares of such Capital Stock; provided, however, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of Altice International);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (14) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (15) payments under a HoldCo Proceeds Loan that was Incurred in compliance with clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*” above that are permitted to be made under the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement for the purpose of making corresponding interest payments on Indebtedness of HoldCo that is Guaranteed by the Issuer and the Guarantors pursuant to clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*” above; (b) so long as no Payment Block Event has occurred and is continuing, (i) Restricted Payments to HoldCo or Parent in an amount equal to the

amount required by Altice Luxembourg to pay its obligations under the 2015 Altice Luxembourg Notes and (ii) in an amount required by any Parent (other than HoldCo) to pay interest and/or principal (including AHYDO Catch Up Payments) on Indebtedness of any such Parent (other than HoldCo) so long as the Net Cash Proceeds (or a portion thereof) of such Indebtedness have been received by Altice International or a Restricted Subsidiary from the issue or sale of their respective Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (other than the AI Mandatory Convertible Notes) subsequent to February 4, 2015 or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Altice International or a Restricted Subsidiary subsequent to February 4, 2015; *provided* that the principal amount of any Indebtedness able to be repaid pursuant to this clause (b) is limited to the amount of Net Cash Proceeds received by Altice International or a Restricted Subsidiary plus fees and expenses related to the refinancing of such Indebtedness and in the case of each of clause (a) and (b) above, any Refinancing Indebtedness in respect thereof;

- (16) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of Altice International issued after February 4, 2015; *provided*, however, that the amount of all dividends declared or paid by Altice International pursuant to this clause (16) shall not exceed the Net Cash Proceeds received by Altice International from the issuance or sale of such Designated Preference Shares;
- (17) so long as no Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment to the extent that, after giving pro forma effect to any such Restricted Payment, the Consolidated Net Leverage Ratio would be no greater than 4.0 to 1.0;
- (18) so long as no Event of Default has occurred and is continuing (or would result therefrom), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (i) €410 million and (ii) 21% of L2QA Pro Forma EBITDA;
- (19) Restricted Payments to finance Investments or other acquisitions by a Parent or any Affiliate which would be otherwise permitted to be made pursuant to this covenant "*—Limitation on Restricted Payments*" if made by Altice International or a Restricted Subsidiary; *provided*, that (i) such Restricted Payment shall be made substantially concurrently with the closing of such Investment or other acquisition, (ii) such Parent or Affiliate of Altice International shall, promptly following the closing thereof, cause (1) all property acquired (whether assets or Capital Stock) to be contributed to Altice International or one of its Restricted Subsidiaries or (2) the merger, amalgamation, consolidation, or sale of the Person formed or acquired into Altice International or one of its Restricted Subsidiaries (in a manner not prohibited by the covenant described under "*—Merger and Consolidation*") in order to consummate such Investment or other acquisition, (iii) such Parent or Affiliate of Altice International receives no consideration or other payment in connection with such transaction except to the extent Altice International or a Restricted Subsidiary could have given such consideration or made such payment in compliance with this covenant "*—Limitation on Restricted Payments*" or the covenant "*—Limitation on Affiliate Transactions*" and (iv) any property received in connection with such transaction shall not constitute an Excluded Contribution up to the amount of such Restricted Payment made under this clause (19);
- (20) any payments in cash or in kind relating to the settlement of any future, forward or other derivative contract entered into for non speculative purposes; and
- (21) the declaration and payment of dividends or distributions by Altice International or a Restricted Subsidiary to, or the making of loans to, a Parent in amounts required for a Parent to pay or cause to be paid, in each case without duplication, fees and expenses related to any equity or debt offering (whether or not successful) of such Parent.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by Altice International or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment or any other property, assets or securities required to be valued by this covenant shall be determined conclusively by an Officer or the Board of Directors of Altice International acting in good faith.

For purposes of determining compliance with this covenant and the definition of "*Permitted Investments*", as applicable, in the event that a Restricted Payment or a Permitted Investment meets the criteria of more than one of the categories described in clauses (1) through (21) above, or, in the definition of "*Permitted Investments*", as applicable, or is permitted pursuant to the first paragraph of this covenant, Altice International will be entitled to classify such Restricted Payment (or portion thereof) or such Permitted Investment (or portion thereof) on the date of its payment or later reclassify such Restricted Payment (or

portion thereof) or such Permitted Investment (or portion thereof) in any manner that complies with this covenant.

### **Limitation on Liens**

Altice International will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien upon any of their property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Notes Collateral, HOT Proceeds Note Collateral or OMT Proceeds Loans Collateral, (i) Permitted Liens or (ii) Liens on assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of a Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, (b) in the case of any property or assets that constitutes Notes Collateral, Permitted Collateral Liens, (c) in the case of any property or assets that constitutes HOT Proceeds Note Collateral, Permitted HOT Proceeds Note Collateral Liens; and (d) in the case of any property or assets that constitutes OMT Proceeds Loans Collateral, Permitted OMT Proceeds Loans Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(ii) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Notes Security—Release of Notes Collateral.*”

For purposes of determining compliance with this covenant, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens, Permitted HOT Proceeds Note Collateral Liens, Permitted OMT Proceeds Loans Collateral Liens or Permitted Collateral Liens, as applicable, but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, Permitted HOT Proceeds Note Collateral Liens, Permitted OMT Proceeds Loans Collateral Liens or Permitted Collateral Liens, as applicable, Altice International shall, in its sole discretion, divide, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant and the definition of “Permitted Liens”, “Permitted HOT Proceeds Note Collateral Liens”, “Permitted OMT Proceeds Loans Collateral Liens” or “Permitted Collateral Liens”, as applicable.

### **Limitation on Restrictions on Distributions from Restricted Subsidiaries**

Altice International will not, and will not permit any of its Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of Altice International or any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock to Altice International or any Restricted Subsidiary or pay any Indebtedness or other obligations owed to Altice International or any Restricted Subsidiary;
- (B) make any loans or advances to Altice International or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to Altice International or any Restricted Subsidiary,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to Altice International or any Restricted Subsidiary to other Indebtedness Incurred by Altice International or any Restricted Subsidiary, or any requirement that such loans or advances made to Altice International or any Restricted Subsidiary cannot be secured, shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to any Credit Facility or any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (other than the Minority Shareholder Purchase Agreements), and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the Issuer);
- (2) the Minority Shareholder Purchase Agreements as in effect on December 12, 2012;



- (3) encumbrances or restrictions existing under or by reason of the Indenture, the Notes, the Note Guarantees, the Existing Senior Secured Notes and the Guarantees thereof, the Existing Senior Secured Notes Indentures, the Existing Senior Notes and the Guarantees thereof, the Existing Altice Luxembourg Notes, the indentures governing the Existing Senior Notes, the indentures governing the Existing Altice Luxembourg Notes, the Senior Credit Facility, the Coditel Senior Credit Facility, the Coditel Intercreditor Agreement, the Revolving Credit Facilities, the Existing Altice Luxembourg Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents, the Senior Secured Notes Security Documents, the HOT Proceeds Note, the Existing HOT Unsecured Notes, the HOT Security Documents, the HOT Credit Facility, the OMT Proceeds Loans and each OMT Proceeds Loans Security Document and the Issuer Proceeds Loans (other than the HOT Proceeds Note);
- (4) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which (i) such Person was acquired by or merged, consolidated or otherwise combined with or into Altice International or any Restricted Subsidiary, (ii) such agreement or instrument is assumed by Altice International or any Restricted Subsidiary in connection with an acquisition of assets or (iii) such Person became a Restricted Subsidiary (in each case, other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by Altice International or was merged, consolidated or otherwise combined with or into Altice International or any Restricted Subsidiary) and outstanding on such date; *provided* that, for the purposes of this clause (4), if another Person is the Successor Company (as defined under “—*Merger and Consolidation*”) or any Subsidiary thereof, any agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by Altice International or any Restricted Subsidiary when such Person becomes the Successor Company;
- (5) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement or instrument referred to in clause (1), (3) or (4) of this paragraph or this clause (5) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (3) or (4) of this paragraph or this clause (5); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);
- (6) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of Altice International or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements;
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of Altice International or any Restricted Subsidiary; or
  - (d) pursuant to the terms of any license, authorization, concession or permit;
- (7) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (8) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (9) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

- (10) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, governmental license or order, or required by any regulatory authority or stock exchange;
- (11) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (12) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (13) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facilities or Senior Credit Facility on the Issue Date, together with the security documents associated therewith, if any, and the Intercreditor Agreement, as in effect on or immediately prior to the Issue Date or (ii) is customary in comparable financings (as determined in good faith by the Issuer) and where, in the case of clause (ii), the Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions (x) will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes as and when they become due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;
- (14) any encumbrance or restrictions arising in connection with any Purchase Money Note, other Indebtedness or a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of Altice International, are necessary or advisable to effect such Qualified Receivables Financing; or
- (15) any encumbrance or restriction existing by reason of any Lien permitted under “—*Limitation on Liens*”.

***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not make any Issuer Asset Sale.

Subject to the immediately preceding paragraph, Altice International will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) Altice International or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by an Officer or the Board of Directors of Altice International, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap); and
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition or such series of related Asset Dispositions (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness), together with all other Asset Dispositions since the Issue Date (except to the extent any such Asset Disposition was a Permitted Asset Swap) on a cumulative basis, received by Altice International or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, Altice International or a Restricted Subsidiary, as the case may be, may apply such Net Available Cash directly or indirectly (at the option of Altice International or such Restricted Subsidiary):

- (a) (1) within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash (i) to prepay, repay, purchase or redeem any Indebtedness incurred under clause (1) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a)(i), Altice International or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in clause (a)(i), to prepay, repay, purchase or redeem the Existing HOT Unsecured Notes and, if not owed to Altice International or an Affiliate, Coditel Senior Facility, or any Pari Passu Indebtedness of the Issuer or a Guarantor that is secured in whole or in part by a Lien on the Notes Collateral, which Lien ranks *pari passu* with the Liens securing

the Notes, at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer or such Guarantor, as applicable, shall prepay, redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer or such Guarantor purchases through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or makes an offer to the holders of the Notes to purchase their Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured on assets which do not constitute Notes Collateral (in each case, other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to Altice International or any Restricted Subsidiary); (iv) to purchase the Notes through open market purchases at a price equal to or higher than 100% of the principal amount thereof, or make an offer to all holders of Notes at a purchase price in cash equal to at least 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (v) to redeem each series of Note as described under “—*Optional Redemption*”;

- (b) to the extent Altice International or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by Altice International or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of Altice International that is executed or approved within such time will satisfy this requirement, so long as such investment or commitment to invest is consummated within 180 days of such 365th day;
- (c) to make a capital expenditure within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of Altice International that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; or
- (d) any combination of the foregoing,

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, Altice International and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute “*Excess Proceeds*”. On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of Altice International pursuant to clauses (b) or (c) of the third paragraph of this covenant) after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €25 million, the Issuer will be required within ten (10) Business Days thereof to make an offer (an “*Asset Disposition Offer*”) to all holders of Notes and, to the extent the Issuer or a Guarantor elects or the Issuer or a Guarantor is required by the terms of other outstanding Pari Passu Indebtedness, to all holders of such other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Notes, in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below \$200,000.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, Altice International and the Restricted Subsidiaries may use any remaining Excess Proceeds for general corporate

purposes, to the extent not prohibited by the other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement or such shorter period of time required to comply with Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the Asset Disposition Offer (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Notes, in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will, via an authenticating agent, authenticate and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of \$200,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee (or other extinguishment in connection with the transactions relating to such Asset Dispositions) of Indebtedness and any other liabilities (as recorded on the balance sheet of Altice International or any Restricted Subsidiary or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been reflected on Altice International's or such Restricted Subsidiary's balance sheet or in the footnotes thereof if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith Altice International) of Altice International or any Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor) and the release of Altice International or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by Altice International or any Restricted Subsidiary from the transferee that are converted by Altice International or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition to the extent of the cash received;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that Altice International and each other Restricted Subsidiary (as applicable) are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

- (4) consideration consisting of Indebtedness of the Issuer or a Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not Altice International or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by Altice International or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €185.0 million and 1.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

### **Limitation on Affiliate Transactions**

Altice International will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of Altice International (any such transaction or series of related transactions being "*Affiliate Transactions*") involving aggregate value in excess of €5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to Altice International or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate or, if there are no comparable transactions involving non-Affiliates to apply for comparative purposes, the transaction is otherwise on terms that, taken as a whole, Altice International has conclusively determined in good faith to be fair to Altice International or such Restricted Subsidiary; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €25 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of Altice International resolving that such transaction complies with clause (1) above; *provided* that an Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall also be deemed to have satisfied the requirements set forth in this covenant if Altice International or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to Altice International or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to Altice International or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Altice International or such Restricted Subsidiary with an unrelated Person on arm's length basis.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*", any Permitted Payments (other than pursuant to clause (9)(b) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of Altice International, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of Altice International, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;

- (4) any transaction between or among Altice International and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Altice International, Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of Altice International, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) the Refinancing Transactions, including the Issuance of the Notes, and the entry into and performance of obligations of Altice International or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time (including, without limitation, to add additional Persons in connection with any such Person becoming a Restricted Subsidiary) in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering (including the Initial Public Offering);
- (7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services and Associates, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to Altice International or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of Altice International or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among Altice International or any Restricted Subsidiary and any Affiliate of Altice International or an Associate or similar entity (in each case, other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because Altice International or a Restricted Subsidiary or any Affiliate of Altice International or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of Altice International or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of Altice International in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
- (11) without duplication in respect of payments made pursuant to the definition of Parent Expenses, (a) payments by Altice International or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed an amount equal to the greater of €25.0 million or 1.5% of L2QA Pro Forma EBITDA per annum and (b) customary payments by Altice International or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures with the approval of the Board of Directors of the Issuer (acting in good faith); and (c) payments of all fees and expenses related to the Refinancing Transactions;
- (12) any transaction effected as part of a Qualified Receivables Financing, and other Investments in Receivables Subsidiaries consisting of cash or Securitization Assets;
- (13) the Incurrence of HoldCo Proceeds Loans and Guarantees of Indebtedness of Holdco, in each case, permitted to be Incurred under paragraph of the covenant described under “—*Limitation on Indebtedness*”;
- (14) any participation in a rights offer or public tender or exchange offers for securities or debt instruments issued by Altice International or any of its Subsidiaries that are conducted on arm’s length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer.

- (15) transactions between Altice International or any Restricted Subsidiary and any other Person that would constitute an Affiliate Transaction solely because a director of such other Person is also a director of the Issuer or any Parent; provided, however, that such director abstains from voting as a director of the Issuer or such Parent, as the case may be, at any board meeting approving such transaction on any matter including such other Person;
- (16) payments to and from, and transactions with, any joint ventures entered into in the ordinary course of business or consistent with past practices (including, without limitation, any cash management activities related thereto); and
- (17) commercial contracts (including franchising agreements, business services related agreements or other similar agreements) between an Affiliate of Altice International and Altice International or any Restricted Subsidiary that are on arm's length terms or on a basis that senior management of the Issuer reasonably believes allocates costs fairly.

### **Maintenance of Listing**

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading on its Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another recognized stock exchange.

### **Reports**

For so long as any Notes are outstanding, Altice International will provide to the Trustee the following reports:

- (1) within 120 days after the end of Altice International's fiscal year beginning with the fiscal year ending December 31, 2016, annual reports containing, to the extent applicable, and in a detail that is comparable in all material respects to the annual report of Altice N.V. for the year ended December 31, 2015, the following information: audited consolidated balance sheet of Altice International as of the end of the most recent fiscal year (and comparative information as of the end of the prior fiscal year) and audited consolidated income statements and statements of cash flow of Altice International for the most recent fiscal year (and comparative information as of the end of the prior fiscal year), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements (*provided* that for any fiscal year ended prior to the Issue Date, Altice International can provide *pro forma* or aggregated financial statements prepared on a basis consistent with the *pro forma* information contained in "Pro Forma" section of the Offering Memorandum dated January 30, 2015 relating to the 2015 Senior Secured Notes to meet the requirements set forth above); unaudited *pro forma* income statement information and balance sheet information of Altice International (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for (i) any acquisition or disposition by Altice International or a Restricted Subsidiary that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred during the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of Altice International on a *pro forma* consolidated basis or (ii) recapitalizations by Altice International or a Restricted Subsidiary, in each case, that have occurred during the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a prior report pursuant to clause (2) or (3) below); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of Altice International, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of Altice International, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; and (e) a description of material risk factors and material recent developments (to the extent not previously reported pursuant to clause (2) or (3) below).
- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of Altice International beginning with the fiscal quarter ending March 31, 2016: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed consolidated statements of income and cash flow for the most recent quarter year-to-date period ending on the date of the unaudited condensed balance sheet, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any acquisition or disposition by Altice International or a Restricted Subsidiary that, individually or in the

aggregate when considered with all other acquisitions or dispositions that have occurred during the relevant quarter, represent greater than 20% of the consolidated revenues, Consolidated EBITDA, or assets of Altice International on a *pro forma* consolidated basis (unless such *pro forma* information has been provided in a prior report pursuant to clause (3) below); (c) a summary operating and financial review of the unaudited financial statements, including a discussion on revenues, Consolidated EBITDA, capital expenditures, operating cash flow, and material changes in liquidity and capital resources, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments (to the extent not previously reported pursuant to clause (3) below); and

- (3) promptly after the occurrence of such event, information with respect to (a) any change in the independent public accountants of Altice International, (b) any material acquisition, disposal, merger or similar transaction or (c) any development determined by an Officer of Altice International to be material to the business of Altice International and its Restricted Subsidiaries (taken as a whole).

Notwithstanding the foregoing, Altice International may satisfy its obligations under clauses (1) and (2) of the first paragraph by delivering the corresponding annual and quarterly reports of a Parent; provided that to the extent that Altice International is not the reporting entity and material differences exist between the management, business, assets, shareholding or results of operations or financial condition of Altice International or such Parent as applicable, the annual and quarterly reports shall give a reasonably detailed description of such differences and include an unaudited reconciliation of Altice International's consolidated financial statements to such Parent's consolidated financial statements, as applicable.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for below, no report need include separate financial statements for Altice International or Subsidiaries of Altice International or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in these Listing Particulars and in no event shall U.S. GAAP information or reconciliation to U.S. GAAP be required.

At any time if any Subsidiary of Altice International is an Unrestricted Subsidiary and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary, then the quarterly and annual financial information required by the first paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of Altice International and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Altice International.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) of the first paragraph of this covenant, Altice International shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer, Altice International and its Subsidiaries or any Parent or (ii) otherwise to provide substantially comparable public availability of such reports (as determined by Altice International in good faith) or (b) to the extent Altice International determines in good faith that such reports cannot be made available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Notes. Altice International will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, if and so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg Stock Exchange so require, at the Issuer's registered office in Luxembourg or, to the extent and in the manner permitted by such rules and regulations, post such reports on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and holders of beneficial interests in the Notes and, upon their request, prospective purchasers of the Notes or prospective and purchasers of beneficial interests in the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Delivery of the above reports to the Trustee is for information purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including Altice International's or any other parties' compliance with any of its covenants in the Indenture (as to which the Trustee will be entitled to rely exclusively on Officer's Certificates that are delivered).



## **Merger and Consolidation**

### *The Issuer*

The Issuer will not directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer taken as a whole in one or more related transactions, to another Person.

### *Altice International*

Altice International will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “*Successor Company*”) (if not Altice International) will be a Person organized and existing under the laws of any member state of the European Union, United Kingdom, Switzerland, Canada, the State of Israel or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not Altice International) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of Altice International under the Notes and the Indenture and (b) all obligations of Altice International under the Intercreditor Agreement and the Security Documents (or subject to the covenant under “—*Impairment of Security Interests*” provide a Lien of at least equivalent ranking over the same assets), as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable two consecutive fiscal quarter period, either (a) the Issuer and the Guarantors would have been able to Guarantee €1.00 of additional Indebtedness of HoldCo pursuant to clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”; or (b) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of Altice International, which properties and assets, if held by Altice International instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of Altice International on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Altice International.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Altice International under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and clause (4) of the second paragraph of this covenant (which does not apply to transactions referred to in this sentence in which Altice International is the Successor Company), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to Altice International (so long as Altice International is a Guarantor); and (b) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary or Altice International. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence) of the second paragraph of this covenant, Altice International may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of Altice International, reincorporating Altice International in another jurisdiction or changing the legal form of Altice International.

There is no precise established definition of the phrase “*substantially all*” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “*all or substantially all*” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the second paragraph of this “*Merger and Consolidation*” covenant) shall not apply to the creation of a new Subsidiary as a Restricted Subsidiary.

#### *The Subsidiary Guarantors*

None of the Subsidiary Guarantors (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving Person);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it;

unless:

- (A) the other Person is Altice International or a Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction; or
- (B)
  - (1) either (x) a Guarantor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement and Security Documents, as applicable; and
  - (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to Altice International or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

#### *The HOT Proceeds Note Obligors*

Prior to the HOT Direct Obligation Event, none of the HOT Proceeds Note Obligors (other than a HOT Proceeds Note Guarantor whose HOT Proceeds Note Guarantee is to be released in accordance with the terms of the Indenture and the HOT Proceeds Note) may:

- (1) consolidate with or merge with or into any Person (whether or not such HOT Proceeds Note Obligor is the surviving Person);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it;

unless:

- (A) the other Person is HOT, Altice International, a Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction or a Restricted Subsidiary that is a HOT Proceeds Note Guarantor or becomes a HOT Proceeds Note Guarantor as a result of such transaction; or

- (B) (1) either (x) a HOT Proceeds Note Obligor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the HOT Proceeds Note Obligor under its HOT Proceeds Note Guarantee and the HOT Proceeds Note and all obligations of the HOT Proceeds Note Obligor under the HOT Security Documents, as applicable; and
  - (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing and default or event of default under the HOT Proceeds Note or the Indenture shall have occurred and is continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a HOT Proceeds Note Obligor or the sale or disposition of all or substantially all the assets of a HOT Proceeds Note Obligor (in each case other than to Altice International or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Subsidiary of HOT that is a Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a HOT Proceeds Note Obligor, (b) any HOT Proceeds Note Obligor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other HOT Proceeds Note Obligor, and (c) HOT may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any HOT Proceeds Note Guarantor. Notwithstanding the preceding clause (B)(2) (which does not apply to the transactions referred to in this sentence), a HOT Proceeds Note Obligor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the HOT Proceeds Note Obligor, reincorporating the HOT Proceeds Note Obligor in another jurisdiction, or changing the legal form of the HOT Proceeds Note Obligor.

There is no precise established definition of the phrase “*substantially all*” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “*all or substantially all*” of the property or assets of a Person.

#### *OMT Proceeds Loan Obligors*

Prior to the OMT Direct Obligation Event, none of the OMT Proceeds Loan Obligors may:

- (1) consolidate with or merge with or into any Person (whether or not such OMT Proceeds Loan Obligor is the surviving Person);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it;

unless:

- (A) the other Person is Altice International, a Restricted Subsidiary that is a Guarantor or becomes a Guarantor as a result of such transaction or a Restricted Subsidiary that is an OMT Proceeds Loan Obligor or becomes an OMT Proceeds Loan Obligor as a result of such transaction; or
- (B) (1) either (x) an OMT Proceeds Loan Obligor is the surviving Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the OMT Proceeds Loan Obligor under the OMT Proceeds Loan (or Guarantee thereof (as applicable)) and all obligations of the OMT Proceeds Loan Obligor under the OMT Security Documents, as applicable; and
  - (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing and default or event of default under the OMT Proceeds Loan or the Indenture shall have occurred and is continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of an OMT Proceeds Loan Obligor or the sale or disposition of all or substantially all the assets of an OMT Proceeds Loan Obligor (in each case other than to Altice International or a Restricted Subsidiary) otherwise permitted by the Indenture and the proceeds therefrom are applied as required by the Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Subsidiary of OMT that is a Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to an OMT Proceeds Loan Obligor and (b) any OMT Proceeds Loan Obligor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other OMT Proceeds Loan Obligor. Notwithstanding the preceding

clause (B)(2) (which does not apply to the transactions referred to in this sentence), an OMT Proceeds Loan Obligor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the OMT Proceeds Loan Obligor reincorporating the OMT Proceeds Loan Obligor in another jurisdiction, or changing the legal form of the OMT Proceeds Loan Obligor.

There is no precise established definition of the phrase “*substantially all*” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “*all or substantially all*” of the property or assets of a Person.

### **Limitation on Issuer Activities**

Notwithstanding anything contained in the Indenture:

- (1) The Issuer will not engage in any business activity or undertake any other activity, except any such activity:
  - (a) reasonably relating to the offering, sale, issuance, Incurrence, servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or Investment in the, Notes, the Existing Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility, any Additional Notes or other Indebtedness (including any Refinancing Indebtedness in respect of any of the foregoing) permitted to be Incurred by the terms of the Indenture (including the lending, directly or indirectly, of the proceeds of such sale of the Notes, any Additional Notes or other Indebtedness permitted by the terms of the Indenture pursuant to Issuer Proceeds Loans or borrowing, directly or indirectly, from Altice International or any Restricted Subsidiary);
  - (b) undertaken with the purpose of, directly or indirectly, fulfilling its obligations or exercising its rights under the Notes, the Existing Senior Secured Notes, the Senior Credit Facility, the Revolving Credit Facilities, the Guarantee Facility, any Additional Notes, any Issuer Proceeds Loan, any Additional Notes or other Indebtedness, Hedging Obligations or any other obligations (including any Refinancing Indebtedness in respect of any of the foregoing), in each case, permitted to be Incurred by the terms of the Indenture, the Existing Senior Secured Notes Indentures, the Existing Senior Notes Indentures, any Security Document to which it is a party or the Intercreditor Agreement (or any Additional Intercreditor Agreement entered into pursuant to the terms of the Intercreditor Agreement or the Indenture);
  - (c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Indenture, the Existing Senior Secured Notes Indentures and the Existing Senior Notes Indentures;
  - (d) directly related to investing amounts received by the Issuer (other than amounts not corresponding to required payments under the Notes) in such manner not otherwise prohibited by the Indenture;
  - (e) making Permitted Issuer Investments and Incurring Permitted Issuer Liens;
  - (f) related to cash management activities on behalf of Altice International and the Restricted Subsidiaries; or
  - (g) (i) any transaction or activity not to exceed €5 million in the aggregate and (ii) other activities not specifically enumerated above that are immaterial in nature.
- (2) The Issuer shall not:
  - (a) issue any Capital Stock (other than to HoldCo);
  - (b) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;
  - (c) commence or take any action or facilitate a winding-up, liquidation, dissolution or other analogous proceeding;
  - (d) amend its constitutive documents in any manner which would adversely affect the rights of Holders in any material respect;
  - (e) transfer or assign any Issuer Proceeds Loan (or rights thereunder) except pursuant to the Notes Security Documents; or
  - (f) amend any provision of, or waive any default or event of default under, any Issuer Proceeds Loan except in accordance with “—*Amendments and Waivers*”.
- (3) Except as otherwise provided in the Indenture, the Issuer will take all actions necessary and within its power to prohibit the transfer of the issued ordinary shares and management share in the Issuer by

HoldCo, other than pursuant to the Issuer Share Pledge or the enforcement of such Issuer Share Pledge.

- (4) Whenever the Issuer receives a payment or prepayment under any Issuer Proceeds Loan, it shall use the funds received to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Indenture (including any premium paid to holders of the Notes), the Existing Senior Secured Notes Indentures or any other Indebtedness of the Issuer; *provided* that to the extent the Issuer receives cash payment in respect of interest on an Issuer Proceeds Loan previously paid in-kind and the amount of such cash payment exceeds the obligations then due and payable (or due and payable within five Business Days of such receipt) under the Notes or any other Indebtedness of the Issuer, the Issuer may use such excess amount for any purpose not prohibited by the Indenture.

Altice International will not permit HoldCo or the Issuer or become a direct or indirect subsidiary of any other subsidiary (other than HoldCo).

### **Lines of Business**

Altice International will not and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Similar Business, except to such extent as would not be material to Altice International and the Restricted Subsidiaries, taken as a whole.

### **Additional Guarantors**

Altice International will not permit any of its Restricted Subsidiaries (other than a Guarantor) to, Guarantee any Indebtedness of the Issuer or any Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness; *provided*, this covenant will not be applicable to any Guarantee of any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary and was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

HOT will not permit any of its Restricted Subsidiaries (other than a HOT Proceeds Note Guarantor) to, Guarantee any Indebtedness of HOT or any HOT Proceeds Note Guarantor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) unless such Restricted Subsidiary is or becomes a HOT Proceeds Note Guarantor on the date on which the Guarantee is Incurred and, if applicable, accedes to each HOT Proceeds Note and becomes a HOT Proceeds Note Guarantor and guarantees the obligations of HOT under the HOT Proceeds Note, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness. HOT will not Guarantee any Indebtedness of any of its Restricted Subsidiaries (other than a HOT Proceeds Note Guarantor) (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”, except Indebtedness Incurred under Credit Facilities or Public Debt pursuant to such clause (8)) unless such Guarantee is *pari passu* or junior to the obligations of HOT under the HOT Proceeds Note.

Altice International will not permit any Subsidiary of Altice Blue Two that are Restricted Subsidiaries (other than an OMT Proceeds Loan Obligor) to, Guarantee any Indebtedness of Altice Blue Two or any other OMT Proceeds Loan Obligor (other than Indebtedness Incurred under clause (8) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) unless such Subsidiary of Altice Blue Two Guarantees the OMT Proceeds Loan of Altice Blue Two on the date on which the Guarantee is Incurred and, if applicable, accedes to such OMT Proceeds Loan and become an OMT Proceeds Loan Obligor and guarantees the obligations of Altice Blue Two under the applicable OMT Proceeds Loan, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

Note Guarantees and HOT Proceeds Note Guarantees existing on or granted after the Issue Date pursuant to this covenant shall be released as set forth under “—*Releases of the Note Guarantees*” and “—*Releases of the HOT Proceeds Note Guarantees*”. Note Guarantees, HOT Proceeds Note Guarantees and OMT Proceeds Loan Guarantees (as applicable) existing on or granted after the Issue Date pursuant to the first, second and third paragraphs of this covenant may be released at the option of the Issuer, HOT or Altice Blue Two, as the case may be, if, at the date of such release, (i) the Indebtedness which required such Note Guarantee, HOT Proceeds Note Guarantee or OMT Proceeds Loan Guarantee, as the case may be, has been released or discharged in full, (ii) no Event of Default would arise as a result of such release, and (iii) there is no other Indebtedness of such Guarantor, HOT Proceeds Note Guarantor or OMT Proceeds Loan Guarantor, as the case may be, outstanding that was Incurred after the Issue Date and that could not have been Incurred in compliance with the Indenture as of the date Incurred if such Guarantor, HOT Proceeds Note Guarantor or

OMT Proceeds Loan Guarantor were not a Guarantor, a HOT Proceeds Note Guarantor or OMT Proceeds Loan Guarantor, as the case may be, as at that date. Notwithstanding anything in the Indenture to the contrary, the Issuer may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Guarantor and such Notes Guarantee may be released at any time in the Issuer's sole discretion. The Trustee and the Security Agent (to the extent action is required by it) shall each take all necessary actions requested by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee, HOT Proceeds Note Guarantee or OMT Proceeds Loan Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Each additional Note Guarantee, HOT Proceeds Note Guarantee and OMT Proceeds Loan Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, Altice International shall not be obligated to cause any Restricted Subsidiary, HOT will not be required to cause any of its Restricted Subsidiaries, Altice Blue Two will not be required to cause any of its Restricted Subsidiaries and no Excluded Subsidiary shall be obligated to provide a Note Guarantee to the extent and for so long as the Incurrence of such Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to Altice International, HOT, Altice Blue Two or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from incurring such Guarantee by the terms of any Indebtedness existing on the Issue Date (or, with respect to any Subsidiary acquired by the Issuer or a Restricted Subsidiary after the Issue Date, on the date such Subsidiary is so acquired) (or any Refinancing Indebtedness in respect thereof) of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary); provided that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness.

### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, the Issuer shall notify the Trustee of these events and beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes: "*—Limitation on Indebtedness*", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*" and "*—Impairment of Security Interests*", the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—Altice International*", and any related default provision of the Indenture will cease to be effective and will not be applicable to Altice International and the Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the "*—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be Incurred under the first two paragraphs of the covenant described under "*—Limitation on Indebtedness*", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*".

On and after each Reversion Date, the Altice International and its Subsidiaries will be permitted to perform under, or consummate the transactions contemplated by, any contract entered into during the period of time between the Suspension Event and the Reversion Date (the "*Suspension Period*"), so long as such contract and such consummation would have been permitted during such Suspension Period.

The Issuer shall give the Trustee written notice of any Covenant Suspension Event and in any event no later than five (5) Business Days after such Covenant Suspension Event has occurred. The Issuer shall give the Trustee written notice of any occurrence of a Reversion Date not later than five (5) Business Days after such Reversion Date.

### ***Impairment of Security Interests***

Altice International shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Notes Collateral (it being understood that the Incurrence of Permitted Collateral Liens, subject to the proviso in the second sentence of the next succeeding paragraph, shall under no circumstances be deemed to materially impair the security interest with respect to the Notes Collateral) for the benefit of the Trustee and the Holders, and Altice International shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate), for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien over any of the Notes Collateral; *provided*, that, subject to the proviso in the second sentence of the next succeeding paragraph, (x) Altice International and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (y) the Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the applicable Security Documents and (z) Altice International and the Restricted Subsidiaries may consummate any other transaction permitted under "*—Merger and Consolidation*".

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Lien over the Notes Collateral in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement transactions permitted under "*—Merger and Consolidation*;" (iv) add to the Notes Collateral; (v) provide for the release of any Lien on any properties or assets constituting Notes Collateral from the Lien of the Security Documents; *provided that* such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes or any Note Guarantee; (vi) make any other change thereto that does not adversely affect the Holders in any material respect (it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to be materially less favorable to the Holders) or (vii) subject to compliance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable, increase the amounts and types of Indebtedness covered by such Security Document; *provided, however*, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v) and (vi), the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of Altice International and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting the Security Interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

Altice International shall not and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the HOT Proceeds Note Collateral or the OMT Proceeds Loans Collateral (it being understood that the Incurrence of Permitted HOT Proceeds Note Collateral Liens and Permitted OMT Proceeds Loans Collateral Liens, subject to the proviso in the second sentence of the next succeeding paragraph, shall under no circumstances be deemed to

materially impair the security interest with respect to the HOT Proceeds Note Collateral or the OMT Proceeds Loans Collateral, as the case may be) for the benefit of the lenders under the HOT Proceeds Note or the OMT Proceeds Loan, as the case may be, and Altice International shall not and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent (or its delegate) any Lien over any of the HOT Proceeds Note Collateral or the OMT Proceeds Loans Collateral; *provided*, that, subject to the proviso in the second sentence of the next succeeding paragraph, (w) Altice International and the Restricted Subsidiaries may Incur Permitted HOT Proceeds Note Collateral Liens and Permitted OMT Proceeds Loans Collateral Liens, (x) the HOT Proceeds Note Collateral and the OMT Proceeds Loans Collateral may be discharged, amended, extended, renewed, restated, supplemented, released, modified or replaced in accordance with the HOT Proceeds Note, the applicable HOT Security Documents or the applicable OMT Security Documents, (y) Altice International and their Restricted Subsidiaries may consummate any other transaction permitted under “—*Merger and Consolidation*” and (z) Altice International and its Restricted Subsidiaries may consummate the HOT Direct Obligation Event and the OMT Direct Obligation Event.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any HOT Proceeds Note Security Interest or the OMT Proceeds Loans Security Interest in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement. Subject to the foregoing, the HOT Security Documents and the OMT Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for HOT Proceeds Note Permitted Collateral Liens or OMT Proceeds Loans Permitted Collateral Liens; (iii) make any change reasonably necessary in the good faith determination of the Issuer in order to implement transactions permitted under “—*Merger and Consolidation*,” (iv) add to the HOT Proceeds Note Collateral or OMT Proceeds Loans Collateral; (v) provide for the release of any HOT Proceeds Note Security Interest or any OMT Proceeds Loan Security Interest on any properties or assets constituting HOT Proceeds Note Collateral or OMT Proceeds Loans Collateral from the Lien of the HOT Security Documents or OMT Security Documents, as applicable; *provided that* such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the HOT Proceeds Note, any HOT Proceeds Note Guarantee, or the OMT Proceeds Loan, as applicable; (vi) consummate a Direct Obligation Event or (vii) make any other change thereto that does not adversely affect the Holders or the Issuer in any material respect; *provided, however*, that, contemporaneously with any such action in clauses (ii), (iii), (iv), (v), (vi), and (vii) the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of HOT and its Subsidiaries or Altice Blue Two and its Subsidiaries, as the case may be, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the Person granting HOT Proceeds Note Security Interest or the OMT Proceeds Loan Security Interest, as the case may be, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of Opinion of Counsel), in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the HOT Security Documents or the OMT Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

In the event that Altice International and the Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

### ***Payments for Consents***

Altice International will not and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, Altice International and the Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes of the in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an exchange offer or an offer to purchase for cash, or (ii) the payment of the consideration therefor would require Altice International or any Restricted Subsidiary to file a registration statement, prospectus or similar document under any applicable



securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states or the State of Israel), which the Issuer in its sole discretion determine (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

### **Additional Intercreditor Agreements**

The Indenture provides that, at the request of the Issuer, and without the consent of the Holders, in connection with the Incurrence by Altice International or a Restricted Subsidiary of any Indebtedness that is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Liens, Altice International or a Restricted Subsidiary, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Liens over the Notes Collateral (or terms not materially less favorable to the Holders it being understood that such restatement, amendment or other modification to provide for subordinated security interests will be deemed not to be materially less favorable to the Holders); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* or subordinated security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Notes Collateral pursuant to the definition of Permitted Collateral Lien).

The Indenture also provides that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or a Guarantor that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Notes Collateral to secure Additional Notes, (6) implement any Permitted Collateral Lien, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof, (8) make any change reasonably necessary or desirable in the good faith determination of the Issuer in order to implement any transaction that is subject to the covenants described under the caption “—*Merger and Consolidation*”, or (9) implement any transaction in connection with the renewal extension, refinancing, replacement or increase of Indebtedness that is not prohibited by the Indenture or make any other change to any such agreement that does not adversely affect the Holders in any material respect; *provided* that no such changes shall be permitted to the extent they affect the ranking of any Note or Note Guarantee, enforcement of Liens over the Notes Collateral, the application of proceeds from the enforcement of Notes Collateral or the release of any Note Guarantees or Lien over the Notes Collateral in a manner than would adversely affect the rights of the Holders in any material respect except as otherwise permitted by the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement immediately prior to such change. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “*Amendments and Waivers*”, and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture also provides that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, at the request of the Issuer, the Trustee (and Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*”.

The Indenture also provides that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement

(whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement.

### **Limited Condition Acquisition and Irrevocable Repayment**

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of Altice International, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into. For the avoidance of doubt, if Altice International has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date the definitive agreements for the applicable Limited Condition Acquisition or Irrevocable Repayment were entered into and prior to the consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Acquisition or Irrevocable Repayment is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Acquisition or Irrevocable Repayment for purposes of:

- (1) determining compliance with any provision of the Indenture which requires the calculation of the Consolidated Net Senior Secured Leverage Ratio or Consolidated Net Leverage Ratio; or
- (2) testing baskets set forth in the Indenture (including baskets measured as a percentage of L2QA Pro Forma EBITDA);

in each case, at the option of Altice International (the Altice International's election to exercise such option in connection with any Limited Condition Acquisition or Irrevocable Repayment, an "*LCA Election*"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreements for such Limited Condition Acquisition or Irrevocable Repayment are entered into (the "*LCA Test Date*"). If, after giving pro forma effect to the Limited Condition Acquisition or Irrevocable Repayment and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the most recent two consecutive fiscal quarters ending prior to the LCA Test Date for which consolidated financial statements of Altice International are available, Altice International could have taken such action on the relevant LCA Test Date in compliance with such ratio or basket, such ratio or basket shall be deemed to have been complied with.

If Altice International has made an LCA Election and any of the ratios or baskets for which compliance was determined or tested as of the LCA Test Date are exceeded as a result of fluctuations in any such ratio or basket, including due to fluctuations in L2QA Pro Forma EBITDA of Altice International or the Person subject to such Limited Condition Acquisition or Irrevocable Repayment, at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If Altice International has made an LCA Election for any Limited Condition Acquisition or Irrevocable Repayment, then in connection with any subsequent calculation of any ratio or basket availability with respect to the Incurrence of Indebtedness or Liens, or the making of Asset Dispositions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of Altice International or the designation of an Unrestricted Subsidiary on or following the relevant LCA Test Date and prior to the earlier of the date on which such Limited Condition Acquisition or Irrevocable Repayment is consummated or the definitive agreement for such Limited Condition Acquisition or Irrevocable Repayment is terminated or expires without consummation of such Limited Condition Acquisition or Irrevocable Repayment, any such ratio or basket shall be calculated on a pro forma basis assuming such Limited Condition Acquisition or Irrevocable Repayment and other transactions in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) have been consummated.

### **Events of Default**

Each of the following is an "*Event of Default*" under the Indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note issued under the Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by Altice International or any Restricted Subsidiary to comply for 30 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with any of its

obligations under the covenants described under “*Change of Control*” above or under the covenants described under “—*Certain Covenants*” above (in each case, other than a failure to purchase Notes, which will constitute an Event of Default under clause (2) above;

- (4) failure by Altice International, any Restricted Subsidiary or any other grantor of a Lien over the Notes Collateral to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by Altice International or any Restricted Subsidiary (or the payment of which is Guaranteed by Altice International or any Restricted Subsidiary) other than Indebtedness owed to Altice International or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by the failure to pay principal of such Indebtedness at the Stated Maturity thereof (after giving effect to any applicable grace periods provided in such Indebtedness) (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross -acceleration provision*”),

and, in each case, the principal amount of any 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 so accelerated, aggregates €25 million or more;

- (6) certain events of bankruptcy, insolvency or court protection of the Issuer, Altice International or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (7) failure by the Issuer, Altice International or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 million, exclusive of any amounts that a solvent insurance company has acknowledged liability for, which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “*judgment default provision*”);
- (8) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Notes Collateral having a fair market value in excess of €10 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable and the Issuer shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the “*security default provisions*”); and
- (9) any Note Guarantee by Altice International or a Subsidiary Guarantor that is a Significant Subsidiary or any group of Subsidiary Guarantors that taken together would constitute a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days after the notice specified in the Indenture (the “*guarantee provisions*”).

However, a default under clauses (3), (4), (5), (7), (8) or (9) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5), (7), (8) or (9) the Issuer does not cure such default within the time specified in clauses (3), (4), (5), (7), (8) or (9), as applicable, of this paragraph after receipt of such notice.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may and, if directed by holders of at least 25% in aggregate principal amount of the then outstanding Notes, the Trustee shall, declare all the Notes to be due and payable immediately. The trustee shall not be deemed to have notice of any Default or Event of Default (other than a payment default) unless a written notice of any event which is in fact such a default is received by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and the Indenture.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the relevant Indebtedness, or the relevant Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (i) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in the principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee, and the Trustee has received, security and/or indemnity (including by way of pre-funding) reasonably satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (on behalf of the Holders) or of exercising any trust or power conferred on the Trustee (on behalf of the Holders).

The Indenture provides that, in the event an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee is aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture provides that if a Default occurs and is continuing and a Responsible Officer of the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer’s Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

## Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) an amendment or waiver may not:

- (1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver, supplement or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption “—*Limitation on Sales of Assets and Subsidiary Stock*”);
- (3) reduce the principal of, or extend the Stated Maturity of, any Note;
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described above under “—*Optional Redemption*” (other than, for the avoidance of doubt, any payment pursuant to a Change of Control Offer or pursuant to the provisions of the covenant described under the caption “—*Limitation on Sales of Assets and Subsidiary Stock*”);
- (5) make any Note payable in money other than that stated in the Note (except to the extent the currency stated in the Notes has been succeeded or replaced pursuant to applicable law);
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder’s Notes (it being understood that this clause (6) will not apply to provisions under the caption “*Change of Control*” and “—*Limitation on Sales of Assets and Subsidiary Stock*” except to the extent payments thereunder are at such time due and payable);
- (7) make any change in the provision of the Indenture described under “*Withholding Taxes*” that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on such Notes (except pursuant to a rescission of acceleration of such Notes by the Holders of at least a majority in aggregate principal amount of Notes and a waiver of the payment default that resulted from such acceleration); or
- (9) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

In addition, (A) without the consent of at least 75% in aggregate principal amount of Notes then outstanding, no amendment or supplement may: (1) release any Guarantor, HOT Proceeds Note Guarantor, or OMT Proceeds Loan Guarantor, respectively, from any of its obligations under its Note Guarantee, HOT Proceeds Note Guarantee, OMT Proceeds Loan Guarantees, the Indenture, the HOT Proceeds Note or the OMT Proceeds Loan, as applicable, except in accordance with the terms of the Indenture, and the Intercreditor Agreement; or (2) release any of the security interests granted for the benefit of the Holders in the Notes Collateral, the HOT Proceeds Note Collateral or the OMT Proceeds Loans Collateral, as applicable (to the extent any Notes Collateral, HOT Proceeds Note Collateral or OMT Proceeds Notes Collateral, as applicable, so released in any transactions or series of transactions has a fair market value in excess of €25 million) other than in accordance with the terms of, as applicable, the Security Documents, the HOT Security Documents, the OMT Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, and the Indenture, as applicable. Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Notes Document;

- (3) provide for the assumption of a successor Person of the obligations of (i) any HOT Proceeds Note Obligor under any HOT Proceeds Note Document; or (ii) Altice Blue Two and its Subsidiaries under any OMT Proceeds Loans Document;
- (4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon Altice International or any Restricted Subsidiary;
- (5) add to the covenants or provide for a HOT Proceeds Note Guarantee for the benefit of the Issuer or surrender any right or power conferred upon HOT, a HOT Proceeds Note Guarantor, any Subsidiary of HOT that is a Restricted Subsidiary or Altice Blue Two or any Subsidiary of Altice Blue Two that is a Restricted Subsidiary;
- (6) make any change that would provide additional rights or benefits to the Trustee or the Holders or does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;
- (7) make any change that would provide additional rights or benefits to the Issuer or does not adversely affect the rights or benefits to the Issuer in any material respect, in each case, under the HOT Proceeds Note Documents, the OMT Proceeds Loan Documents or any other Issuer Proceeds Loan;
- (8) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes Incurred in accordance with the terms of the Indenture;
- (9) provide for Altice International or a Restricted Subsidiary to provide a Note Guarantee in accordance with the Indenture, to add Guarantees with respect to the Notes (including any provisions relating to the release or limitations of such Additional Guarantees), to add security to or for the benefit of the Notes, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (10) provide for to add Guarantees with respect to the HOT Proceeds Note or an OMT Proceeds Loan, to add security to or for the benefit of the HOT Proceeds Note or an OMT Proceeds Loan, or to effectuate or confirm and evidence the release, termination, discharge or retaking of any HOT Proceeds Note Guarantee or Lien or any OMT Proceeds Loan Guarantee or Lien (including the HOT Proceeds Note Collateral and the HOT Security Documents and OMT Proceeds Loans Collateral and the OMT Security Documents) or any amendment in respect thereof with respect to or securing the HOT Proceeds Note or an OMT Proceeds Loan when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the HOT Security Documents or the OMT Security Documents, as applicable or any intercreditor agreement relating to the HOT Proceeds Note or the OMT Proceeds Loans;
- (11) conform the text of the Indenture, the Note Guarantees, the Security Documents, the Notes, the HOT Proceeds Note Guarantees, the HOT Proceeds Note Documents, the HOT Proceeds Note, the OMT Proceeds Loans Security Documents or any OMT Proceeds Loan to any provision of this “*Description of Notes*” to the extent that such provision in this “*Description of Notes*” was intended to be a verbatim recitation of a provision of the Indenture, a Note Guarantee, the Security Documents, the Notes, the HOT Proceeds Note Guarantees, the HOT Proceeds Note Documents, the HOT Proceeds Note, the OMT Proceeds Loans Security Documents or any OMT Proceeds Loan;
- (12) evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;
- (13) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*” and “—*Certain Covenants—Impairment of Security Interests*”;
- (14) after a HOT Direct Obligation Event, amend, extend, renew, restate, supplement or otherwise modify or release the HOT Proceeds Note and the HOT Security Documents, as the case may be, to give effect to a repayment or reduction in the aggregate principal amount of the HOT Proceeds Note; or
- (15) after an OMT Direct Obligation Event, amend, extend, renew, restate, supplement or otherwise modify or release the OMT Security Documents or any OMT Proceeds Loan, as the case may be, to give effect to a repayment or reduction in the aggregate principal amount of the OMT Proceeds Loans.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer’s Certificates and Opinions of Counsel as set forth in the Indenture.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For the purpose of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

For so long as the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Issuer will publish notice of any amendment, supplement and waiver in Luxembourg in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Such notice of any amendment, supplement and waiver may also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

### Acts by Holders

Except as otherwise provided under "*Optional Redemption*" and "*—Change of Control*", in determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by Altice International or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with Altice International will be disregarded and deemed not to be outstanding.

### Defeasance

The Issuer at any time may terminate all obligations of the Issuer under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the right to receive payment, defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders of the Notes under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under certain covenants described under "*—Certain Covenants*" and "*Change of Control*" and the default provisions relating to such covenants described under "*Events of Default*" above, the operation of the cross-default upon a payment default, the cross-acceleration provisions, the bankruptcy provisions with respect to the Issuer, Altice International and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the first paragraph and clauses (1) and (2) of the second paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation*"), (4), (5), (6) (with respect only to Altice International and Significant Subsidiaries), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or an entity designated or appointed as agent by it for this purpose) cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel (subject to customary exceptions and exclusions) from United States counsel to the effect that Holders or beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel from United States counsel must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended.

### **Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the relevant Paying Agent for cancellation; or (b) all Notes not previously delivered to the relevant Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or an entity designated or appointed as agent by it for this purpose), cash in U.S. dollars or U.S. dollar-denominated U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to apply the deposited money toward payment of the Notes at maturity or on the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture or the Notes, as the case may be, relating to the satisfaction and discharge of the Indenture have been complied with.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer, Altice International or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

### **Listing and General Information**

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of Altice International's annual audited consolidated financial statements, Altice International's unaudited consolidated interim quarterly financial statements and these Listing Particulars may be obtained, free of charge, during normal business hours at the registered office of the Issuer.

### **Available Information**

Any Holder of the Notes or holder of a beneficial interest in the Notes, following the Issue Date, may obtain a copy of the Indenture, the form of Notes, the Security Documents and the Intercreditor Agreement without charge by writing to the Issuer, 3 Boulevard Royal L-2449 Luxembourg, Attention: Chief Financial Officer.

### **Concerning the Trustee and Certain Agents**

Deutsche Bank Trust Company Americas has been appointed as Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which the Trustee has been notified in accordance with the provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person



would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

Issuer shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Indenture imposes certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee and the Paying Agents and the Registrars will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture contains provisions for the indemnification and/or security of the Trustee by the Issuer and the Guarantors for any loss, liability, taxes or expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

## **Notices**

All notices to Holders of the Notes is validly given if mailed or delivered to them at their respective addresses in the register of the Holders of such Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices with respect to the Notes will be published in a newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

For Notes which are represented by global certificates held on behalf of DTC, Euroclear or Clearstream, notices may be given by delivery of the relevant notices to DTC, Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Currency Indemnity**

The sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Notes and Note Guarantees thereof is U.S. dollars, including damages. Any amount received or recovered in a currency other than U.S. dollars, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a

Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, any Note Guarantee or to the Trustee.

### **Enforceability of Judgments**

Since substantially all the assets of the Issuer, Altice International and the other Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Note Guarantees, may not be collectable within the United States.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Notes and the Note Guarantees, the Issuer and each Guarantor has, in the Indenture, appointed Cequel Capital Corporation as its agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

### **Governing Law**

The Indenture, the Notes and the Note Guarantees, and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The application of the provisions set out in Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915 on commercial companies, as amended, is excluded. The Intercreditor Agreement is, and the rights and duties of the parties thereunder are, governed by and construed in accordance with the laws of England. The Security Documents and the HOT Security Documents are and/or shall be governed by and construed in accordance with the laws of the State of Israel, Portugal, the Dominican Republic, England, France, Switzerland, the Bahamas, and the Grand Duchy of Luxembourg, as applicable. The HOT Proceeds Note is governed by and construed in accordance with the laws of England. The OMT Proceeds Loans are governed by and construed in accordance with the laws of France.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*“2012 Revolving Credit Facility”* means the revolving credit facility agreement, dated November 27, 2012, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer, 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 Revolving Credit Facility”* means the revolving credit facility agreement, dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer, 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.

*“2014 Pari Passu Revolving Credit Facility”* means the €501 million revolving credit facility agreement, dated on or about December 9, 2014, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer, 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

*“2015 Senior Notes”* refers to the \$385 million aggregate principal amount of HoldCo’s 7<sup>5</sup>/<sub>8</sub>% Senior Notes due 2025.

*“2015 Senior Notes Indenture”* means the indenture dated as of February 4, 2015, as amended, among, inter alios, HoldCo, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the 2015 Senior Notes.

*“2015 Senior Secured Notes”* refers to the \$2,060 million aggregate principal amount of the Issuer’s 6<sup>5</sup>/<sub>8</sub>% Senior Secured Notes due 2023 and €500 million aggregate principal amount of the Issuer’s 5<sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2023.

*“2015 Senior Secured Notes Indenture”* means the indenture dated as of February 4, 2015, as amended, restated, supplemented or otherwise modified from time to time, among, inter alios, the Issuer, as issuer, the

guarantors party thereto and the trustee and the security agent party thereto, governing the 2015 Senior Secured Notes.

“*2015 Super Senior Revolving Credit Facility*” means the €330 million revolving credit facility agreement, dated January 30, 2015, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer, 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.

“*2015 Transactions*” means the acquisition of Portugal Telecom and the other transactions described under “*The Transactions*” in the Offering Memorandum dated January 30, 2015 relating to the 2015 Senior Secured Notes.

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition, or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with Altice International or any Restricted Subsidiary. Subject to “—*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*,” Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Additional Assets*” means:

- (1) any property or assets (other than Indebtedness and Capital Stock) not classified as current assets under IFRS used or to be used by Altice International or a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of an Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by Altice International or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “*control*” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “*controlling*” and “*controlled*” have meanings correlative to the foregoing.

“*Aggregate Portuguese Security and Guarantee Limit Amount*” refers to, as applicable, (1) €95 million, representing the maximum aggregate amount of obligations secured and guaranteed by Altice Portugal; and (2) (i) up to €4,634.4 million for the PT Portugal and (ii) €968.4 million for PT OpCo, representing the maximum aggregate amount of obligations secured by the PT Portugal and PT OpCo, respectively, and guaranteed by the PT Portugal and PT OpCo, respectively, which limitation applies to all indebtedness so secured and/or guaranteed on an aggregate basis.

“*AHYDO Catch Up Payment*” means any payment on any Indebtedness that would be necessary to avoid such Indebtedness being characterized as an “*applicable high yield discount obligation*” under Section 163(i) of the Code.

“*AI Mandatory Convertible Notes*” means the mandatory convertible notes issued by Altice International for an aggregate nominal amount of up to €2,055 million and subscribed to by Altice Luxembourg (successor to Altice S.A.) in connection with the 2015 Transactions.

“*Altice Bahamas*” means 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 (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg.

“*Altice Hispaniola*” means Altice Hispaniola S.A. (formerly known as Orange Dominicana S.A.), a limited liability corporation (*sociedad anónima*) incorporated under the laws of the Dominican Republic.

“*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 Portugal*” means Altice Portugal, S.A. a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“*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.

“*Applicable Premium*” means:

the greater of:

- (i) 1% of the principal amount of such Note; and
- (ii) the excess (to the extent positive) of:
  - (1) the present value at such redemption date of (i) the redemption price of such Note at May 15, 2021 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of the “—*Optional Redemption*” section described above (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Note to and including May 15, 2021 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over
  - (2) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or Paying Agents.

“*Asset Disposition*” means, with respect to Altice International and the Restricted Subsidiaries (other than the Issuer), any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “*disposition*”) by Altice International or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, lease, transfer, issuance or other disposition of all or substantially all of the assets of Altice International and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “*Change of Control*” and/or the provisions described above under the caption “—*Certain Covenants—Merger and Consolidation*” and not by the provisions described under the caption “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, by a Restricted Subsidiary to Altice International or by Altice International or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;
- (4) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of obsolete, surplus or worn out equipment or other assets or equipment or other similar assets that are no longer useful in the conduct of the business of (as determined in good faith by Altice International) Altice International and its Restricted Subsidiaries;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” (other than as permitted under clause (C) of the first paragraph under “—*Certain Covenants—Merger and Consolidation—The Subsidiary Guarantors*” and clause (C) of the first paragraph under “—*Certain Covenants—Merger and Consolidation—The HOT Proceeds Note Obligors*”), or a transaction that constitutes a Change of Control;

- (6) an issuance of Capital Stock by a Restricted Subsidiary to Altice International or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of Altice International;
- (7) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) not to exceed the greater of (i) 135 million and (ii) 7.0% of L2QA Pro Forma EBITDA;
- (8) (i) any Restricted Payment that is permitted to be made, and is made under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*”, any transactions specifically excluded from the definition of Restricted Payment and the making of any Permitted Payment or Permitted Investment or (ii) solely for the purposes of the third paragraph under “—*Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*”, a disposition, the proceeds of which are used to make such Restricted Payments permitted to be made under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*”, Permitted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*”;
- (10) a sale, lease, transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of receivables or related assets in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases, subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of tax, receivables and factoring, accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales, transfers or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business, and Investments in Receivables Subsidiaries consisting of cash or Securitization Assets;
- (15) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than Altice International or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (18) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by Altice International or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of Altice International shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to Altice International and the Restricted Subsidiaries (considered as a whole) ;
- (19) any sale, lease, transfer, issuance or other disposition, or any series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, with respect to property built, owned or otherwise acquired by Altice International or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; *provided* that network assets of Altice International or any Restricted Subsidiary shall be excluded from this clause (19) unless the Net Cash Proceeds of such sale and leaseback transaction are applied in accordance with the second paragraph of the covenant described under “*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”; and

- (20) any sale, lease, transfer, conveyance or other disposition in one or a series of related transactions of any assets (including Capital Stock) of Altice International and its Restricted Subsidiaries or of any Person that becomes a Restricted Subsidiary (i) acquired in a transaction permitted under the Indenture, which assets are not used or useful in the core or principal business of Altice International and its Subsidiaries or of any Person that becomes a Restricted Subsidiary, or (ii) made in connection with the approval of any applicable antitrust authority or pursuant to Competition Laws or otherwise necessary or advisable in the good faith determination of Altice International and/or its Restricted Subsidiaries to consummate any acquisition permitted under the Indenture.
- (21) dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) an amount equal to the Net Available Cash of such disposition is promptly applied to the purchase price of such replacement property;
- (22) the lapse, abandonment or other disposition of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are no longer commercially reasonable to maintain or are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;
- (23) to the extent allowable under Section 1031 of the Code, or any comparable or successor provision, any exchange of like property (excluding any boot thereon) for use in a Similar Business;
- (24) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements; and
- (25) contractual arrangements under long-term contracts with customers entered into by the Issuer or a Restricted Subsidiary in the ordinary course of business which are treated as sales for accounting purposes; provided that there is no transfer of title in connection with such contractual arrangement.

“Associate” means (i) any Person engaged in a Similar Business of which Altice International or a Restricted Subsidiary are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by Altice International or any Restricted Subsidiary.

“AWE Proceeds Loans” refers to the proceeds loans made by Altice Holdings to Altice West Europe in connection with the 2015 Transactions.

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“Board of Directors” means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, the Grand Duchy of Luxembourg or New York, New York, United States are authorized or required by law to close.

“Capital Stock” of any Person means any and all shares of, interests, rights to purchase, warrants or options for, participation or other equivalents of, or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligations” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. For the avoidance of doubt, operating leases will not be deemed Capitalized Lease Obligations.

“Cash Equivalents” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States Government, Canada, the State of Israel, the United Kingdom, Switzerland or any member state of the European Union, in

each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by (i) any of Israel Discount Bank Ltd, Mizrahi Tefahot Bank Ltd, Bank Leumi of Israel or Bank Hapoalim Ltd or (ii) a bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that such bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, Canada, the United Kingdom, Switzerland, any member of the European Union or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, a member state of the European Union, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"Change of Control" means:

- (1) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (or a group controlled by one or more Permitted Holders) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of Altice International (or any Successor Company), measured by voting power rather than number of shares;
- (2) during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors on the Board of Directors of Altice N.V. (together with any new directors whose election by the majority of such directors on such Board of Directors of Altice N.V. or whose nomination for election by shareholders of Altice N.V., as applicable, was approved by a vote of the majority of such directors on the Board of Directors of Altice N.V. then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors on the Board of Directors of Altice N.V., then in office;
- (3) 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 Altice International (or any Successor Company) and its Restricted Subsidiaries, taken as a whole, to a Person (including any "person" as defined above), other than a Permitted Holder (or a group controlled by one or more Permitted Holders); or
- (4) the first day on which HoldCo fails to own, directly or indirectly, 100% of the Capital Stock of the Issuer or Altice International fails to own, directly or indirectly, 100% of the Capital Stock of HoldCo.

“*Change of Control Triggering Event*” means the occurrence of both a Change of Control and a Rating Decline with respect to the Notes.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

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

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

“*Coditel Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Coditel Senior Credit Facility or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Coditel Collateral as contemplated by the Coditel Senior Credit Facility.

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

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“*Competition Laws*” means any federal, state, foreign, multinational or supranational antitrust, competition or trade regulation statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the 2015 Transactions, the December 2013 Transactions, July 2013 Transactions, December 2012 Transactions, the Original Hot Transactions and the Refinancing Transactions), in each case, as determined in good faith by the Issuer;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consultancy and advisory fees and related expenses or any payments for financial advisory, financing, underwriting or placement services or any payments pursuant to franchising agreements, business service related agreements or other similar arrangements paid in such period (or accruals relating to such fees and related expenses) to any Permitted Holder (whether directly or indirectly, through any Parent) to the extent permitted by the covenant described under “*Certain Covenants—Limitation on Affiliate Transactions*”; *provided* that any payments for such fees and related expense shall not be included in Consolidated EBITDA for any period to the extent they were accrued for in such period or any prior period and added back to Consolidated EBITDA in such period or any such prior period; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other non-cash items classified by Altice International as special items less other



non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period);

*provided* that for purposes of clause (5)(c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” only, Consolidated EBITDA shall be the sum of the Consolidated EBITDA of (x) Cool and its Subsidiaries that are Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the New Group Reference Date (defined below) and (y) Altice International and the Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to July 2, 2013 (the “*New Group Reference Date*”) to the relevant date of determination.

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital of Altice International and the Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of Altice International and the Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;
- (3) non-cash interest expense;
- (4) dividends or other distributions in respect of all Disqualified Stock of the Issuer and Altice International and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than Altice International or a Subsidiary of Altice International;
- (5) the consolidated interest expense that was capitalized during such period (without duplication);
- (6) net payments and receipts (if any) pursuant to Hedging Obligations (other than Currency Agreements) (excluding unrealized mark-to-market gains and losses attributable to Hedging Obligations (other than Currency Agreements)); and
- (7) any interest actually paid by Altice International or any Restricted Subsidiary on Indebtedness of another Person that is guaranteed by Altice International or any Restricted Subsidiary or secured by a Lien on assets of Altice International or any Restricted Subsidiary.

*provided* that for purposes of clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” only, Consolidated Interest Expense shall be the sum of the Consolidated Interest Expense of (x) Cool and its Subsidiaries that are Restricted Subsidiaries for the period beginning on the first day of the first full fiscal quarter commencing prior to December 12, 2012 until the New Group Reference Date and (y) Altice International and the Restricted Subsidiaries for the period beginning on the New Group Reference Date to the relevant date of determination.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Funding, (ii) any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing, (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iv) net payments and receipts (if any) pursuant to Currency Agreements (including unrealized mark-to-market gains and losses attributable to Hedging Obligations), (v) any pension liability interest costs, and (vi) any interest expense related to a Guarantee of Indebtedness of HoldCo Incurred in compliance with the Indenture, *provided* that the interest expense of any HoldCo Proceeds Loan(s) related thereto is included in the calculation of Consolidated Interest Expense in an equal or greater amount.

“*Consolidated Net Income*” means, for any period, the net income (loss) of Altice International and the Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that Altice International’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to Altice International or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any net income (loss) of any Restricted Subsidiary that is not a Guarantor if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to Altice International by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes, the Indenture, the Senior Credit Facility, the Existing Senior Secured Notes Indentures, the Existing Senior Secured Notes, the Existing Altice Luxembourg Notes, the Existing Altice Luxembourg Notes Indentures, the Existing Altice Luxembourg Revolving Credit Facility, the Guarantee Facility, the Revolving Credit Facilities, the Intercreditor Agreement and any Additional Intercreditor Agreement, (c) contractual or legal restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the agreements specified in clause (3) of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (c) restrictions as in effect on the Issue Date specified in clause (12) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”) except that Altice International’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to Altice International or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale, abandonment or other disposition of any asset or disposed operations of Altice International or any Restricted Subsidiary (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer of the Issuer) or returned surplus assets or any pension plan;
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance or any expenses, charges, reserves, gains or other costs related to the December 2012 Transactions, July 2013 Transactions, December 2013 Transactions, the 2015 Transactions or the Refinancing Transactions, and, to the extent not otherwise included in this clause (4): recruiting, retention and relocation costs; signing bonuses and related expenses and one time compensation charges; transaction and refinancing bonuses and special bonuses paid in connection with dividends and distributions to equity holders; start up, transition, strategic initiative (including any multi year strategic initiative) and integration costs, charges or expenses; costs, charges and expenses related to the start up, pre opening, opening, closure, and/or consolidation of operations, offices and facilities; business optimization costs, charges or expenses; costs, charges and expenses incurred in connection with new product design, development and introductions; costs and expenses incurred in connection with intellectual property development and new systems design; costs and expenses incurred in connection with implementation, replacement, development or upgrade of operational, reporting and information technology systems and technology initiatives; any costs, expenses or charges relating to any governmental investigation or any litigation or other dispute (including with any customer); costs and expenses in respect of warranty payments and liabilities related to product recalls or field service campaigns; or any fees, charges, losses, costs and expenses incurred during such period, or any amortization thereof for such period, in connection with or related to any acquisition, Restricted Payment, Investment, recapitalization, asset sale, issuance, incurrence, registration or repayment or modification of Indebtedness, issuance or offering of Capital Stock, refinancing transaction or amendment, modification or waiver in respect of the documentation relating to any such transaction and any charges or non recurring merger costs incurred during such period as a result of any such transaction;
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

- (8) any unrealized gains or losses in respect of Hedging Obligations or other derivative instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations or other derivative instruments;
- (9) any unrealized foreign currency translation gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of Altice International or any Restricted Subsidiary owing to Altice International or any Restricted Subsidiary;
- (11) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving Altice International or its Subsidiaries;
- (12) any goodwill or other intangible asset impairment charge or write-off; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Net Leverage*” means (A) the sum, without duplication, of the aggregate outstanding Indebtedness of Altice International and its Restricted Subsidiaries on a consolidated basis (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, any Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”); *provided* that any Guarantees by the Issuer and the Guarantors of Indebtedness of HoldCo permitted to be Incurred under clause (14), (15) or (16) of the second paragraph of the covenant entitled “—*Certain Covenants—Limitation on Indebtedness*” will be excluded from this definition of Consolidated Net Leverage to the extent an equal or greater aggregate amount of Indebtedness in respect of HoldCo Proceeds Loans outstanding on the relevant date of determination is included in this definition of Consolidated Net Leverage, less (B) the aggregate amount of cash and Cash Equivalents of Altice International and the Restricted Subsidiaries on a consolidated basis.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under the caption “—*Certain Covenants—Limitation on Indebtedness*”.

For the avoidance of doubt, in determining Consolidated Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made.

“*Consolidated Net Senior Secured Leverage*” means (A) the sum of the aggregate outstanding Senior Secured Indebtedness of Altice International and its Restricted Subsidiaries (excluding (i) Hedging Obligations and (ii) other than for purposes of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”, Indebtedness Incurred pursuant to clause (1) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), less (B) the aggregate amount of cash and Cash Equivalents of Altice International and the Restricted Subsidiaries on a consolidated basis.

“*Consolidated Net Senior Secured Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Senior Secured Leverage at such date to (y) L2QA Pro Forma EBITDA; *provided, however*, that the *pro forma* calculation of the Consolidated Net Senior Secured Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the date of determination pursuant to the provisions described in the second paragraph under the caption “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*”.

For the avoidance of doubt, in determining Consolidated Net Senior Secured Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Indebtedness in respect of which the calculation of the Consolidated Net Senior Secured Leverage Ratio is to be made.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Cool*” means Cool Holding Ltd., a public limited company (*société anonyme*) incorporated and existing under the laws of the State of Israel and the Grand Duchy of Luxembourg having its registered office at 3 Boulevard Royal, L-2449 Luxembourg, and registered with the Luxembourg Trade and Companies’ Register under number B152.495.

“*Cool Interest Loan*” means the interest free loan from Altice International to Cool in an amount equal to NIS 37 million, as amended and/or restated, modified or replaced, from time to time.

“*Covenant Party Pledged Proceeds Loans*” has the meaning ascribed to it under “*Corporate and Financing Structure*” in these Listing Particulars.

“*Credit Facility*” means, with respect to Altice International or any of its Subsidiaries, one or more debt facilities, arrangements, instruments, trust deeds, note purchase agreements or indentures or commercial paper facilities and overdraft facilities (including the Guarantee Facility, the Senior Credit Facility and the Revolving Credit Facilities) with banks, institutions, funds or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, bonds, debentures letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, institutions or investors and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facility*” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of Altice International as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, cap, floor, ceiling, collar, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*December 2012 Senior Notes*” refers to the \$425 million aggregate principal amount of HoldCo’s 9<sup>7</sup>/<sub>8</sub>% Senior Notes due 2020.

“*December 2012 Senior Notes Indenture*” means the indenture dated as of December 12, 2012, as amended, among, *inter alios*, HoldCo, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the December 2012 Senior Notes.

“*December 2012 Transactions*” means the Take-Private Transaction and the related refinancings and financings consummated on December 27, 2012.

“*December 2013 Senior Notes*” refers to the \$400 million aggregate principal amount of HoldCo’s 8<sup>1</sup>/<sub>8</sub>% Senior Notes due 2024 issued on December 12, 2013.

“*December 2013 Senior Notes Indenture*” means the indenture dated as of December 12, 2013, as amended, restated, supplemented or otherwise modified from time to time, among, *inter alios*, HoldCo, as issuer, the guarantors party thereto and the trustee party thereto, governing the December 2013 Senior Notes.

“December 2013 Senior Secured Notes” refers to the \$900 million aggregate principal amount of the Issuer’s 6½% Senior Secured Notes due 2022 and €300 million aggregate principal amount of the Issuer’s 6½% Senior Secured Notes, in each case, issued on December 12, 2013.

“December 2013 Senior Secured Notes Indenture” means the indenture dated as of December 12, 2013, as amended, restated, supplemented or otherwise modified from time to time, among, inter alios, the Issuer, as issuer, the guarantors party thereto and the trustee and the security agent party thereto, governing the December 2013 Senior Secured Notes.

“December 2013 Transactions” refers to the acquisition of Orange Dominicana (which was consummated on April 9, 2014), the acquisition of the Tricom Entities (which was consummated on March 12, 2014), and the related issuance of the December 2013 Senior Notes and the December 2013 Senior Secured Notes.

“Default” means any event which is, or after giving notice or with the passage of time or both would be, an Event of Default.

“Designated Non-Cash Consideration” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by Altice International or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock”.

“Designated Preference Shares” means, with respect to Altice International, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to Altice International or a Subsidiary of Altice International or an employee stock ownership plan or trust established by Altice International or any such Subsidiary for the benefit of their employees to the extent funded by Altice International or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “—Certain Covenants—Limitation on Restricted Payments”.

“Direct Obligation Event” means the HOT Direct Obligation event and/or the OMT Direct Obligation Event, as applicable.

“Disinterested Director” means, with respect to any Affiliate Transaction, a member of the Board of Directors of Altice International having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of Altice International shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of Altice International or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of Altice International or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case, on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require Altice International to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—Certain Covenants—Limitation on Restricted Payments”.

“*Equity Offering*” means a public or private sale of (x) Capital Stock of Altice International or (y) Capital Stock or other securities of a Parent or an Affiliate, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of Altice International or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock;
- (2) Designated Preference Shares;
- (3) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (4) any such sale to an Affiliate of Altice International, including the Issuer, Altice International or a Restricted Subsidiary; and
- (5) any such sale that constitutes an Excluded Contribution; and
- (6) the AI Mandatory Convertible Notes.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*euro*” or “*€*” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro (“*Other Currency*”), at any time of determination thereof by the Issuer or the Trustee, the amount of euros obtained by converting such Other Currency involved in such computation into euros at the spot rate for the purchase of euros with the Other Currency as published in *The Financial Times* in the “*Currency Rates*” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

“*European Government Obligations*” means direct obligations of, or obligations guaranteed by, a member state of the European Monetary Union as of the date of the Indenture, and the payment for which such member state of the European Monetary Union pledges its full faith and credit; provided that such member state has a long-term government debt rating of “*A1*” or higher by Moody’s or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds and the fair market value (as determined in good faith by Altice International) of or property or assets received by Altice International as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares of Altice International) after February 4, 2015 or from the issuance or sale (other than to Altice International, a Restricted Subsidiary or an employee stock ownership plan or trust established by Altice International or any Subsidiary of Altice International for the benefit of its employees to the extent funded by Altice International or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of Altice International, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“*Excluded Subsidiary*” means (1) any Subsidiary that is not a Wholly Owned Subsidiary of Altice International, (2) any Subsidiary, including any regulated entity that is subject to net worth or net capital or similar capital and surplus restrictions, that is prohibited or restricted by applicable law, accounting policies or by contractual obligation existing on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of such agreements (or, with respect to any Subsidiary acquired by Altice International or a Restricted Subsidiary after the Issue Date (and so long as such contractual obligation was not incurred in contemplation of such acquisition), on the date such Subsidiary is so acquired) from providing a Guarantee, or if such Guarantee would require governmental (including regulatory) or third party consent, approval, license or authorization, (3) any special purpose securitization vehicle (or similar entity), including any Receivables Subsidiary, (4) any not for profit Subsidiary, (5) any other Subsidiary with respect to which, in the reasonable judgment of Altice International, the burden or cost (including any adverse tax consequences) of providing the Guarantee will outweigh the benefits to be obtained by the Holders therefrom and (6) each Unrestricted Subsidiary; provided, that any such Subsidiary that is an Excluded Subsidiary pursuant to clause (5) above shall cease to be an Excluded Subsidiary at any time such Subsidiary guarantees Indebtedness of Altice International or any other Guarantor.

“Existing Altice Luxembourg Notes” refers to the (i) \$1,480 million aggregate principal amount of Altice Luxembourg S.A.’s 7<sup>5</sup>/<sub>8</sub>% Senior Notes due 2025 and €750 million aggregate principal amount of Altice Luxembourg S.A.’s 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2025, in each case, issued on February 4, 2015, (ii) \$2,900 million aggregate principal amount of Altice Luxembourg S.A.’s 7<sup>3</sup>/<sub>4</sub>% Senior Notes due 2022 and €2,075 million aggregate principal amount of Altice Luxembourg S.A.’s 7<sup>1</sup>/<sub>4</sub>% Senior Notes, in each case, issued on May 8, 2014.

“Existing Altice Luxembourg Revolving Credit Facility” means the revolving credit facility agreement dated on or around May 8, 2013, as amended, restated, supplemented or otherwise modified from time to time, between, *inter alia*, Altice S.A., certain financial institutions party thereto and Deutsche Bank AG, London Branch as facility agent and Deutsche Bank AG, London Branch, as security agent.

“Existing HOT Unsecured Notes” refers to the NIS 825 million notes (Series A) and the NIS 675 million notes (Series B) of HOT, offered to the 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 shall be amended from time to time.

“Existing Revolving Credit Facilities” means the 2012 Revolving Credit Facility, the 2013 Revolving Credit Facility, the 2014 Pari Passu Revolving Credit Facility and the 2015 Super Senior Revolving Credit Facility.

“Existing Senior Notes” means the 2015 Senior Notes, the December 2013 Senior Notes, the July 2013 Senior Notes and the December 2012 Senior Notes.

“Existing Senior Notes Indentures” means the 2015 Senior Notes Indenture, December 2013 Senior Notes Indenture, the July 2013 Senior Notes Indenture and the December 2012 Senior Notes Indenture.

“Existing Senior Secured Notes” means the 2015 Senior Secured Notes and the December 2013 Senior Secured Notes.

“Existing Senior Secured Notes Indentures” means the 2015 Senior Secured Notes Indenture and the December 2013 Senior Secured Notes Indenture.

“fair market value” wherever such term is used in this “Description of Notes” or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “Description of Notes” or the Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of Altice International setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“Global Interlinks” means Global Interlinks Ltd., a private limited company incorporated under the laws of the Bahamas.

“Green” means green.ch AG (company registration no. CHE- 112.574.742; formerly Solution25AG), a Swiss company limited by shares (*Aktiengesellschaft*), incorporated and existing under the laws of Switzerland.

“Green Datacenter” means 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” means Altice International and its Subsidiaries.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part),

*provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business or any guarantee of performance. The term “Guarantee” used as a verb has a corresponding meaning.

“Guarantee Facility” means the guarantee facility agreement dated July 1, 2013, as amended, restated, supplemented or otherwise modified from time to time, among the Issuer 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.

“Guarantor” means (i) each of Altice International, Cool, H. Hadaros 2012, Ltd., Altice Holdings, Altice West Europe, Altice Caribbean, Green, Altice Bahamas, Tricom, Global Interlink, Altice Hispaniola, Altice Portugal,

PT Portugal and PT OpCo and (ii) each Person that executes a Note Guarantee in accordance with the provisions of the Indenture in its capacity as guarantor of the Notes and its respective successor and assigns, until the Note Guarantee of such Person has been released in accordance with the provision of the Indenture (collectively, the “*Guarantors*”)

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*HoldCo*” means Altice Finco S.A., a Luxembourg public limited liability company (*société anonyme*).

“*HoldCo Proceeds Loan*” means any loan agreement entered into between HoldCo and the Issuer pursuant to which HoldCo lends to the Issuer all or substantially all of the net proceeds of any Incurrence of Indebtedness by HoldCo; *provided* that (i) the principal amount of, and interest rate on, such HoldCo Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness of HoldCo that funded such HoldCo Proceeds Loan (except to the extent a reasonable margin is required by law), (ii) a Lien over such HoldCo Proceeds Loan is granted at the time of its Incurrence on a senior basis to secure the Notes and the Note Guarantees, (iii) any Lien over such HoldCo Proceeds Loan that secures the Indebtedness of HoldCo will be junior to the Lien over such HoldCo Proceeds Loan granted to secure the Notes and the Note Guarantees and (iv) such HoldCo Proceeds Loan shall be subject to the Intercreditor Agreement and any Additional Intercreditor Agreement, as amended and/or restated, modified or replaced, from time to time.

“*Holder*” means each Person in whose name the Notes are registered.

“*HOT Credit Facility*” means the Facility Agreement dated April 25, 2013 between and made between (among others) HOT and HSBC Bank plc, Israel Discount Bank Ltd. and First International Bank of Israel Ltd. in their respective capacities as Lenders.

“*HOT Direct Obligation Event*” means the election by Altice International to cause the HOT Proceeds Note Obligors to become direct Guarantors of the Notes by causing each of them to provide a Guarantee of the Notes on a senior basis and grant an equivalent Lien over all of its assets; *provided* that where a Guarantee by a Restricted Subsidiary of HOT could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) hereof undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to Altice International, HOT or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from incurring such Guarantee by the terms of any Indebtedness of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary) (*provided* that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness), such Restricted Subsidiary shall be excluded from the requirement to provide such Guarantee and grant a Lien over its assets as a condition to the consummation of the HOT Direct Obligation Event.

“*HOT Mobile*” means HOT Mobile Ltd., formerly known as MIRS Communications Ltd.

“*HOT Proceeds Note Obligors*” means HOT and the HOT Proceeds Note Guarantors.

“*HOT Proceeds Note*” means collectively, the proceeds term loan and the revolving facility proceeds loan made by the Issuer to HOT on December 27, 2012, as amended and/or restates, modified or replaced, from time to time.

“*HOT Proceeds Note Documents*” means the HOT Proceeds Note and the HOT Security Documents.

“*HOT Proceeds Note Guarantee*” means the guarantee by each HOT Proceeds Note Guarantor of HOT’s obligations under the HOT Proceeds Note, executed pursuant to the provisions thereof.

“*HOT Proceeds Note Guarantor*” means each Person that accedes to the HOT Proceeds Note as a HOT Proceeds Note Guarantor in accordance with the provisions of the HOT Proceeds Note and the Indenture in its capacity as a guarantor of the HOT Proceeds Note and its respective successors and assigns, until the HOT Proceeds Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

“*HOT Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the HOT Proceeds Note or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time,



creating the security interests in the HOT Proceeds Note Collateral as contemplated by the Indenture and the HOT Proceeds Note.

“*IFRS*” means International Financial Reporting Standards as issued by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof, or, with respect to the covenant described under the caption “*Reports*” as in effect from time to time; *provided that* at any date after the Issue Date, Altice International may make an irrevocable election to establish that “*IFRS*” shall mean IFRS as in effect on a date that is on or prior to the date of such election (except with respect to the covenant described under the caption “*Reports*”). Altice International shall give notice of any such election to the Trustee and the Holders. Notwithstanding the foregoing, for determining the treatment for operating leases for all purposes under the Indenture, IFRS shall mean IFRS as of the Issue Date.

“*Incremental Facilities*” means the credit facilities created or extended pursuant to the Incremental Loan Assumption Agreement, dated as of July 14, 2015, among, *inter alios*, the Issuer, the lenders party thereto, and the Euro Administrative Agent and the Dollar Administrative Agent (as each are defined therein).

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that other than in the case of any action being taken in connection with a Limited Condition Acquisition or an Irrevocable Repayment, which shall be governed by the provisions of “—*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*”, (1) any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by Altice International or such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing and (2) any Indebtedness pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder; *provided further* that Altice International in its sole discretion may elect that (x) any Indebtedness or portion thereof pursuant to any Credit Facility, bridge facility, revolving credit or similar facility shall be deemed to be “*Incurred*” at the time of entry into the definitive agreements or commitments in relation to any such facility and/or (y) any Indebtedness the proceeds of which are cash-collateralized shall be deemed to be “*Incurred*” at the time such proceeds are no longer cash-collateralized.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) [Reserved];
- (5) [Reserved];
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Commodity Hedging Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease (including for avoidance of doubt, any network lease or any Operating IRU), concession or license of property (or

Guarantee thereof) which would be considered an operating lease under IFRS as in effect on December 12, 2012 or the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations, (vi) receivables sold or discounted, whether recourse or non-recourse, including for the avoidance of doubt, any obligations under or in respect of Qualified Receivables Financing (including, without limitation, guarantees by a Receivables Subsidiary of the obligations of another Receivables Subsidiary and any indebtedness in respect of Limited Recourse), (vii) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) Indebtedness in respect of the Incurrence by Altice International or any Restricted Subsidiary of Indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by Altice International or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, (x) any obligations to pay the deferred and unpaid purchase price for assets acquired or services supplied or otherwise owed to the Person from whom such assets are acquired or who supplies such services in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied, (xi) any payroll accruals and (xii) Indebtedness Incurred by Altice International or a Restricted Subsidiary in connection with a transaction where (A) such Indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by Altice International or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such Indebtedness. For the avoidance of doubt and notwithstanding the above, the term "*Indebtedness*" excludes any accrued expenses and trade payables and any obligations under guarantees issued in connection with various operating and telecommunication licenses, any obligations under the guarantee by HOT issued to the Ministry of Communications and Broadcast Council in connection with various operating and broadcasting licenses, including the bank guarantee in connection with the HOT Mobile's winning a frequency allotment and receiving a cellular license, and any obligations of HOT Systems towards the State of Israel under an agreement dated July 10, 2001, between HOT Systems and other cable companies and between the State of Israel, in each case, as in effect on December 12, 2012.

Subject to "*Certain Covenants—Limited Condition Acquisition and Irrevocable Repayment*", the amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (i) in connection with the purchase by Altice International or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing;
- (ii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes;
- (iii) parallel debt obligations, to the extent such obligations mirror other Indebtedness;
- (iv) Capitalized Lease Obligations; or
- (v) franchise and performance surety bonds or guarantees.

"*Indenture*" means the indenture dated as of the Issue Date, as amended, among, *inter alios*, the Issuer, as issuer, the Guarantors and the Trustee, governing the Notes.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“*Initial Public Offering*” means the Equity Offering of common stock or other common equity interests of Altice S.A., which was completed on February 5, 2014, as a result of which, the shares of common stock or other common equity interests of Altice S.A. in such offering are listed on the Euronext Amsterdam.

“*Intercreditor Agreement*” means the intercreditor agreement dated December 12, 2012 and made between (among others) the Issuer, HoldCo, the Guarantors, the Security Agent, the Facility Agent, the Mandated Lead Arrangers (as defined therein), certain financial institutions party thereto, the Hedging Banks (as defined therein) and the trustee for the Existing Senior Secured Notes, as amended, which the Trustee acceded to on the Issue Date.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If Altice International or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by Altice International or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—*Certain Covenants—Limitation on Restricted Payments*”.

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “*Investment*” will include the portion (proportionate to Altice International’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, Altice International will be deemed to continue to have a permanent “*Investment*” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) Altice International’s “*Investment*” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to Altice International’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by an Officer or the Board of Directors of Altice International in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer (or if earlier at the time of entering into an agreement to sell such property), in each case as determined in good faith by an Officer or the Board of Directors of Altice International.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by the United Kingdom, a member state of, European Union, Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “*BBB*” or higher from S&P or “*Baa3*” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among Altice International and its Subsidiaries; and

- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when the Notes receive both of the following:

- (1) a rating of “*BBB-*” or higher from S&P; and
- (2) a rating of “*Baa3*” or higher from Moody’s,

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*Investor*” means Altice N.V. or any of its successors and the ultimate controlling shareholder of Altice N.V. on the Issue Date.

“*Investor Affiliate*” means (i) the Investor or any of his immediate family members, and any such persons’ respective Affiliates and direct and indirect Subsidiaries, (ii) any sponsor, limited partnerships or entities managed or controlled by the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries, (iii) any trust of the Investor or any of his immediate family, or any of such persons’ respective Affiliates and direct or indirect Subsidiaries or any trust in respect of which any such persons is a trustee, (iv) any partnership of which the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries is a partner that is managed or controlled by the Investor, any of his immediate family or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, and (v) any trust, fund or other entity which is managed by, or is under the control of, the Investor or any of his immediate family, or any of such persons’ respective Affiliates or direct or indirect Subsidiaries, but excluding Altice International or any of its Subsidiaries.

“*Irrevocable Repayment*” means any repayment, repurchase, redemption or refinancing of Indebtedness with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered;

“*Issue Date*” means May 3, 2016.

“*Issuer*” means Altice Financing S.A., a Luxembourg public limited liability company (*société anonyme*).

“*Issuer Asset Sale*” means the sale, lease, conveyance or other disposition of any rights, property or assets by the Issuer. Notwithstanding the preceding, none of the following items will be deemed to be an Issuer Asset Sale:

- (1) the granting of a Permitted Issuer Lien;
- (2) any Permitted Issuer Investment; and
- (3) the sale or other disposition of cash, Cash Equivalents, Temporary Cash Investments, or Investment Grade Securities.

“*Issuer Proceeds Loan*” means any loan agreement (including in the form of a note), as amended and/or restated, modified or replaced, from time to time, entered into between the Issuer and any Guarantor pursuant to which Issuer lends to such Guarantor all or a portion of the net proceeds of any Incurrence of Indebtedness by the Issuer; *provided* that a Lien over such Issuer Proceeds Loan is granted at the time of its Incurrence on a senior basis to secure the Notes and the Guarantees.

“*July 2013 Senior Notes*” refers to the €250 million aggregate principal amount of HoldCo’s 9% Senior Notes due 2023 issued on June 19, 2013 and released from escrow on July 2, 2013.

“*July 2013 Senior Notes Indenture*” means the indenture dated as of June 19, 2013, as amended, among, *inter alios*, HoldCo, as issuer, the guarantors party thereto and the trustee and security agent party thereto, governing the July 2013 Senior Notes.

“*July 2013 Transactions*” means the transactions described under “*The Transactions*” in the offering memorandum dated June 14, 2013 relating to the July 2013 Senior Notes.

“*L2QA Pro Forma EBITDA*” means as of any date of determination, Pro Forma EBITDA for the period of the most recent two consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of Altice International are available multiplied by 2.0.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*Limited Condition Acquisition*” means any Investment or acquisition by one or more of the Issuer and its Restricted Subsidiaries of any assets, business or Person whose consummation is not conditioned on the availability of, or on obtaining, third party financing.

“*Limited Recourse*” means a letter of credit, revolving loan commitment, cash collateral account, guarantee or other credit enhancement issued by Altice International or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) in connection with the incurrence of Indebtedness by a Receivables Subsidiary under a Qualified Receivables Financing; provided that, the aggregate amount of such letter of credit reimbursement obligations and the aggregate available amount of such revolving loan commitments, cash collateral accounts, guarantees or other such credit enhancements of Altice International and its Restricted Subsidiaries (other than a Receivables Subsidiary) shall not exceed 25% of the principal amount of such Indebtedness at any time.

“*Management Advances*” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, Altice International or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such Person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of Altice International, its Restricted Subsidiaries or any Parent (i) not to exceed an amount (net of repayments of any such loans or advances) equal to €20 million in any calendar year (with unused amounts in any calendar year being carried over to the succeeding calendar years; *provided* that the aggregate Management Advances made under this sub-clause (b)(i) do not exceed €40 million in any fiscal year) or (ii) with the approval of the Board of Directors of Altice S.A.;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €20 million in the aggregate outstanding at any time.

“*Management Investors*” means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, Altice International or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the Beneficial Owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of Altice International, any Restricted Subsidiary or any Parent.

“*Meo, S.A.*” refers to the former Meo, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with registration number 502 600 268, which was merged into the former PT Comunicações, S.A. on December 29, 2014.

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” shall have the same meaning as used in Section 3(a)(62) of the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, Altice International or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against (a) any liabilities associated with the assets disposed in such Asset Disposition and retained by Altice International or any Restricted Subsidiary after such Asset Disposition; or (b) any purchase price adjustment or earn-out in connection with such Asset Disposition.

“*Net Cash Proceeds*” means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, any Incurrence of any Indebtedness or any sale of any asset, the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*NIS*” means New Israeli Shekels, the lawful currency of the State of Israel.

“*Note Guarantee*” means the Guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

“*Notes Documents*” means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreements, the Issuer Proceeds Loans, the Hot Security Documents, the OMT Proceeds Loans and the OMT Security Documents.

“*Offering Memorandum*” means the offering memorandum in relation to the Notes issued on the Issue Date.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “*Officer*” for the purposes of the Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*OMT Direct Obligation Event*” means the election by Altice International to cause Altice Blue Two and its Restricted Subsidiaries to become direct Guarantors of the Notes by causing each of them to provide a Guarantee of the Notes on a senior basis and grant an equivalent Lien securing the Notes over all of its assets that constitute OMT Proceeds Loans Collateral on such date; *provided* that where a Guarantee by a Restricted Subsidiary of Altice Blue Two could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) hereof undertaken in connection with, such Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to Altice International, Altice Blue Two or such Restricted Subsidiary; or (4) such Restricted Subsidiary is prohibited from Incurring such Guarantee by the terms of any Indebtedness of such Restricted Subsidiary that is not prepayable without a prepayment premium (in each case, other than Indebtedness Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary) (*provided* that this clause (4) applies only for so long as such prepayment premium applies to such Indebtedness), such Restricted Subsidiary shall be excluded from the requirement to provide such Guarantee and grant a Lien over its assets as a condition to the consummation of the OMT Direct Obligation Event.

“*OMT Proceeds Loans*” means collectively, the direct and indirect proceeds loans made by Altice Holdings to Altice Blue Two and its Subsidiaries in connection with the acquisition of OMT Invest by Altice International and Altice Caribbean, as amended and/or restated, modified or replaced, from time to time.

“*OMT Proceeds Loans Collateral*” means the rights, property and assets securing the OMT Proceeds Loans and any rights, property or assets over which a Lien has been granted to secure the Obligations of Altice Blue Two under the applicable OMT Proceeds Loan.

“*OMT Proceeds Loan Guarantees*” means the guarantee by each OMT Proceeds Loan Guarantor of Altice Blue Two’s obligations under the OMT Proceeds Loans, executed pursuant to the provisions thereof and the Senior Secured Notes Indentures.

“*OMT Proceeds Loans Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the OMT Proceeds Loans or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the OMT Proceeds Loans Collateral as contemplated by the Indenture and the OMT Proceeds Loan.

“*Operating IRU*” means an indefeasible right of use of, or operating lease or payable for, lit or unlit fiber optic cable or telecommunications conduit or the use of either.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee, which opinion may contain customary assumptions and qualifications. The counsel may be an employee of or counsel to any Parent, the Issuer, Altice International or any of their Subsidiaries.

“*Parent*” means any Person of which Altice International at any time is or becomes a Subsidiary and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of a Parent (excluding principal and interest under any such agreement or instrument relating to obligations of the Parent), Altice International or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to a Parent, Altice International or their respective Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to a Parent, Altice International or their respective Subsidiaries and reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of Altice International, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees)
- (4) fees and expenses payable by any Parent in connection with the December 2012 Transactions, July 2013 Transactions, December 2013 Transactions, the 2015 Transactions and the Refinancing Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of Altice International or any of the Restricted Subsidiaries including acquisitions or dispositions by Altice International or a Subsidiary permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such or (b) costs and expenses with respect to any litigation or other dispute relating to the December 2012 Transactions, July 2013 Transactions, December 2013 Transactions, the 2015 Transactions and the Refinancing Transactions, or the ownership, directly or indirectly, by any Parent of Capital Stock or Subordinated Shareholder Funding of the Issuer;
- (6) any fees and expenses required to maintain any Parent’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to officers and employees of such Parent;
- (7) to reimburse out-of-pocket expenses of the Board of Directors of any Parent and payment of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in Altice International and its Subsidiaries;
- (8) other fees, expenses and costs relating directly or indirectly to activities of Altice International and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of Altice International, in an amount not to exceed €10 million in any fiscal year;
- (9) any Public Offering Expenses;
- (10) payments pursuant to any Tax Sharing Agreement in the ordinary course of business or as a result of the formation and maintenance of any consolidated group for tax or accounting purposes in the ordinary course of business; and
- (11) franchise, excise and similar taxes and other fees, taxes and expenses, in each case required for Altice International or any Restricted Subsidiary to maintain its operations and paid by the Parent.

“*Pari Passu Indebtedness*” means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes; and (2) with respect to the Guarantors, any Indebtedness that ranks *pari passu* in right of payment to such Guarantor’s Guarantee of the Notes.

“*Paying Agent*” means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

“*Payment Block Event*” means: (1) any Event of Default described in clause (1) or (2) of the first paragraph under the heading “—*Events of Default*” has occurred and is continuing; (2) any Event of Default described in clause (6) of the first paragraph under “—*Events of Default*” has occurred and is continuing; and (3) any other Event of Default has occurred and is continuing and the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes have declared all the Notes to be due and payable immediately (and such acceleration has not been rescinded). No Payment Block Event shall be deemed to have occurred unless the Trustee has delivered notice of the occurrence of such Payment Block Event to the Issuer.

“*Permitted Asset Swap*” means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between Altice International or any of the Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”.

“*Permitted Collateral Liens*” means:

- (1) Liens on the Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) (but in the case of clause (28), excluding any Additional Notes) of the definition of “*Permitted Liens*”;
- (2) Liens on the Notes Collateral to secure (a) Indebtedness that is permitted to be Incurred under first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, (b) Indebtedness that is permitted to be Incurred under clauses (1) (which may be Super Priority Indebtedness), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured on the Notes Collateral and specified in this definition of Permitted Collateral Liens), (4)(a), (5)(ii), (7)(a) (to the extent relating to Currency Agreements or Interest Rate Agreements related to Indebtedness (including Indebtedness of HoldCo to the extent such Indebtedness is Guaranteed by the Issuer and the Guarantors pursuant to clause (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and which, in each case, may be Super Priority Indebtedness), (7)(b) (which may be Super Priority Indebtedness), (14) (so long as, in the case of clause (14), on the date of Incurrence of Indebtedness pursuant to such clause (14) and after giving effect thereto on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if such Indebtedness had been Incurred at the beginning of the relevant period, the Consolidated Net Senior Secured Leverage Ratio is no greater than 3.0 to 1.0) and clause (16) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) or (b), *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the Notes and the Note Guarantees (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement); (ii) in each case, all property and assets (including, without limitation, the Notes Collateral) securing such Indebtedness also secure the Notes or the Note Guarantees on a senior or *pari passu* basis (including by virtue of the Intercreditor Agreement or an Additional Intercreditor Agreement but no such Indebtedness (other than Super Priority Indebtedness) shall have priority to the Notes over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral); and (iii) each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; and
- (3) Liens on the Capital Stock of the Issuer, Cool and Altice Holdings and Liens on the HoldCo Proceeds Loans and Liens on the Subordinated Shareholder Loan, in each case, that secures Indebtedness of HoldCo (and Guarantees thereof) that is Guaranteed by the Issuer and the Guarantors pursuant to clause (4)(c), (5)(ii) and clause (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; *provided* that, in the case of this clause (3), (x) such Liens shall rank junior to the Liens securing the Notes and the Note Guarantees and (y) the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

“*Permitted Holders*” means, collectively, (1) the Investor, (2) Investor Affiliates and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or Altice International, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.



“Permitted HOT Proceeds Note Collateral Liens” means:

- (1) Liens on HOT Proceeds Note Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) of the definition of “Permitted Liens”; and
- (2) Liens on the HOT Proceeds Note Collateral to secure (a) Indebtedness that is permitted to be Incurred under clauses (1) (which may be Super Priority Indebtedness), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this clause (2) of this definition of Permitted HOT Proceeds Note Collateral Liens) and clause (16) under the second paragraph of the covenant described under “—Certain Covenants—Limitation on Indebtedness”, (b) any Refinancing Indebtedness in respect of Indebtedness referred to in this clause (2) and (c) any Issuer Proceeds Loans Incurred in accordance with the fifth paragraph under the heading “—Certain Covenants—Limitation on Indebtedness” under which HOT is the borrower or issuer (and the HOT Proceeds Note Guarantees in respect thereof), *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the HOT Proceeds Note; (ii) in each case, all property and assets (including, without limitation, the HOT Proceeds Note Collateral) securing such Indebtedness also secure the HOT Proceeds Note or the Guarantees of the HOT Proceeds Note on a senior or *pari passu* basis; and (iii) each of the parties thereto and the Issuer as lender under the HOT Proceeds Note will have entered into an intercreditor agreement containing terms not materially less favorable to such lender than the terms of the Intercreditor Agreement with respect to the Holders of the Notes.

“Permitted Investment” means (in each case, by Altice International or any of the Restricted Subsidiaries and subject to the covenant described under the heading “—Certain Covenants—Limitation on Issuer Activities”):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or Altice International (other than any Investment in a Minority Shareholder Call Option or Minority Shareholder Purchase Agreement) or (b) any Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, Altice International or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to Altice International or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as Altice International or any such Restricted Subsidiary deems reasonable under the circumstances;
- (5) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to Altice International or any Restricted Subsidiary (including obligations of trade creditors and customers), or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor or in compromise or resolution of any litigation, arbitration or other dispute;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock” and other Investments resulting from the disposition of assets in transactions excluded from the definition of “Asset Disposition” pursuant to the exclusions from such definition;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and any modification, replacement, renewal or extension thereof; *provided* that the amount of any such Investment may not be increased except (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted by the Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred pursuant to clause (7) of the second paragraph of the covenant described under “—Certain Covenants—Limitation on Indebtedness”;

- (11) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "*Permitted Liens*" or made in connection with Liens permitted under the covenant described under "*Certain Covenants—Limitation on Liens*";
- (12) any Investment to the extent made using Capital Stock of Altice International (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the covenant described under "*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (15) Investments in the Notes, any Additional Notes, the Existing Senior Secured Notes, and the Term Loans or any Pari Passu Indebtedness of the Issuer;
- (16) (a) Investments acquired after the Issue Date as a result of the acquisition by Altice International or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into Altice International or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described under "*Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and (b) Investments of a Restricted Subsidiary existing on the date such Person becomes a Restricted Subsidiary to the extent that such Investments were not made in contemplation of such Person becoming a Restricted Subsidiary;
- (17) Investments, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €375 million and 3.0% of Total Assets plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section "*Certain Covenants—Limitation on Restricted Payments*"); *provided*, that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "*Permitted Investments*" and not this clause;
- (18) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of €375 million and 3.0% of Total Assets Pro Forma EBITDA at the time of such Investment plus the amount of any distributions, dividends, payments or other returns in respect of such Investments (without duplication for purposes of the covenant described in the section "*Certain Covenants—Limitation on Restricted Payments*") (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); and
- (19) Investments by Altice International or a Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person, in each case, in connection with a Qualified Receivables Financing, provided, however, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Financing or any such Person owning such Receivables;
- (20) Investments of all or a portion of the Escrowed Proceeds permitted under the relevant escrow agreement.

"*Permitted Issuer Investments*" means Investments:

- (1) in cash, Cash Equivalents, Temporary Cash Investments and Investment Grade Securities;
- (2) in the Notes, the Existing Senior Secured Notes and the Term Loans;
- (3) in any other Indebtedness of the Issuer permitted to be Incurred under the Indenture; and
- (4) in any Issuer Proceeds Loan and other intra-group loans.

"*Permitted Issuer Liens*" means:

- (1) Permitted Collateral Liens; and

- (2) Liens described in one or more of clauses (4), (5), (9), (11), (12), (13), (22), (27) (only in respect of Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness) and (28) of the definition of Permitted Liens.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary or another Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements and including Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) (a) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of Altice International or any Restricted Subsidiary in the ordinary course of its business and (b) Liens in connection with cash management programs established in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of Altice International and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of Altice International and the Restricted Subsidiaries;
- (7) Liens on assets or property of Altice International or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default and notices of *lis pendens* and associated rights so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order, award or notice have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of Altice International or any Restricted Subsidiary (including Capital Stock) for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture (excluding Indebtedness Incurred pursuant to the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and (b) any such Lien may not extend to any assets or property of Altice International or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by Altice International and the Restricted Subsidiaries in the ordinary course of business;
- (13) (a) with respect to Altice International and its Restricted Subsidiaries (other than HOT and its Subsidiaries and Altice Blue Two and its Subsidiaries) Liens existing on or provided for or required to be granted under written agreements existing on the Issue Date after giving effect to the Refinancing Transactions and the Issuance of the Notes and the application of the proceeds thereof; (b) with respect to HOT and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on December 12, 2012 after giving effect to the December 2012 Transactions, including, for avoidance of doubt, the second lien floating charge to secure certain payment obligations of HOT to the State of Israel pursuant to a royalty agreement as in effect on December 12, 2012 and (c) with respect to Altice Blue Two and its Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, July 5, 2013 after giving effect to the July 2013 Transactions;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time Altice International or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into Altice International or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided, further*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of Altice International or any Restricted Subsidiary securing Indebtedness or other obligations of Altice International or such Restricted Subsidiary owing to Altice International or another Restricted Subsidiary, or Liens in favor of Altice International or any Restricted Subsidiary;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which Altice International or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (22) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
- (23) bankers' Liens, Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business of such Person to facilitate the purchase, shipment or storage of such inventory or other goods and Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, and pledges of goods, the related

documents of title and/or other related documents arising or created in the ordinary course of business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

- (25) Permitted Collateral Liens, Permitted HOT Proceeds Note Collateral Liens and Permitted OMT Proceeds Loans Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) any security granted over Cash Equivalents in connection with the disposal thereof to a third party and Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or similar provisions as among the Holders of the Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (29) Liens created on any asset of Altice International or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of Altice International or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (30) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of €125 million and 1.0% of Total Assets;
- (31) Liens consisting of any right of set off granted to any financial institution acting as a lockbox bank in connection with a Qualified Receivables Financing;
- (32) Liens for the purpose of perfecting the ownership interests of a purchaser of Receivables and related assets pursuant to any Qualified Receivables Financing;
- (33) cash deposits or other Liens for the purpose of securing Limited Recourse;
- (34) Liens arising in connection with other sales of Receivables permitted hereunder without recourse to the Issuer or any of its Restricted Subsidiaries;
- (35) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes;
- (36) Liens (a) on any cash earnest money deposits or cash advances made by Altice International or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted under the Indenture, or (b) on other cash advances in favor of the seller of any property to be acquired in an Investment or other acquisition permitted hereunder to be applied against the purchase price for such Investment or other acquisition;
- (37) Liens or rights of set off against credit balances of Altice International or any of the Restricted Subsidiaries with credit card issuers or credit card processors or amounts owing by such credit card issuers or credit card processors to Altice International or any Restricted Subsidiaries in the ordinary course of business to secure the obligations of Altice International or any Restricted Subsidiary to the credit card issuers or credit card processors as a result of fees and charges; and
- (38) customary Liens of an indenture trustee on money or property held or collected by it to secure fees, expenses and indemnities owing to it by any obligor under an indenture.

“*Permitted OMT Proceeds Loans Collateral Liens*” means:

- (1) Liens on OMT Proceeds Loans Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (18), (20), (23), (24) and (28) of the definition of “*Permitted Liens*”; and
- (2) Liens on the OMT Proceeds Loans Collateral to secure (a) Indebtedness that is permitted to be Incurred under clauses (1) (which may be Super Priority Indebtedness), (2)(a) (in the case of (2)(a), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this clause (2) of this definition of Permitted OMT Proceeds Loans Collateral Liens) and clause (16) under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), (b) any Refinancing Indebtedness in respect of Indebtedness referred to in this clause (2) and (c) any Issuer Proceeds Loans Incurred in accordance with the third paragraph under the heading “—*Certain Covenants—Limitation on Indebtedness*” under which Altice Blue Two or any of its

Subsidiaries is the borrower or issuer, *provided, however*, that (i) such Lien shall rank *pari passu* or junior to the Liens securing the OMT Proceeds Loans; (ii) in each case, all property and assets (including, without limitation, the OMT Proceeds Loans Collateral) securing such Indebtedness also secure the OMT Proceeds Loans on a senior or *pari passu* basis; and (iii) each of the parties thereto and the Issuer as lender under the OMT Proceeds Loan will have entered into an intercreditor agreement containing terms, as determined in good faith by an Officer of Altice International, not materially less favorable to such lender than the terms of the Intercreditor Agreement with respect to the Holders of the Notes.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*”, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Pro Forma EBITDA*” means, for any period, the Consolidated EBITDA of Altice International and the Restricted Subsidiaries, *provided* that for the purposes of calculating Pro Forma EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period Altice International or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or otherwise ceases to be a Restricted Subsidiary (and is not a Restricted Subsidiary at the end of such period) (any such disposition, a “*Sale*”) or if the transaction giving rise to the need to calculate Pro Forma EBITDA is such a Sale, Pro Forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes “*discontinued operations*” in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;
- (2) since the beginning of such period, a Parent, Altice International or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or a Person otherwise becomes a Restricted Subsidiary (and remains a Restricted Subsidiary at the end of such period) (any such Investment, acquisition or designation, a “*Purchase*”), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Pro Forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into Altice International or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by Altice International or a Restricted Subsidiary since the beginning of such period, Pro Forma EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, Consolidated Net Senior Secured Leverage Ratio and Consolidated Net Leverage Ratio (a) whenever *pro forma* effect is to be given to any transaction (including, without limitation, transactions listed in clauses (1)-(3) hereof) or calculation hereunder or such other definitions, the pro forma calculations will be as determined in good faith by a responsible financial or accounting officer of Altice International or an Officer of the Issuer (including in respect of anticipated expense and cost reductions and synergies (other than revenue synergies)) (calculated on a *pro forma* basis as though such expense and cost reductions and synergies had been realized on the first day of the period for which Pro Forma EBITDA is being determined and as though such cost savings, operating expense reductions and synergies were realized during the entirety of such period), (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (c) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months).

“*PT OpCo*” refers to MEO—Serviços de Comunicações e Multimédia, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal with registration number 504 615 947, which was formerly known as PT Comunicações, S.A. and is the surviving entity from the merger of Meo, S.A. into PT Comunicações, S.A. on December 29, 2014.

“*PT Portugal*” means PT Portugal SGPS, S.A., a public limited liability company (*sociedade anónima*) incorporated under the laws of Portugal.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

“*Public Offering Expenses*” means expenses Incurred by any Parent in connection with any Public Offering or any offering of Public Debt (whether or not successful):

- (1) where the net proceeds of such offering are intended to be received by or contributed or loaned to Altice International or a Restricted Subsidiary;
- (2) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or
- (3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to Altice International or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

“*Purchase*” is defined in the definition of “Pro Forma EBITDA”.

“*Purchase Money Note*” means a promissory note of a Receivables Subsidiary evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from Altice International or any Restricted Subsidiary in connection with a Qualified Receivables Financing with a Receivables Subsidiary, which deferred purchase price or line is repayable from cash available to the Receivables Subsidiary, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

“*Purchase Money Obligations*” means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

“*Qualified Receivables Financing*” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of Altice International shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to Altice International and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by Altice International), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by Altice International) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Altice International or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“*Rating Agencies*” means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Notes, any other Nationally Recognized Statistical Rating Organization who assigns a rating to the Notes in lieu of the ratings by Moody’s or S&P.

“*Rating Date*” means the date which is 90 days prior to the earlier of (1) a Change of Control; and (2) public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control.

“*Rating Decline*” means the decrease in the rating of the Notes by at least one of the Rating Agencies by one or more gradations (including gradations within rating categories as well as between rating categories) from its

rating on the Rating Date or the withdrawal of a rating of the Notes by any of the Rating Agencies on, or within 60 days after, the earlier of the date of public notice of the occurrence of a Change of Control or of the intention of the Issuer to effect a Change of Control or the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration by any of the Rating Agencies).

If no Rating Agency announces an action with regard to its rating of the Notes after the occurrence of a Change of Control, the Issuer shall, or shall cause the Issuer to, request each Rating Agency to confirm its rating of the Notes before the end of such 60-day period.

“*Receivable*” means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

“*Receivables Assets*” means any assets that are or will be the subject of a Qualified Receivables Financing.

“*Receivables Fees*” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“*Receivables Financing*” means any transaction or series of transactions that may be entered into by Altice International or any of its Subsidiaries pursuant to which Altice International or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by Altice International or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of Altice International or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by Altice International or any such Subsidiary in connection with such accounts receivable.

“*Receivables Repurchase Obligation*” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Receivables Subsidiary*” means a Wholly Owned Subsidiary of Altice International (other than the Issuer) (or another Person formed for the purposes of engaging in Qualified Receivables Financing with Altice International in which Altice International or any Subsidiary of Altice International makes an Investment and to which Altice International or any Subsidiary of Altice International transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Altice International and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Altice International (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by Altice International or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates Altice International or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or (iii) subjects any property or asset of Altice International or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings except, in each case, Limited Recourse and Permitted Liens as defined in clauses (31) through (34) of the definition thereof;
- (2) with which neither Altice International nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Financing) other than on terms which Altice International reasonably believes to be no less favorable to Altice International or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Altice International, other than fees payable in the ordinary course of business in connection with servicing Receivables; and
- (3) to which neither Altice International nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating



results (other than those related to or incidental to the relevant Qualified Receivables Financing), except for Limited Recourse.

Any such designation by the Board of Directors of Altice International shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice International giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*", "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness of Altice International or any Restricted Subsidiary to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and tender premiums, costs, expenses and fees Incurred in connection therewith);
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes or any Note Guarantee, such Refinancing Indebtedness is subordinated to the Notes or such Note Guarantee, as applicable, on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and
- (4) if the Issuer or any Guarantor was the obligor on the Indebtedness being refinanced, such Indebtedness is Incurred either by the Issuer or by a Guarantor.

*provided, however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or HoldCo that refinances Indebtedness of an Unrestricted Subsidiary, (ii) Indebtedness of the Issuer owing to and held by Altice International or any Restricted Subsidiary, Indebtedness of Altice International owing to and held by the Issuer or any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Altice International or any other Restricted Subsidiary or (iii) any Issuer Proceeds Loan or any HoldCo Proceeds Loan.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge, or repayment of any such Credit Facility or other Indebtedness.

"*Related Taxes*" means, without duplication (including, for the avoidance of doubt, without duplication of any amounts paid pursuant to any Tax Sharing Agreement):

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:
  - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, HoldCo, Altice International or any Subsidiary of Altice International);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of Altice International or any Subsidiary of Altice International;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, Altice International or any Subsidiary of Altice International; or

- (e) having made any payment in respect to any of the items for which the Issuer or Altice International is permitted to make payments to any Parent pursuant to “*Certain Covenants—Limitation on Restricted Payments*”; or
- (2) if and for so long as the Issuer or Altice International is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that Altice International and Subsidiaries of Altice International would have been required to pay on a separate company basis or on a consolidated basis if Altice International and the Subsidiaries of Altice International had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of Altice International and the Subsidiaries of Altice International.

“*Refinancing Transactions*” means the issuance of the Notes and the application of the proceeds thereof as described in these Listing Particulars under “*Use of Proceeds*”.

“*Representative*” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“*Responsible Officer*” means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee having direct responsibility for the administration of the Indenture and any other offices of the Trustee to whom any corporate trust matter is referred because of such person’s knowledge of any familiarity with the particular subject.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means a Subsidiary of Altice International other than an Unrestricted Subsidiary.

“*Revolving Credit Facilities*” means the Existing Revolving Credit Facilities and the Additional Revolving Credit Facilities.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Sale*” is defined in the definition of “Pro Forma EBITDA”.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Agent*” means Citibank, N.A., London Branch acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

“*Securitization Assets*” means (a) the account receivable, royalty or other revenue streams and other rights to payment and other assets related thereto subject to a Qualified Receivables Financing and the proceeds thereof and (b) contract rights, lockbox accounts and records with respect to such accounts receivable and any other assets customarily transferred together with accounts receivable in a securitization financing.

“*Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Notes Collateral as contemplated by the Indenture.

“*Senior Credit Facility*” means the term loan credit agreement dated January 30, 2015, between the Issuer as borrower and the persons listed in Schedule 2.01 thereto as lenders, Deutsche Bank AG, London Branch, as the Administrative Agent and Citibank, N.A., London Branch as Security Agent, as amended, restated, supplemented or otherwise modified from time to time (but solely for the purposes of clause 4(a) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*,” excluding any incremental facilities other than the Incremental Facilities).

“*Senior Secured Indebtedness*” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is Incurred under the first paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4)(a) and (b), (5), (7), (14) or (16) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*” and any Refinancing Indebtedness in respect of the foregoing; *provided* that, if such Indebtedness is Incurred by the Issuer or any Guarantor, such Indebtedness (other than Indebtedness Incurred pursuant to clause (4)(b) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”) is in each case secured by a Lien on the Notes Collateral on a basis *pari passu* with or senior to the security in favor of the Notes (other than (i) Liens on the Capital Stock of the Issuer, Cool and Altice Holdings and (ii) Liens on the HoldCo Proceeds Loans and the Subordinated Shareholder Loan, if any, in each case, that

secure Guarantees of Indebtedness of HoldCo Incurred pursuant clauses (4), (5)(y), (14) or (16) of the second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*”).

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) Altice International’s and the Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of total assets of Altice International and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) Altice International’s and the Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of total assets of Altice International and the Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) if positive, Altice International’s and the Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of Altice International and the Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities (including marketing) engaged in by Altice International, the Target or any of their Subsidiaries on the Issue Date, (b) telecommunications, 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 producing and selling any print, audio, video or other content and (c) any businesses, services and activities (including marketing) engaged in by Altice International, the Target or any of their 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.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by Altice International or any Subsidiary of Altice International which the Issuer has determined in good faith to be customary in a Receivables Financing, including without limitation, Limited Recourse and those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, in the case of the Issuer, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment to the Notes or pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated or junior in right of payment pursuant to a written agreement to the Note Guarantee of such Guarantor.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to Altice International by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of Altice International or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement

action, in each case, prior to the date that is six months following the Stated Maturity of the Notes, is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

- (4) does not provide for or require any security interest or encumbrance over any asset of Altice International or any of the Restricted Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date.

For the avoidance of doubt, Subordinated Shareholder Funding shall include the AI Mandatory Convertible Notes so long as it satisfies conditions set forth in (1) to (5) above.

“*Subordinated Shareholder Loan*” means the amended and restated interest free loan agreement dated January 11, 2013 between Altice International and Cool pursuant to which Altice International agreed to grant Cool a loan in a maximum aggregate amount of NIS 1.5 billion, as further amended and/or restated, modified or replace, from time to time.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Subsidiary Guarantor*” means any Restricted Subsidiary (other than the Issuer) that Guarantees the Notes.

“*Super Priority Indebtedness*” means any Indebtedness incurred under a Credit Facility or Hedging Obligations that is or will be secured by the same Notes Collateral that secures the Notes but has priority over amounts received from the sale of the Notes Collateral pursuant to an enforcement sale or other distressed disposal of such Notes Collateral pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement.

“*Take -Private Transaction*” refers to the acquisition by Cool 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 December 27, 2012.

“*Taxes*” has the meaning given to such term under “*Withholding Taxes*”.

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America, (ii) Canada, (iii) the United Kingdom, (iv) any European Union member state, (v) the State of Israel, (vi) Switzerland, (vii) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by Altice International or a Restricted Subsidiary in that country with such funds or (viii) any agency or instrumentality of any such country or member state, or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if

no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or
  - (b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,  
  
in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than Altice International or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, the United Kingdom, Switzerland any European Union member state or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States of America, Canada, the United Kingdom, Switzerland or a member state of the European Union eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"Term Loans" means the term loans extended to the Issuer pursuant to the Senior Credit Facility.

"Total Assets" means the consolidated total assets of Altice International and the Restricted Subsidiaries as shown on the most recent consolidated balance sheet of Altice International prepared on the basis of IFRS prior to the relevant date of determination calculated to give *pro forma* effect to any Purchase and Sales that have occurred subsequent to such period, including any such Purchase to be made with the proceeds of such Indebtedness giving rise to the need to calculate Total Assets.

"Treasury Rate" means, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two (2) Business Days prior to such redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to May

15, 2021; *provided* that if the period from such redemption date to May 15, 2021 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Tricom*” means Tricom S.A., a *sociedad anónima* incorporated and existing under the laws of the Dominican Republic.

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America as in effect from time to time.

“*U.S. Government Obligations*” means securities that are (a) direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America, for the timely payment of which its full faith and credit is pledged or (b) obligations (or certificates representing an ownership interest in such obligations) of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, rated at least “*A-1*” by S&P or “*P-1*” by Moody’s, and which are not callable or redeemable at the option of the issuer thereof.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) Holdco, Green Datacenter and Auberimmo SAS;
- (2) any Subsidiary of Altice International that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Altice International in the manner provided below); and
- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of Altice International may designate any Subsidiary of Altice International (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer, Altice International or any other Subsidiary of Altice International which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of Altice International and the Restricted Subsidiaries in such Subsidiary complies with “*—Certain Covenants—Limitation on Restricted Payments*”.

Any such designation by the Board of Directors of Altice International shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Altice International giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of Altice International may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer and the Guarantors could incur at least €1.00 of additional Indebtedness under sub-clause (15) of the second paragraph of the covenant described under “*—Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated Net Leverage Ratio would be no higher than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“*Wholly Owned Subsidiary*” means (1) in respect of any Person, a Person, all of the Capital Stock of which (other than (a) directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law, regulation or to ensure limited liability and (b) in the case of a Receivables Subsidiary, shares held by a Person that is not an Affiliate of Altice International solely for the purpose of permitting such Person (or such Person’s designee) to vote with respect to customary major events with respect to such Receivables Subsidiary, including without limitation the institution of bankruptcy, insolvency or other similar proceedings, any merger or dissolution, and any change in charter documents or other customary events) is owned by that Person directly or (2) indirectly by a Person that satisfies the requirements of clause (1).

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the “Regulation S Global Notes”) and were deposited, on the Issue Date with the Trustee, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes sold within the United States to “qualified institutional buyers” pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the “144A Global Notes”) and, together with the Regulation S Global Notes, the “Global Notes”) and were deposited, on the Issue Date with the Trustee, as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Notes (the “144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interests”) and, together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC or persons that may hold interests through its participants. Beneficial interests in the Regulation S Global Notes are initially credited within DTC to Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”), on behalf of the owners of such interests. Holders of Regulation S Book-Entry Interests may hold such directly through Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants (including, if applicable, Euroclear and Clearstream). The Book-Entry Interests in the Global Notes have been issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant (including, if applicable, Euroclear and Clearstream). The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of the Notes, under the Indenture for any purpose.

So long as the Notes are held in global form, the custodian for DTC (or its respective nominee) is considered the sole holder of Global Notes for all purposes under the Indenture. As such, direct and indirect participants must rely on the procedures of DTC, and the participants through which they own Book-Entry Interests (including, if applicable, Euroclear and Clearstream), in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, the Trustee, as custodian for DTC nor the Trustee under the Indenture nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the “Definitive Registered Notes”):

- (1) if DTC notifies the Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by such Issuer within 120 days;
- (2) if DTC so requests following an event of default under the Indenture; or
- (3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC following an event of default under the Indenture.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as referred to in “*Notice to Investors*”, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agents, the Transfer Agents and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. The Registrar sent a copy of the register maintained by the Registrar to the Issuer on the Issue Date and after any change to the register made by the

Registrar with such copy to be held by the Issuer at the registered office. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC or its participants (including, if applicable, Euroclear and Clearstream).

### **Redemption of the Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, if fewer than all of the Notes are to be redeemed at any time, DTC will credit its respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than \$200,000 principal amount at maturity, or less, may be redeemed in part.

### **Payments on Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts, if any) will be made by the Issuer to the Paying Agents. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee, which will then distribute such payments to participants in accordance with their respective customary procedures.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Transfer Agents and the Paying Agents will treat the registered holders of the applicable Global Notes (i.e., the nominee of DTC) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agents or the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant or for maintaining, supervising or reviewing the records of DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- DTC or any direct participant (including, if applicable, Euroclear and Clearstream) or indirect participant; or
- the records of the common depositary or the custodian.

Payments made by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes (each a "Holder") through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, a Holder may elect to receive payments in respect of the Global Notes in euro. If so elected, a Holder may receive payment of amounts payable in respect of its interest in the Global Notes in euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such Holder's election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such Holder.

### **Action by Owners of Book-Entry Interests**

DTC has advised the Issuer that they will take any action permitted to be taken by a holder of the Notes (including the presentation of the Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the



Indenture, DTC reserves the right to exchange the applicable Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes to their respective participants.

## Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes bear a legend to the effect set forth in “*Notice to Investors*”. Book-Entry Interests in the Global Notes are subject to the restrictions on transfer discussed in “*Notice to Investors*”.

Through and including the 40th day after the later of the commencement of the offering of the Notes and the closing of the offering (the “40 day Period”), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

After the expiration of the 40 day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note denominated in the same currency only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available).

Subject to the foregoing, and as set forth in “*Notice to Investors*”, Book-Entry Interests may be transferred and exchanged as described under “*Description of Notes—Transfer and Exchange*”. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors*”.

Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

## Information Concerning DTC

All Book-Entry Interests will be subject to the operations and procedures of DTC. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuer, the Trustee, the Paying Agents, the Registrar, the Transfer Agents

or the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is (i) a limited purpose trust company organized under New York Banking Law, (ii) a “banking organization” within the meaning of New York Banking Law, (iii) a member of the Federal Reserve System, (iv) a “clearing corporation” within the meaning of the New York Uniform Commercial Code and (v) a “clearing agency” registered pursuant to the provision of Section 17A of the U.S. Exchange Act.

DTC holds and provides asset servicing for issues of U.S. and non U.S. equity issues, corporate and municipal debt issues and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities through electronic book-entry transfers and pledges between direct participants’ accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Because DTC can only act on behalf of participants (including, if applicable, Euroclear and Clearstream), who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited.

### **Global Clearance and Settlement Under the Book-Entry System**

The Notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market thereof and to trade in DTC’s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC’s rules on behalf of each of Euroclear or Clearstream by its common depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC, will be received with value on the settlement date of DTC, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC’s settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time.

Neither the Issuer, the Trustee, the Registrar, the Transfer Agents nor the Paying Agents will have any responsibility for the performance by DTC or its respective direct participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes has been made in U.S. dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC Holders on the business day following the settlement date against payment for value on the settlement date.

## **Secondary Market Trading**

The Issuer expects that secondary trading in the Notes will also be settled in immediately available funds.

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Although DTC currently follows the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agents or the Paying Agents will have any responsibility for the performance by DTC or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

## TRANSFER RESTRICTIONS

The Notes have not been registered under the U.S. Securities Act or any other applicable securities laws, and unless so registered, the Notes may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of any U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Notes are being offered, sold and issued to (i) in the United States, to “qualified institutional buyers” in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (ii) outside of the United States, to “non U.S. persons” as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

- (1) You are not acting on behalf of the Issuer and you (A) (i) are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.
- (2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S; (iii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iv) to the Issuer; or (v) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Issuer’s and Trustee’s right prior to any such offer, sale or transfer pursuant to this clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to them, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from you or it of the resale restrictions referred to the legend below.
- (3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than by the Issuer with respect to the information contained in these Listing Particulars, which Listing Particulars have been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of these Listing Particulars. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the security documents governing the Collateral Documents and the Notes as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.
- (4) You also acknowledge that:
  - (a) the Issuer and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under the paragraph two above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Trustee; and
  - (b) each Global Note contains a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S.

SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATES OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH SECURITY)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S UNDER THE U.S. SECURITIES ACT)], ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT IN THE UNITED STATES, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN, (1) EITHER (A) THE ACQUIRER OR TRANSFEREE IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THIS NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THIS NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THIS NOTE AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THIS NOTE.

- (c) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE: U.S. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF OID, IF ANY, THE ISSUE PRICE, THE ISSUE DATE AND YIELD TO MATURITY BY CONTACTING THE ISSUER, C/O ALTICE FINANCING S.A., 3, BOULEVARD ROYAL, L-2449 LUXEMBOURG +352 278 58 901 ATTN: CHIEF FINANCIAL OFFICER.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify such Issuer and the Initial Purchasers promptly in writing; and
  - (b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - (i) you have sole investment discretion; and
    - (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.
- (4) You acknowledge that the above restrictions on resale will apply from the closing date until the date that is one year (in the case of the Notes issued under Rule 144A under the U.S. Securities Act) or 40 days (in the case of the Notes issued under Regulation S under the U.S. Securities Act) after the later of the closing date and the last date that the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the "*Resale Restriction Period*"), and will not apply after the applicable Resale Restriction Period ends.
- (5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to the Issuer, the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes is subject to the selling restrictions set forth hereunder and/or in the front of these Listing Particulars under "*Notice to Certain European Investors*", "*Notice to Israeli Investors*" and/or under "*Plan of Distribution*" or "*Certain Employee Benefit Plan Considerations*".

## **ERISA Considerations**

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

With respect to the acquisition, holding and disposition of the Notes or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), applies, or any entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Benefit Plan Investor"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such a governmental, church or non-U.S. plan or (ii) your acquisition, holding and disposition of such Notes, or any interest therein, does not and will not constitute or otherwise result in a non-exempt prohibited

transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws) and (B) none of the Issuer or any of its affiliates is a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non-U.S. plan, any definition of “*fiduciary*” under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes.

## TAX CONSIDERATIONS

### ***Certain Luxembourg Tax Considerations***

The following is a summary of certain Luxembourg material tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Notes. It should be read in conjunction with “*Risk Factors*”. It is based on the laws, regulations, and administrative and judicial interpretations presently in force in Luxembourg, although it is not intended to be, nor should it be construed to be, legal or tax advice or to cover any and all types of investors. Potential investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax and net wealth 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, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax and municipal business tax as well as the solidarity surcharge invariably 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.

#### *Withholding Tax*

##### (i) Nonresident Noteholders

The European Union Savings Directive (Council Directive 2003/48/EC of June 3, 2003, on taxation of savings income in the form of interest payments, the “EU Savings Directive”) has been repealed by the Directive 2015/2060/EC of November 10, 2015, with effect as from 1 January 2016.

Payments of interest by Luxembourg paying agents to non-resident individual Noteholders and to certain residual entities are not subject to any Luxembourg withholding tax.

##### (ii) Resident Noteholders

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005, as amended (the “December Law”), mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holder of Notes, nor on accrued but unpaid interest in respect of the Notes nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December Law, payments of interest or similar income made by a paying agent (within the meaning of the December Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident Investor may be subject to a final tax of 10%. Such tax will be in full discharge of income tax if the individual beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax will be assumed by the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the December Law) who is a resident of Luxembourg may opt in accordance with the December Law to self declare and pay a final tax of 10% when he/she receives such interest or similar income from a paying agent established in another EU Member State, in a member state of the EEA which is not an EU Member State or in a state which has concluded a treaty directly in connection with the EU Savings Directive. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% final levy must cover all payments of interest or similar income made by the paying agents to the Luxembourg resident beneficial owner or, under certain circumstances, to a Residual Entity established in another EU Member State, during the entire civil year. The individual resident who is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

On February 29, 2016, the Luxembourg Government presented its 2017 tax reform increasing the final withholding tax levied on savings income of Luxembourg residents from the current rate of 10% to 20% as of 2017. This measure has not been voted yet therefore resident Noteholders should consult their personal tax advisor in due course.



## **Income Taxation**

### **(i) Nonresident Noteholders**

Nonresident Noteholders, not having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Nonresident holders who have a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

### **(ii) Resident Noteholders**

#### *Individuals*

A resident Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the December Law.

A gain realized by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

Gains realized upon a disposal of the Notes by an individual Noteholder acting in the course of the management of a professional or business undertaking and who is resident of Luxembourg for tax purposes are subject to Luxembourg income taxes.

#### *Corporations*

A corporate resident Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A Noteholder that is governed by the law of May 11, 2007 as amended, on family estate management companies (*société de gestion de patrimoine familial*) or by the law of December 17, 2010 (amending the law of December 20, 2002), on undertakings for collective investment, or the law of February 13, 2007 on specialized investment funds (as amended), is neither subject to Luxembourg income tax (i.e., corporate income tax, municipal business tax and net wealth tax) in respect of interest accrued or received, any redemption premium, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

## **Net Wealth Taxation**

#### *Individuals*

An individual Noteholder, whether he/she is resident in Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

#### *Corporations*

A Luxembourg resident corporate Noteholder as well as a non-Luxembourg resident Noteholder which maintains a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which such Notes or income thereon are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is a family estate management company (*société de gestion de patrimoine familial*) introduced by the law of May 11, 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (amending the law of December 20, 2002), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles, or a specialized investment fund governed by the law of February 13, 2007 on specialized investment funds (as amended).

## **Other Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. There is no obligation to

register the Notes in Luxembourg. However, a registration duty may apply (i) upon voluntary registration of the Notes in Luxembourg, (ii) in the case of legal proceedings before Luxembourg courts or (iii) in the case that the documents relating to the Notes issuance must be produced before an official Luxembourg authority ("*autorité constituée*").

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

### **EU Savings Directive**

The EC Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income in the form of interest payments (the "Savings Directive") requires that the competent authorities of each EU Member State (each a "Member State") provide the competent authorities of another Member State with details of certain payments of interest and other similar income within the meaning of the Directive paid by a paying agent within its jurisdiction to (or under certain circumstances, secured by such a person for the benefit of) an individual resident in, or certain limited types of entities established in, that other Member State. Austria however imposes instead a withholding system in relation to such payments for a transitional period, unless during such period it elects otherwise. Under such a withholding system, the beneficial owner of the interest payment may, on meeting certain conditions, request that no tax be withheld and elect instead for an exchange of information procedure. The rate of withholding is 35%.

On November 10, 2015, the Council of the European Union adopted a Council Directive 2015/2060/EU repealing the Savings Directive with effect as from January 1, 2017 in the case of Austria and with effect as from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before that date).

The repeal of the Savings Directive primarily aimed to avoid overlap between such Directive and the Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU) (the "DAC"), pursuant to which Member States are generally required to apply new measures on mandatory automatic exchange of information from January 1, 2016. Austria received a derogation and is allowed to start applying the DAC one year later than the other Member States, but announced that it will not make full use of this derogation. The new regime under the DAC is aligned with the single global Standard for Automatic Exchange of Financial Account Information in Tax Matters developed and released by the Organization for Economic Co-operation and Development in July 2014. The DAC is generally broader in scope than the Savings Directive, although it does not impose withholding taxes.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their jurisdiction to, or collected by such person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information arrangements or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such person for, an individual resident in one of those territories. Some of those measures have been revised to be aligned with the DAC and other such measures may be similarly revised in the future.

Investors should inform themselves of, and where appropriate take advice on, the impact of the Savings Directive and the DAC on their investment.

### **Certain U.S. Federal Income Tax Considerations**

The following is a description of certain U.S. federal income tax considerations of the acquisition, ownership, and disposition of the Notes by a U.S. Holder thereof as defined below, except for the discussion under "FATCA" below. This description only applies to Notes held as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- individual retirement accounts or other tax deferred accounts;
- regulated investment companies;

- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the 3.8% Medicare tax on net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, in each case, the first price to the public at which a substantial amount of the Notes is sold for money). This discussion also does not address purchasers who are also participating in the 2012 Senior Notes Redemption. Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax considerations described herein. No opinion of counsel to the Issuer or the holders or ruling from the Internal Revenue Service (“IRS”) has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

### **Redemptions and Additional Amounts**

In certain circumstances, the Issuer may be obligated to or may elect to make payments in excess of stated interest or principal of the Notes and/or redeem the Notes in advance of their stated maturity. The Issuer believes, and intends to take the position, if required, that the Notes should not be treated as contingent payment debt instruments because of, among other things, the possibility of such payments or redemption. This position is based in part on assumptions, as of the date of issuance of the Notes, (1) regarding the likelihood that such payments will have to be paid or that the Issuer will elect to pay such amounts and/or (2) relating to the expected yield to maturity of the Notes. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in “—*Sale, Exchange, Retirement or Other Taxable Disposition*” and any payments of additional amounts in respect of withholding taxes would be taxable as additional ordinary income when received or accrued, in accordance with such holder’s method of accounting for U.S. federal income tax purposes. The Issuer’s position is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury Regulations. The IRS, however, may take a position contrary to the Issuer’s position, which could affect the timing and character of a U.S. Holder’s income with respect to the Notes. U.S. Holders should consult their own tax advisors regarding the potential application to the Notes of

the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

### **Stated Interest**

Stated interest paid on the Notes generally will be treated as “qualified stated interest”. Payments of qualified stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes, as detailed below. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer), or that is treated as constructively received, at least annually at a single fixed rate.

Interest (including original issue discount (“OID”), if any, as described below) included in a U.S. Holder’s gross income with respect to the Notes is treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, interest generally should constitute “passive category income”, or in the case of certain U.S. Holders, “general category income”. Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to the U.S. Holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

### **Original Issue Discount**

The Notes may be treated as issued with OID for U.S. federal income tax purposes. A Note will be treated as having been issued with OID for U.S. federal income tax purposes if its “stated redemption price at maturity” exceeds its issue price by at least the “OID de minimis amount”. The OID de minimis amount equals  $\frac{1}{4}$  of 1% of the debt instrument’s stated redemption price at maturity multiplied by the number of complete years from its issue date to maturity. The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on the Note other than qualified stated interest payments.

If a Note is issued with OID a U.S. Holder generally will be required to include OID in income before the receipt of the associated cash payment, regardless of the U.S. Holder’s accounting method for tax purposes. The amount of OID with respect to a Note that a U.S. Holder must include in income is the sum of the “daily portions” of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the U.S. Holder held the Note. The daily portion is determined by allocating a pro rata portion of the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the excess of (1) the product of the “adjusted issue price” of the Note at the beginning of the accrual period and its yield to maturity (computed on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) over (2) the amount of any stated interest allocable to the accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period generally is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments on the Note that were not stated interest. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. Under applicable U.S. Treasury Regulations, a U.S. Holder of a Note with OID may elect to include in gross income all interest (including stated interest) that accrues on the Note using the constant yield method described above. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Issuer, c/o Attn: Altice Financing S.A., 3, Boulevard Royal, L-2449 Luxembourg +352 278 58 901 Attn: Chief Financial Officer.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

### **Possible Effect of Certain Transactions Including Reorganizations, Mergers and Consolidations**

Altice International may engage in certain transactions, including reorganizations, mergers and consolidations as described above under “*Description of Notes—Merger and Consolidation*”. Depending on the

circumstances, a change in the obligor of the Notes as a result of the transaction could result in a deemed taxable exchange to a U.S. Holder and the modified Note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss.

The Issuer may be required to report certain information regarding such transaction that may be relevant to U.S. Holder either (1) by filing Form 8937 with the IRS and providing copies to certain of its Holders or (2) by posting the form on its website.

### ***Sale, Exchange, Retirement or Other Taxable Disposition***

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note.

A U.S. Holder generally will recognize capital gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other taxable disposition of the Note (less any amounts attributable to accrued but unpaid interest, which will be subject to tax in the manner described above under "—Stated Interest" to the extent not previously so taxed), and the U.S. Holder's adjusted tax basis in the Note.

Any gain or loss recognized on the sale, exchange, retirement, or other taxable disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year as of the date of disposition. Long-term capital gain of a non-corporate U.S. Holder generally is taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States.

### ***U.S. Backup Withholding Tax and Information Reporting***

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest (including accruals of OID, if any) on, Notes and to proceeds from the sale, exchange, retirement or disposition of Notes that are held by U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), on a Note to a U.S. Holder, other than an exempt recipient, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale, exchange, retirement or disposition to a holder of a Note that is not a U.S. person generally are subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

### **FATCA**

Sections 1471 through 1474 of the Code and the U.S. Treasury and IRS guidance issued thereunder (collectively, "FATCA") generally may impose withholding at a rate of 30% on payments ("foreign passthru payments") made to any foreign entity (whether such foreign entity is a beneficial owner or an intermediary) on certain debt obligations issued by a foreign financial institution that (i) enters into certain agreements with the IRS or (ii) becomes subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA, in each case to the extent such payments are attributable to U.S. source income, unless the foreign entity receiving such payments complies with various U.S. information reporting and/or due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with such foreign entity) or otherwise qualifies for an exemption. Withholding on payments on debt obligations issued by foreign financial institutions generating non-U.S. source interest, will not occur before 2019. Furthermore, such obligations issued on or prior to the date that is six months after the date on which applicable final Treasury Regulations defining foreign passthru payments are filed generally would be

“grandfathered” from FATCA unless materially modified after such date. No final regulations defining foreign passthru payments have been issued and, therefore, the Notes are not subject to the FATCA rules (including the withholding rules) described above. If, however, the Notes are materially modified at a time when the grandfathering rules are no longer available (i.e., more than six months after the date final regulations define a “foreign passthru payment”) withholding could apply and holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for such withholding. In addition, if additional Notes are issued after the expiration of the grandfathering period and have the same ISIN or CUSIP as the Notes issued hereby, then withholding agents may treat all notes, including the Notes issued hereby, as subject to withholding under FATCA. Holders should consult their tax advisors regarding the availability of a refund in that circumstance. An intergovernmental agreement between the United States and a foreign country where a holder or intermediary is located may modify the requirements in this paragraph. Holders should consult their own tax advisors regarding the possible implications of this legislation on their investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

### **Other Taxes**

If interested is paid by an entity that is not considered a Luxembourg entity, other withholding taxes could apply. A company considered an Israeli resident for tax purposes, or an Israeli permanent establishment of a non-Israeli company, that pays interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at the rate of 25%. If the interest is paid to “material shareholders,” it will be subject to tax according to their marginal tax rate (currently up to 48%). “Material shareholders” for this purpose are shareholders who hold, directly or indirectly, including with others, at least 10% of any means of control in the company. The aforementioned rates could be increased by 2% if the individual’s total income in Israel in the relevant tax year exceeds ~ \$210,000.

Payments of interest on a similar note to a corporate entity is subject to a withholding tax in accordance with the applicable corporate tax rate for the year in which the interest is paid. The current corporate tax rate in Israel is 25%.

Taxes to be withheld from interest paid to non-Israeli residents (individuals or corporations) by an Israeli company or an Israeli permanent establishment of a non-Israeli company, may be reduced under an applicable tax treaty.

## CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, “ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, “Plans”), and certain persons (referred to as “parties in interest” under ERISA or “disqualified persons” under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code (“Similar Laws”).

Each of us, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of us, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Notes are acquired by a Plan with respect to which we, the Initial Purchasers, the Trustee, any holder of the Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute a prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to a prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan’s acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Exemption (“PTE”) 84-14, regarding transactions effected by a “qualified professional asset manager”; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 95-60, regarding investments by insurance company general accounts and PTE 96-23, regarding investments by certain “in house asset managers;”. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

Under ERISA and a regulation issued by the U.S. Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulation"), the assets of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act will be deemed to constitute "plan assets" for the purposes of ERISA and the Code if a "Benefit Plan Investor" (within the meaning of Section 3(42) of ERISA) acquires an "equity interest" in the entity and none of the exceptions contained in the Plan Asset Regulation is applicable. An equity interest is defined under the Plan Asset Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Under the exceptions in the Plan Asset Regulation, an entity will not be deemed to hold plan assets if (i) participation in the entity by Benefit Plan Investors is not "significant" (e.g., Benefit Plan Investors hold less than 25% of the total value of each class of equity interest in the entity), or (ii) the entity is an operating company, including a "venture capital operating company" or "real estate operating company".

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON U.S. PLAN, A NON EXEMPT VIOLATION OF ANY SIMILAR LAWS); AND (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES.

WE, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID *AB INITIO*.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g. where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and the U.S. Department of Labor regulation at 29 C.F.R. Section 2550.401c-1.

The sale of any Note or any interest therein to a Plan or a governmental, church or non U.S. plan that is subject to any Similar Laws is in no respect a representation by us, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to



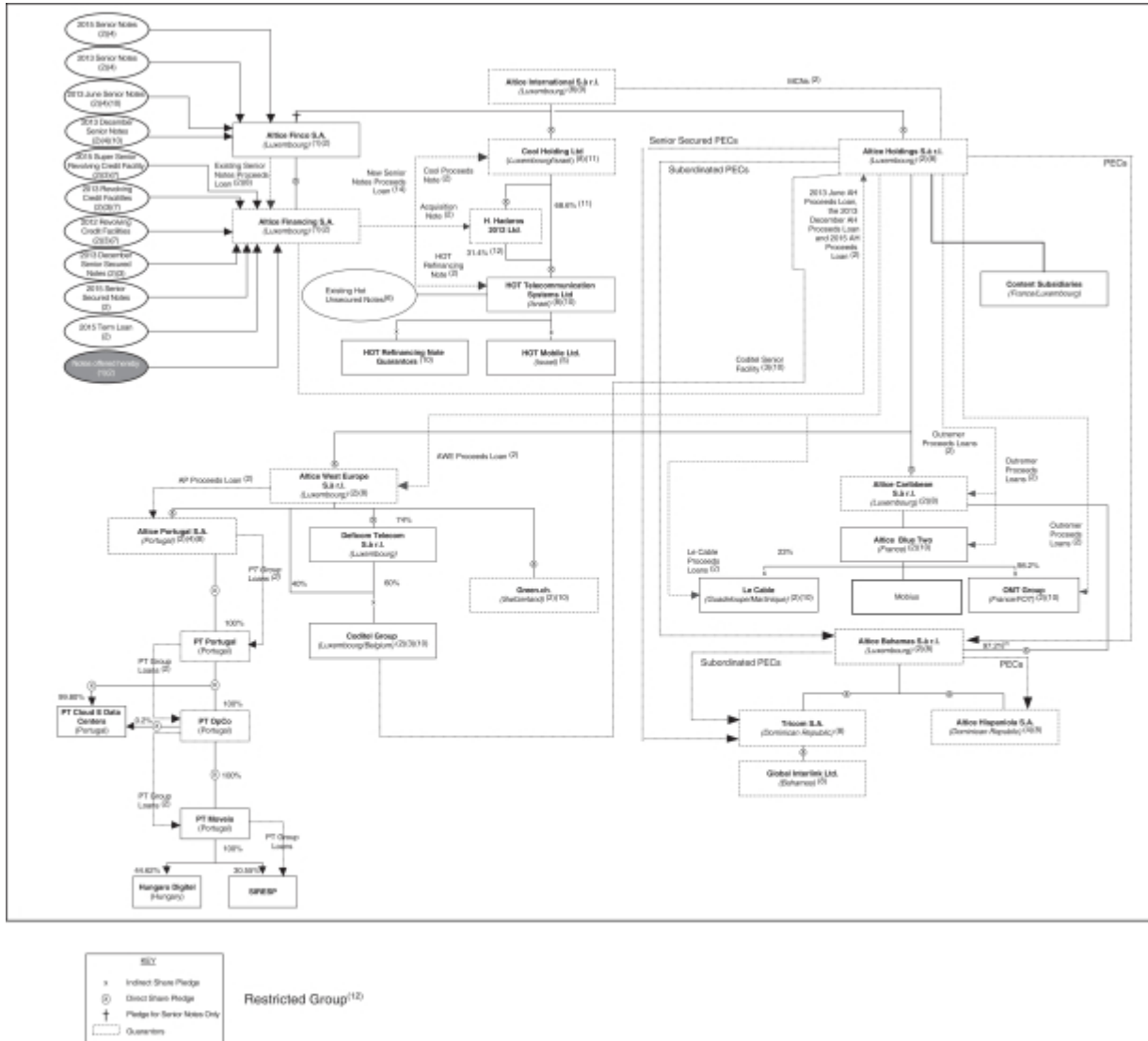
investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in these Listing Particulars, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

## CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our expected corporate and financing structure after giving effect to the Refinancing Transactions, including the offering of the Notes and the application of the proceeds therefrom as described in “Use of Proceeds” and “General Description of our Business and the Offering—The Refinancing Transactions.” The following is provided for indicative and illustration purposes only and should be read in conjunction with the information contained elsewhere in these Listing Particulars. For a summary of the debt obligations referred to in the following diagram, see “Description of the Notes” and “Description of Other Indebtedness”.



Unless otherwise stated, the Group's shareholding is approximately 100%. This chart is a condensed summary of the corporate and financing structure of the Group and does not show each legal entity within the Group.

- (1) In connection with the Refinancing Transactions, the Issuer issued the Notes (\$2,750 million). The Notes are senior secured obligations of the Issuer.
- (2) In connection with the 2012 Transaction, (i) the Issuer issued the 2012 Senior Secured Notes and entered into the 2012 Revolving Credit Facility and (ii) Holdco issued the 2012 Senior Notes. Holdco made an intercompany loan of the gross proceeds of the offering of the 2012 Senior Notes (the “2012 Senior Notes Proceeds Loan”) to the Issuer, which in turn used amounts borrowed thereunder and the proceeds of the 2012 Senior Secured Notes to, *inter alia*, purchase the Cool Proceeds Note, the 2012 Acquisition Note and the HST Refinancing Note and to pay certain fees and expenses incurred in connection with the 2012 Transaction and for general corporate purposes. As part of the Refinancing Transactions the Issuer will redeem the aggregate principal amount of outstanding 2012 Senior Secured Notes at a redemption price as stated in and in accordance with the 2012 Senior Secured Notes Indenture governing the 2012 Senior Secured Notes.

In connection with the 2013 June Transactions, (i) the Issuer entered into the 2013 Term Loan, the 2013 Revolving Credit Facility and the 2013 Guarantee Facility and (ii) Holdco issued the 2013 June Senior Notes. As part of the Refinancing Transactions, the Issuer, as borrower under the 2013 Term Loan Facility will repay the principal amount outstanding thereunder. Holdco made an intercompany loan of the gross proceeds of the offering of the 2013 June Senior Notes (the “2013 June Senior Notes Proceeds Loan”) to the Issuer, which in turn used amounts borrowed thereunder, the proceeds drawn under the 2013 Term Loan and cash on hand to make an aggregate €933 million proceeds loan (the “2013 June AH Proceeds Loan”) to Alice Holdings. Alice Holdings used the 2013 June AH Proceeds Loan to consummate certain transactions and make various intercompany loans. Following

certain internal restructuring measures undertaken by the Group, the disposal of the Cabovisão Group and the Refinancing Transactions, the following uses of proceeds of the 2013 June AH Proceeds Loan remain relevant as of the date of these Listing Particulars:

- (i) consummation of the Coditel Refinancing;
- (ii) in connection with the Outremer Transaction, (A) a €78 million intercompany loan to Altice Caribbean (which was used to subscribe to convertible bonds issued by Altice Blue Two (the "ABT Convertible Bonds")), (B) a €101 million intercompany loan to Altice Blue Two; (C) a €151 million intercompany loan to OMT Invest (out of which OMT Invest made a €26 million intercompany loan to Outremer (the "GOT On-Loan")), and (D) a €25 million intercompany loan to Outremer (collectively, but excluding the ABT Convertible Bonds and the GOT On-Loan, the "Outremer Proceeds Loans");
- (iii) a €8 million intercompany loan to Le Cable Martinique and a €14 million intercompany loan to Le Cable Guadeloupe (collectively, the "Le Cable Proceeds Loans") to consummate the Le Cable Refinancing; and
- (iv) a subscription to preferred equity certificates and a stapled interest free loan in an amount of approximately €85 million issued by Altice West Europe which was used to consummate the 2013 Coditel Acquisition.

Contributions that were made by Altice Holdings using some of the proceeds from the 2013 June AH Proceeds Loan relating to (i) certain refinancing transactions of Cabovisão and its subsidiary Onitecom and (ii) the acquisition of the ONI Group were each repaid as part of the sale of the Cabovisão Group to Apax France on January 20, 2016.

In connection with the PT Portugal Acquisition. (i) the Issuer issued the 2015 Senior Secured Notes, entered into the 2015 Term Loan, the 2015 Super Senior Revolving Credit Facility and the 2014 Pari Passu Revolving Credit Facility and (ii) Holdco issued the 2015 Senior Notes. Holdco made an intercompany loan of the gross proceeds of the offering of the 2015 Senior Notes (the "2015 Senior Notes Proceeds Loan" and, together with the 2012 Senior Notes Proceeds Loan, the 2013 June Senior Notes Proceeds Loan and the 2013 December Senior Notes Proceeds Loan, the "Existing Senior Notes Proceeds Loans") to the Issuer, which in turn used amounts borrowed thereunder, the amounts borrowed under the 2015 Term Loan, the gross proceeds of the offering of the 2015 Senior Secured Notes and certain amounts borrowed under the 2015 Super Senior Revolving Credit Facility to make an aggregate €3,724 million equivalent proceeds loan (the "2015 AH Proceeds Loan") to Altice Holdings. In addition, Altice Luxembourg contributed the proceeds of the 2015 ASA Senior Notes to Altice International in exchange for mandatory convertible notes of €2,055 million aggregate value issued by Altice International and subscribed by Altice Luxembourg, and Altice International, in turn, contributed such proceeds to Altice Holdings (the "ASA Notes Proceeds Contribution"). Altice Holdings used the proceeds under the 2015 AH Proceeds Loan and the ASA Notes Proceeds Contribution to make a proceeds loan (the "AWE Proceeds Loan") to Altice West Europe, which in turn used the proceeds under the AWE Proceeds Loan to make a proceeds loan (the "AP Proceeds Loan") to Altice Portugal to consummate the PT Portugal Acquisition.

As part of the PT Portugal Acquisition, (i) Altice Portugal on-lent €5,593 million borrowed under the AP Proceeds Loan to PT Portugal with which PT Portugal repaid €4,634.4 million of its existing debt, (ii) PT Portugal on-lent €969.6 million of the amounts received from Altice Portugal to PT OpCo with which PT OpCo repaid €968.4 million of its existing debt and (iii) PT OpCo on-lent €1.2 million of the amounts received from PT OpCo to PT Móveis, which in turn on-lent all such amounts to SIRESP with which SIRESP repaid and/or redeemed €1.2 million of its existing debt (all such loans together, the "PT Group Loans").

The Issuer expects to make certain additional intercompany loans with a portion of the proceeds of the Notes (the "New Issuer Proceeds Notes") which will be utilized to refinance, in whole or in part, all or any of the intercompany proceeds loans made on the 2012 Transaction Completion Date.

The New Issuer Proceeds Notes, if any, the 2015 AH Proceeds Loan, the 2013 December AH Proceeds Loan, the 2013 June AH Proceeds Loan, the Cool Proceeds Note, the 2012 Acquisition Note and the HOT Refinancing Notes are referred to collectively as the "Issuer Pledged Proceeds Notes". The AWE Proceeds Loan, the Outremer Proceeds Loans and the Le Cable Proceeds Loans are referred to collectively as the "Covenant Party Pledged Proceeds Loans". The Covenant Party Pledged Proceeds Loans and the Issuer Pledged Proceeds Notes are referred to collectively as the "Pledged Proceeds Notes".

- (3) The Notes, together with the 2015 Super Senior Revolving Credit Facility, the 2015 Term Loan, the Existing Senior Secured Notes, the 2013 Term Loan, 2014 Pari Passu Revolving Credit Facility, the 2013 Revolving Credit Facility, the 2012 Revolving Credit Facility and the 2013 Guarantee Facility (collectively, the "Senior Secured Debt") are guaranteed on a senior basis (the "Guarantees") by Altice International, Cool Holding, Hadaros, Altice Holdings, Altice West Europe, Altice Caribbean, Green, (up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit) Altice Portugal, Altice Bahamas, Tricom, Global Interlink, Altice Hispaniola and (up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit) PT Portugal and PT OpCo (collectively, the "Guarantors"). Following the issuance of the Notes and the use of proceeds thereof, the Guarantees, together with the guarantees of the other Senior Secured Debt by the Guarantors (collectively, the "2016 Guarantees"), will be secured by the New Issuer Proceeds Notes (if any).

The Notes, as Senior Secured Debt, are also secured by the following existing security:

- (i) first-ranking pledges over all of the share capital of the Issuer, the Guarantors (other than Altice International) (the share pledges over the share capital of ODO, Global Interlinks Ltd. and Tricom will be effective upon approval by Indotel) and the capital stock of HOT;
- (ii) a first-ranking pledge over the bank accounts and all receivables of the Issuer, including the Issuer Pledged Proceeds Notes;
- (iii) first-ranking pledges (or assignments, as applicable) over all of the material assets of each Guarantor and the Covenant Party Pledged Proceeds Loans, other than (i) shares of Altice Blue Two held by Altice Caribbean, (ii) licenses and real estate assets below €5 million in the Dominican Republic and (iii) Altice Portugal, PT Portugal and PT OpCo.
- (iv) a first-ranking pledge over the Existing Senior Notes Proceeds Loans; and
- (v) a first-ranking pledge over the Cool Shareholder Loan.

In the event that the Issuer or the relevant grantor of security was required to enter into new Security Documents in order to provide security for its obligations under the Notes or the Guarantees, as applicable, such Security Documents were entered into within 20 Business Days after the Issue Date.

The maximum liability of Altice Portugal, PT Portugal and PT OpCo under the Senior Secured Debt and Existing Senior Notes, collectively, is limited to the Aggregate Portuguese Security and Guarantee Limit, as applicable.

Pursuant to and subject to the Aggregate Portuguese Security and Guarantee Limit, security by Altice Portugal, PT Portugal and PT OpCo is provided as follows:

### **Altice Portugal**

The Senior Secured Debt and the Notes are secured (up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit) by:

- (i) a first ranking pledge over all of the share capital of Altice Portugal.

### **PT Portugal Group**

The Senior Secured Debt and the Notes are secured up to an amount equal to the applicable Aggregate Portuguese Security and Guarantee Limit) by:

- (i) first ranking pledges over all of the shares of PT Portugal, PT OpCo, PT Cloud and PT Móveis (together the "PT Portugal Security").

The Senior Secured Debt and the Notes are also secured by certain other pledges:

- (i) a pledge of the HOT Refinancing Notes and any new senior secured proceeds loan from the Issuer to HOT entered into in connection with the Refinancing Transactions (if any) and thereby indirectly benefit from the guarantees and security provided with respect to the HOT Refinancing Notes (up to the amount outstanding under the HOT Refinancing Notes). See note 10 below. The HOT Refinancing Notes (including principal and interest payments) are guaranteed by the HOT Refinancing Note Guarantors and are secured by a pledge over substantially all of the assets of HOT (including all of the share capital of HOT Mobile) and the HOT Refinancing Note Guarantors but, in each case, excluding licenses granted by the Israeli Ministry of Communications and certain end-user equipment, with respect to which HOT is not permitted to grant a security interest (the "HOT Refinancing Note Collateral").
- (ii) a pledge of Altice Holdings' interests under the Coditel Senior Facility thereby indirectly benefiting from the guarantees and security provided with respect to the Coditel Senior Facility (up to the amount outstanding under the Coditel Senior Facility). See note 10 below. The Coditel Senior Facility is guaranteed by Coditel Luxembourg and is secured by a pledge of shares and other equity interests in Coditel Holding and Coditel Belgium, receivables and bank accounts of Coditel Holdings and its parent company, including the €106 million intercompany loan to Coditel Belgium (the "Existing Coditel Proceeds Loan"), and trade, insurance, intra-group and other receivables and bank accounts of Coditel Luxembourg. In addition, as a result of the pledge of the Existing Coditel Proceeds Loans, lenders under the Coditel Senior Facility indirectly benefit from a pledge of certain assets of Coditel Belgium.
- (iii) a pledge of the Outremer Proceeds Loans and the Le Cable Proceeds Loans thereby indirectly benefiting from the security that will secure the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the ABT Convertible Bonds and the GOT On-Loan (in each case, up to the amount outstanding under the relevant intercompany loan). See note 10 below. Each Outremer Proceeds Loan, each Le Cable Proceeds Loan, the ABT Convertible Bonds and the GOT On-Loan is secured by a pledge of certain assets of the relevant company that is the borrower or issuer under such intercompany loan or convertible bonds, including capital stock of the direct subsidiaries held by such borrower or issuer (other than subsidiaries in Mauritius and excluding shares held by Altice Caribbean in Altice Blue Two), receivables of such borrower or issuer and other significant assets (excluding network assets) owned by such borrower or issuer.

The obligations of a Guarantor under its Senior Secured Guarantee and the obligation of guarantors under the other guarantees described above will be limited as necessary to prevent the relevant Senior Secured Guarantee or guarantee from constituting a fraudulent conveyance under applicable law (if any), or otherwise to reflect limitations under applicable law or capital maintenance regulations (if any). See "*Limitation on Validity and Enforceability of Guarantees and the Security Interests*" and "*Risk Factors—Risks Relating to the Notes and the Structure—Each guarantee will be subject to certain limitations or enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

- (4) The Existing Senior Notes are guaranteed on a senior subordinated basis (the "Senior Notes Guarantees" and, together with the Senior Secured Guarantees, the "Guarantees") by the Guarantors. The Senior Notes Guarantees are secured by:
  - (i) a first-ranking pledge over all of the share capital of Holdco;
  - (ii) second-ranking pledges over all of the share capital of the Issuer, Cool Holding and Altice Holdings;
  - (iii) second-ranking pledges over the Existing Senior Notes Proceeds Loans; and
  - (iv) a second-ranking pledge over the Cool Shareholder Loan.

Since the Senior Notes Guarantees are subordinated in right of payment to the Senior Secured Debt, the Aggregate Portuguese Security and Guarantee Limit will effectively mean that the creditors of the Senior Secured Debt will be entitled to all amounts available under the Altice Portugal Security and the PT Portugal Security in the event of enforcement unless such Senior Secured Debt is repaid through other means.

The obligations of a Guarantor under its Senior Notes Guarantee will be limited as necessary to prevent the relevant Senior Notes Guarantee from constituting a fraudulent conveyance under applicable law (if any), or otherwise to reflect limitations under applicable law or capital maintenance regulations (if any). See "*Limitation on Validity and Enforceability of Guarantees and the Security Interests*" and "*Risk Factors—Risks Relating to the Notes and the Structure—Each guarantee will be subject to certain limitations or enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

- (5) In connection with its mobile license for 3G services, HOT Mobile provided a bank guarantee in the amount of NIS 695 million to the State of Israel. HOT Mobile's obligation to the bank that issued such guarantee is secured by a pledge of all of its assets. As of the first testing date on September 26, 2013, we had achieved a market share calculated in accordance with the license agreement that entitled us to a deduction of the entire amount of the NIS 695 million license fee outstanding. Accordingly, we requested the Israeli Ministry of Communications reduce the amount of the bank guarantee to an amount of NIS 80 million as a 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. The bank guarantee was replaced by a new bank guarantee of the same value on or around January 12, 2015, following the allocation of 1.8 GHz spectrum by the Israel Ministry of Communication for HOT Mobile's LTE network build-out. The bank guarantee now covers both, the UMTS-based 3G services and the LTE services. HOT Mobile is not a guarantor under the HOT Refinancing Note. HOT Mobile will not be a Guarantor or provide any security with respect to the Senior Secured Debt or the Senior Notes.

- (6) The Existing HOT Unsecured Notes are senior unsecured obligations of HOT which mature on September 30, 2018. As of December 31, 2015, the total principal amount of the Existing HOT Unsecured Notes outstanding was €250 million equivalent. The Existing HOT Unsecured Notes are:
- (i) 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;
  - (ii) 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 the guarantee thereof; and
  - (iii) structurally senior to the Senior Secured Debt and the Existing Senior Notes and the guarantees thereof granted by the Guarantors.

The Existing HOT Unsecured Notes are not 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.

- (7) Pursuant to the terms of the Intercreditor Agreement, the lenders under the 2015 Super Senior Revolving Credit Facility, the 2012 Revolving Credit Facility and the 2013 Revolving Credit Facility and certain hedge counterparties will be entitled to receive payments from the proceeds of any enforcement of such security and from certain distressed disposals of the property and assets subject to such security prior to the holders of the other Senior Secured Debt and the Senior Notes. See "*Description of Other Indebtedness—The Existing Revolving Credit Facility Agreements and the 2013 Guarantee Facility*".
- (8) Each Guarantor (other than PT OpCo, Green, Tricom, Global Interlink and Altice Hispaniola) is a holding company and does not conduct any operations and is wholly dependent on payments from its respective subsidiaries to meet its obligations, including its obligations under its Guarantee of the Senior Secured Debt and the Existing Senior Notes and respective Pledged Proceeds Note.
- (9) Altice International is a part of the restricted group for (and a guarantor under) the Notes, the 2015 Super Senior Revolving Credit Facility, the 2015 Term Loan, the 2014 Pari Passu Revolving Credit Facility, the 2013 Term Loan, the 2013 Revolving Credit Facility, the 2013 Guarantee Facility and the 2013 June Senior Notes. Altice International is also a guarantor under the indentures governing the 2012 Senior Secured Notes and the 2012 Senior Notes as well as the 2012 Revolving Credit Facility, but is not subject to the covenants thereunder.
- (10) The Senior Secured Debt and the Existing Senior Notes do not constitute direct obligations of any members of the Group that are not Guarantors, including HOT, the HOT Refinancing Note Guarantors, Coditel Holding, Coditel Luxembourg, Coditel Belgium and Altice Blue Two and any of their respective subsidiaries. Upon an event of default under the Senior Secured Debt or the Existing Senior Notes, any member of the Group that is not a Guarantor shall not be directly 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 Senior Secured Debt or the Existing Senior Notes.

HOT and the HOT Refinancing Note Guarantors will only be liable for their obligations as borrower and guarantors respectively under the HOT Refinancing Notes. Therefore, the obligations of HOT and the HOT Refinancing Note Guarantors 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. As of December 31, 2015, the amount outstanding under the HOT Refinancing Notes was NIS 1,900 million.

Coditel Holding S.A. and Coditel Luxembourg will only be liable for their obligations as borrower and guarantor respectively under the Coditel Senior Facility. In addition, Coditel Belgium will only be liable for its obligations under the Existing Coditel Proceeds Loan. Therefore, the obligations of Coditel Holding S.A., Coditel Luxembourg and Coditel Belgium will be limited to an aggregate amount equal to the amount outstanding under the Coditel Senior Facility and the Existing Coditel Proceeds Loan, as applicable, which may vary from time to time in accordance with their terms. Further, any enforcement action with respect to, and recovery under, the Coditel Senior Facility or the existing proceeds loan agreement between Coditel Holding as lender and Coditel Belgium as borrower (the "Existing Coditel Proceeds Loan") will be subject to the intercreditor agreement, dated November 29, 2011 between, *inter alios*, Coditel Holding Lux S.à r.l., Coditel Holding and the companies listed therein as original debtors (the "Existing Coditel Intercreditor Agreement").

Each borrower or issuer under the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the ABT Convertible Bonds and the GOT On-Loan will only be liable for its obligations under the relevant intercompany loan or convertible bonds. Therefore, the obligations of each borrower or issuer under the Outremer Proceeds Loans, the Le Cable Proceeds Loans, the ABT Convertible Bonds and the GOT On-Loan will be limited to an amount equal to the amount outstanding under the relevant intercompany loan or convertible bonds, which may vary from time to time in accordance with their terms. For the principal amount of such Outremer Proceeds Loans, the Le Cable Proceeds Loans, the ABT Convertible Bonds and the GOT On-Loan, see note 2 above.

If there is an event of default under the Senior Secured Debt, HOT, the HOT Refinancing Note Guarantors, Coditel Holding S.A. and Coditel Luxembourg will only have liability to the holders of the Senior Secured Debt if there is also an event of default continuing under the HOT Refinancing Notes or the Coditel Senior Facility, as applicable, in each case, indirectly as a result of an assignment of the HOT Refinancing Note or Altice Holdings' interest in the Coditel Senior Facility and/or the ability of the holders of the Senior Secured Debt to direct the actions of the Issuer or Altice Holdings, as applicable, in connection with such assignment in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. If there is an event of default under the Senior Secured Debt, the borrowers under the Outremer Proceeds Loans and the Le Cable Proceeds Loans will only have liability to the holders of the Senior Secured Debt if there is also an event of default continuing under the Outremer Proceeds Loans or the Le Cable Proceeds Loans, as applicable (which is subject to an equity cure) in each case indirectly as a result of an assignment of the relevant Outremer Proceeds Loan or Le Cable Proceeds Loan, as applicable and/or the ability of the holders of the Senior Secured Debt to direct the actions of Altice Holdings in connection with such assignment in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. The security interests securing the Outremer Proceeds Loans and the Le

Cable Proceeds Loans cannot be enforced unless there is an event of default under the Outremer Proceeds Loans or the Le Cable Proceeds Loans, as applicable (which is subject to an equity cure) and an event of default under the 2013 Term Loan or the 2013 June Senior Notes, which has resulted in enforcement actions due to which Altice International does not exercise control over the relevant pledgor. Further, in addition to the above, Altice Blue Two Invest will only have liability to the holders of the Senior Secured Debt if there is also an event of default continuing under the ABT Convertible Bonds, indirectly as a result of an assignment of the ABT Convertible Bonds by Altice Caribbean in favor of Altice Holdings and the assignment of the relevant Pledged Proceeds Note and Outremer will only have liability to the holders of the Senior Secured Debt if there is also event of an event of default under the GOT On-Loan, indirectly as a result of an assignment of the GOT On-Loan by OMT Invest in favor of Altice Holdings and the assignment of the relevant Pledged Proceeds Note.

If there is an event of default under the Senior Secured Debt, Coditel Belgium will only have liability to the holders of the Senior Secured Debt if there is also an event of default continuing under the Existing Coditel Proceeds Loan, indirectly as a result of a pledge of the Existing Coditel Proceeds Loan in favor of the lenders under the Coditel Senior Facility and the assignment of Altice Holding's interest thereunder and/or the ability of the holders of the Senior Secured Debt to direct the actions of Altice Holdings (and indirectly Coditel Holding S.A) in connection with the Coditel Senior Facility in accordance with the terms of the Intercreditor Agreement, to the extent permitted thereby. Any enforcement action with respect to, and recovery under, the Coditel Senior Facility or the Existing Coditel Proceeds Loan will also be subject to the Existing Coditel Intercreditor Agreement.

- (11) Cool Holding and Hadaros collectively own 100% of the outstanding shares of HOT. Pursuant to the HOT Minority Shareholder Agreements, during the 24-month period commencing on the first anniversary of the Take-Private Transaction, the HOT Minority Shareholders will have the right to purchase shares of HOT sold pursuant to the Take-Private Transaction (representing approximately 11% of the outstanding shares of HOT) at a price of NIS 48 per share from Hadaros. See "*Description of Our Business—Material Contracts—HOT Minority Shareholder Agreements*". In the event that the HOT Minority Shareholders exercise their rights to acquire shares of HOT, such shares will be released from the pledges that secure the Senior Secured Debt. If the HOT Minority Shareholders exercise such rights, the HOT Minority Shareholders will own approximately 11% of the share capital of HOT. In addition, the HOT Minority Shareholder Agreements grant certain rights to the Minority Shareholders, including, after the exercise of any such rights to acquire shares of HOT, the right to approve certain asset dispositions and the incurrence of material indebtedness. The HOT Minority Shareholder Agreements and the rights granted thereunder to the Minority Shareholders will continue to apply following any enforcement of the pledges over the capital stock of HOT or Cool Holding.
- (12) The Restricted Group for the Senior Secured Debt, including the Notes and the Existing Senior Notes excludes Valvision, Green Datacenter and Auberimmo. We disposed of our interests in Valvision in 2013 to the NSFR Group. Green Datacenter and Auberimmo are designated as unrestricted subsidiaries under the terms governing the indebtedness of the Group. Valvision's contribution to our revenue and Adjusted EBITDA was not material. In each of the years ended December 31, 2014 and 2015, Green Datacenter contributed €12.2 million and €17.1 million, respectively, to aggregated and pro forma revenues and €10.3 million and €14.7 million, respectively, to aggregated and pro forma Adjusted EBITDA and Auberimmo's contribution to our revenue and Adjusted EBITDA was not material..

## LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND THE SECURITY INTERESTS

Set forth below is a summary of certain limitations on the enforceability of the Guarantees and the Collateral in each of the jurisdictions in which the Issuer and the Guarantors are organized.

### European Union

Pursuant to Council Regulation (EC) 1346/2000 on insolvency proceedings, as amended (the “Insolvency Regulation”), which applies within the European Union (other than Denmark), the courts of the Member State in which a debtor’s “center of main interests” (as that term is used in Article 3(1) of the Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Although there is a rebuttable presumption under Article 3(1) of the Insolvency Regulation that a debtor has its center of main interests in the Member State in which it has its registered office in the absence of proof to the contrary, Preamble 13 of the Insolvency Regulation states that the center of main interests of a “debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis, which is therefore ascertainable by third parties”. The courts have taken into consideration a number of factors in determining the center of main interests of a debtor, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established. A debtor’s center of main interests is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If the center of main interests of a debtor is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the debtor under the Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Insolvency Regulation. Insolvency proceedings commenced in one Member State under the Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If the center of main interests of a debtor is in a Member State (other than Denmark), under Article 3(2) of the Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an “establishment” (within the meaning and as defined in Article 2(h) of the EU Insolvency Regulation) in the territory of such other Member State. An “establishment” is defined to mean a place of operations where the debtor carries on non-transitory economic activity with human means and goods.

Where main proceedings have been commenced in the Member State in which the debtor has its center of main interests, any proceedings commenced subsequently in another Member State in which the debtor has an establishment (secondary proceedings) are limited to “winding up proceedings” listed in Annex B of the Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its center of main interests have not yet been commenced, territorial insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor’s center of main interests is situated under that Member State’s law; or (b) the territorial insolvency proceedings are commenced at the request of a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency administrator appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor’s center of main interests is there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

A new Council Regulation (EC) no. 2015/848 of May 20, 2015 on insolvency proceedings (the New EU Insolvency Regulation) came into force on 26 June 2015 and will gradually replace the Insolvency Regulation, but its main provisions will only become effective on 26 June 2017. One of the main changes introduced by the New EU Insolvency Regulation consists in an increased scrutiny in situations where there has been a recent COMI shift. Where a company's COMI has shifted in the preceding 3 months the rebuttable presumption that its COMI is at the place of its registered office will no longer apply. Also, the opening of secondary proceedings in another EU Member State—which will no longer be limited only to “winding-up proceedings”—will be possible not only if the debtor has an establishment in such EU Member State at the time of the opening of main insolvency proceedings, but also if the debtor had an establishment in such EU Member State in the 3-month period prior to the request of opening of main insolvency proceedings.

## **Israel**

### ***General Corporate Power***

The Israeli Companies Law, 5759-1999 requires a company to indicate its purpose in its articles of association. Thus, the general corporate capacity of an Israeli company to provide a guarantee or security may be limited by its organizational documents (i.e. its articles of association).

Subject to any specific provision in a company's organizational documents, a grant of security or a guarantee by an Israeli company would generally require the approval of its board of directors, absent the existence of any interested party transactions. Transactions involving interested parties may also require approvals of the shareholders, audit committee and/or independent directors.

### ***Limitation on Distributions and Fiduciary Duties***

Under Israeli law, in certain circumstances, a company's undertaking to guarantee or provide security for the benefit of its parent company with respect to an amount in excess of the amounts actually received by such company (i.e., with respect to excess amounts received by other entities), will result in the excess being a “distribution” under Israeli law, which term also includes a company purchasing its own shares or assisting with the purchase thereof. Under Israeli law, a company may only make distributions up to the amount of the greater of: (i) its retained earnings and (ii) its cumulative net income over the preceding eight quarters (and provided that it meets the Solvency Test as defined under Israeli law) (“Distributable Profits”). Distributable Profits will be reduced by the amount of prior distributions to the extent not already reflected in the calculation of Distributable Profits. Any distribution which is not out of Distributable Profits will require court approval.

The fiduciary duty of directors requires that they act in the best interests of the company. Thus, the board of directors must determine in each case whether granting a guarantee or security interest is in the best interest of the company.

### ***Security Interests***

Under Israeli law, there are generally two types of charges, a fixed charge and a floating charge. A fixed charge is the charge of a certain asset as a security until the debt secured by the charge is settled. A floating charge is a charge over all or an unspecified part of the assets of a company, including its future assets. Unless otherwise specifically stated, a floating charge would include all of a pledging company's assets that by their nature may change from time to time in accordance with the company's business and the nature of its operations. Generally and unless otherwise restricted pursuant to the debenture under which it is created, a floating charge does not restrict the company's conduct in its ordinary course, the sale of the charged assets in the ordinary course of business, or the imposition of additional charges and liens on the company's assets. When the floating charge crystallizes (for example, upon a default), it becomes, in effect, a fixed charge over all the company's assets at the time of crystallization.

A security interest is generally created by an agreement between the company and the creditor (certain security interests by operation of law excluded). The security is perfected against third parties if registered with the Companies Registrar within 21 days of its creation (or, if created by a non Israeli company, upon registration with the Registrar of Pledges); however, certain charges may be perfected by the possession of the asset by the creditor or its agent. A charge over real-estate of a company (a “mortgage”) must also be registered with the Land Registry Bureau. Charges over vessels, patents, trademarks and other assets subject to separate government registrars may be also registered with such registrars.

### ***Enforcement of Guarantee and Securities***

#### ***General***

A guarantee is governed by the Guarantee Law, 5727-1967 and is generally enforced as a contract under Israeli law.



Under Israeli law, the realization of a pledge generally requires a court order or, with respect to certain assets, an order from the Office of Execution of Judgments and as a practical matter generally results in the appointment of a receiver to manage the assets under supervision of the court. Certain limited exemptions allowing for self-realization apply with respect to certain pledges in favor of certain institutional entities (namely a "Banking Institution" under Israeli law, the Bank of Israel, Israeli insurance companies, Israeli Provident Funds Management Companies, and members of the Tel Aviv Stock Exchange) and certain securities pledges in favor of certain institutional entities. Certain terms and conditions apply to any such "self help" realization procedures including, without limitation, the obligation to provide notice and the obligation to sell the pledged assets in the manner common in the applicable market of the asset (and in the absence of such market, in a reasonable commercial manner).

Israeli courts would apply Israeli law for the creation, perfection, and enforcement of a security created by an Israeli company over its assets located in Israel. In addition, Israeli courts would generally apply Israeli law for the creation, perfection and enforcement of a security created by a non Israeli company over shares physically located in Israel.

### *Insolvency*

Under Israeli law, if, among other things, a company is insolvent or the company adopts a special resolution approving a court-supervised liquidation, a company can be placed into involuntary liquidation through a liquidation order issued by the court. Upon the issuance of a liquidation order with respect to an Israeli company in the process of liquidation by the court (or the appointment of a liquidator therefor), there is an automatic stay of proceedings. The court may also impose a stay prior to the granting of the order of liquidation but after the filing of a petition for liquidation. In a process of voluntary dissolution, which is initiated by the determination of shareholders to dissolve the company, while there is no automatic stay of proceedings, the liquidator may apply to the court for a stay of proceedings.

As long as the stay is in effect, the continuance or commencement of any proceeding against the company is prohibited other than with the permission of the court or upon certain limited circumstances, which include the right of secured creditors to enforce their security to recover up to the amount of their secured debt. Any balance from such realization exceeding the secured debt will form part of the assets of the company to be distributed by the liquidator. If the value of the security is less than the value of the debt, then the secured creditor may recover the balance of the sum owed to it (exceeding such value) *pari passu* with the unsecured creditors. In addition, the liquidator may disclaim certain unfavorable contracts of the company.

Israeli insolvency law generally favors the continuation of a business over immediate payment of creditors. The following factors, among others, may affect rights of secured creditors generally and in insolvency proceedings particularly:

- Fraudulent conveyance principles and other similar laws affecting creditors' rights and remedies generally and by application by a competent court of equitable principles. Under Israeli law, any transfer of asset or creation of a security interest by a debtor may be declared not enforceable in liquidation, reorganization or composition proceedings of the debtor if, generally, the following conditions are met: (a) the debtor is deemed insolvent (as defined in and construed under Israeli law principles) at the time of the conveyance; (b) the conveyance is effected in the three months prior to the commencement of the liquidation or reorganization proceedings; and (c) the conveyance is made by the debtor with the intention of fraudulently preferring a certain creditor or as a result of illegal coercion or persuasion by the creditor. A specific fraudulent conveyance rule applies to security interests created under a floating charge. Under Israeli law, a floating charge created during the six months prior to the start of the liquidation, reorganization or composition proceedings, may be construed as invalid as to the indebtedness secured thereunder and not advanced by the creditor holding the floating charge at the creation of the pledge or immediately thereafter (together with interest at the rate set by law), unless sufficient proof exists to support the fact that the debtor was solvent immediately following the creation of the floating charge.
- The issuance of a liquidation order by a court of competent authority in respect of a company results in a stay of proceedings. Upon the issuance of the liquidation order, creditors of a company are prohibited from taking any action against the company or its assets to secure or realize their rights, and any such proceedings not completed are stayed. However, the liquidation order does not prevent creditors holding a secured interest from enforcing and realizing their collateral or to otherwise use it in a different manner (although the enforcement process may be procedurally limited in a certain manner). Notwithstanding the foregoing, a court of competent authority may order a moratorium on proceedings against a company for a period of up to nine months (and may extend that period for additional three month periods (without limitation as to the aggregate time frame), for special reasons) if the court is convinced that the moratorium may contribute to the formation of a compromise or arrangement between the company, its shareholders and its creditors. Secured creditors are restricted from enforcing their

collateral during the moratorium period, unless the court is convinced that either (i) no adequate protection exists to safeguard the secured creditors' rights or (ii) enforcement of the secured creditor's rights will not jeopardize the ability of the company to duly form and approve the arrangement or compromise so contemplated.

Claims and rights of creditors of a company in insolvency proceedings may abate in whole or in part due to insufficient funds and assets of the company in insolvency. Generally, the distribution of assets in insolvency proceedings is governed by two core principles: the principle of absolute superiority, according to which creditors of a certain class, who rank higher in priority to other creditors, will be permitted to satisfy their interests in full prior to creditors of a different class, who rank lower in priority, and the principle of absolute equality, according to which creditors of the same class will have a pro rata right to secure and satisfy their interest with other creditors of the same class. Generally, subject to certain exceptions, creditors holding a fixed pledge or charge rank higher in priority to shareholders and other unsecured creditors of a company and may, subject to the limitations described above, proceed in enforcing their security interest without interference. Such creditors are entitled to use the proceeds received in connection with the realization of their security interest to satisfy their entire claim but will be treated as unsecured creditors with respect to any portion of their claim not entirely satisfied by the proceeds so received if such proceeds are insufficient to repay their entire interest. Creditors holding a fixed pledge or charge may, however, be subordinated to (i) certain creditors statutorily preferred under Israeli law (e.g. tax authorities holding a tax lien in respect of taxes owed and not paid on real estate property of the company), (ii) certain creditors holding a statutory lien, and (iii) creditors holding a fixed pledge or charge over specific assets which were acquired or received by the company using debt advanced by such creditors.

### *Reorganization*

The Israeli Companies Law provides for a reorganization process for a company regardless whether the company is insolvent. A company (or an administrator or liquidator) or any creditor or shareholder of a company may request the court to summon a meeting of creditors or shareholders to agree to a compromise or arrangement between the company and its creditors or shareholders.

The court has a general authority to impose a stay of proceedings upon a request for a creditors and/or shareholders arrangement or compromise. As long as the stay is in effect, the continuance or commencement of any proceeding against the company is prohibited, including the realization of pledged assets and crystallization of a floating charge which require the consent of the court, which is conditioned upon the court determining that the pledgee was not provided adequate protection, or that the realization would not undermine the ability to formulate and approve the plan.

Furthermore, based on an amendment to the Israeli Companies Law which became effective in January 2013, the following additional factors may adversely affect rights of secured creditors:

- without approval of creditors, a company will be permitted to use an asset which is subject to a charge, including selling the asset free of liens (in the ordinary course of business with either the agreement of the creditor or court approval, and not in the ordinary course of business if approved by the court) if necessary for the reorganization of the company. The secured creditor must have "adequate protection", either from the proceeds of the sale or an asset acquired to replace the asset subject to the disposition. If the asset which is subject to a security interest is sold, the proceeds of sale or any replacement asset which can be identified or traced will be subject to a corresponding security interest in favor of the secured creditor.
- without approval of creditors, the company will be able to raise new financing for the continued operations of the company subject to a stay order issued by a court. This new financing is treated as an expense of the reorganization, and is therefore given priority over other liabilities of the company. In such a financing, the company may create a charge in favor of the lenders that would have priority to the existing security interests if the court believes it necessary for the company to raise the funds. The court would need to be satisfied that there is "adequate protection" for the existing secured creditors notwithstanding the creation of the new security interest. See "*Limitation on Validity and Enforceability of the Guarantees and the Security Interests—Israel*".

Similarly, in the event that rehabilitation or restructuring is not sought or does not succeed, the rights of the holders of the Notes and the Trustee to enforce remedies are likely to be sufficiently impaired by bankruptcy, receivership or other liquidation proceedings under applicable Israeli laws such as the Bankruptcy Ordinance (New Version)—1980 and the Companies Ordinance (New Version)—1983, if the benefit of such laws is sought.

### *Special Regulatory Approvals*

The approval of the Israeli Ministry of Communications is required prior to the realization of the security interest granted (whether directly or indirectly) over the shares of Cool Holding, Hadaros, HOT and HOT Net and the interests in HOT Telecom Limited Partnership, and prior to a realization that would result (whether directly or indirectly) in a change in the identity of the shareholders of a licensee under the Telecommunications Law, and over the assets of HOT (which realization may not interfere with the orderly provision of the services). There is no set time period for review by the Israeli Ministry of Communications and such approval may be withheld or delayed by the Israeli Ministry of Communications in its sole discretion.

### *Priority of Claims*

Generally, the priority of claims on a company's assets will be determined in the following order:

1. Secured Creditors—including: (a) statutory pledges, such as taxes due; (b) certain costs related to execution of judgments; and (c) secured creditors with valid security interests including fixed equitable charges, legal mortgage and floating charges which crystallize prior to the liquidation process and holders of a contractor's lien;
2. Liquidation expenses;
3. Preferential creditors—specifically certain employee wages (to a limited extent), and different payments or taxes to tax authorities;
4. Pledges under floating charges which crystallized with the liquidation of the company;
5. Unsecured creditors; and
6. Shareholders.

### **Luxembourg**

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) corporate power, (ii) corporate authority, and (iii) corporate benefit. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

#### ***Corporate power***

Limits on corporate power can either be imposed (i) by law or (ii) by the articles of association of the company.

1. Limitations imposed by law.

Pursuant to the Luxembourg Civil Code, a company is incorporated with a view to participate in the profits (and the losses) which may arise therefrom. The goal to share the profits is an essential element of every company and therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are accomplished with a view to the realization, directly or indirectly, of the company's corporate objective. It is normally understood that except in exceptional circumstances, an intragroup security is a type of act which may serve the purpose of realizing a profit.

Thus, it is only in exceptional circumstances when there is no reasonable indirect potential benefit of, or a motivated interest for, a proposed guarantee/security to be given by a company, that the validity of such a guarantee/security interest could be challenged for lack of any interest by the guarantor in providing the guarantee/security interest.

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization (which in the case of a Luxembourg company, does not apply to financial activities within a group of companies) or the limitations on financial assistance to shareholders in the case of subscription or purchase of shares of the guarantor.

2. Limitations imposed by the articles of association.

The provision of guarantees or security interest by a company must be within the limits of the object clause of its articles of association.

Should the provision of a guarantee or security by a Luxembourg company be considered to exceed the corporate objective as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate objective or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

### **Corporate authority**

When a Luxembourg company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of delegates that have been appointed for such purpose.

### **Corporate benefit**

The third condition for a guarantee/security interest to be granted by a Luxembourg company is that the proposed action by the company must be “in the corporate interest of the company”, which words are a translation of the French *intérêt social*, an equivalent term to the English legal concept of corporate benefit. The concept of “corporate interest” is not defined by law, but has been developed by doctrine and court precedents and may be described as being “the limit of acceptable corporate behavior”. Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In that context, the concept of a group of companies may be relevant, and while it should first be analyzed whether a transaction is in the best interest of the company on a standalone basis, it should also be examined whether the transaction is justified in the light of the interest at the level of the group, which may result in a benefit for the guarantor.

In general terms, group interest may justify the issue of a guarantee or the granting of security in favor of a parent company (upstream guarantee) or a sister company (cross stream guarantee), under the following circumstances:

- the proposed action must be justified on the basis of a common economical, social, or financial policy applicable throughout the whole group;
- the existence of a group should be evidenced through capital links; or
- the proposed action must not (i) be without any consideration, or alternatively (ii) break up the balance between the undertakings of the various group companies.

To the extent that all companies of the group are asked to bear in a similar way the burden of guarantees or security given for the benefit of the other group company or companies in an equal way, the obligation undertaken by a group company for the benefit of other group companies may be justified. Similarly, if a group company cannot exist outside of the group and is dependent on the group, assistance to other group companies should ultimately result in a benefit for such company. The limit of reasonable corporate behavior is reached when the transaction is exclusively in the interest of the parent company or the other companies of the group, without any benefit, direct or indirect, for the Luxembourg company granting the guarantee.

However, the failure to comply with the corporate benefit requirement will typically result in liability for the directors or managers of the guarantor concerned.

There is a limited risk that the directors or managers of the Luxembourg company be held liable if, *inter alia*:

- the guarantee/security interest so provided would materially exceed the (direct or indirect) benefit deriving from the secured obligations for the Luxembourg company; or
- the Luxembourg company derives no personal benefit or obtains no direct or indirect consideration for the guarantee/security interest granted; or
- the commitment of the Luxembourg company exceeds its financial means.

In addition to any criminal and civil liability incurred by the directors or managers of the Luxembourg company, the guarantee/security interest could itself be held unenforceable, if it is held that it is contrary to public policy (*ordre public*).

The above analysis is slightly different within a group of companies where a group interest (*intérêt du groupe*) exists. The existence of a group interest would prevent the guarantee/security interest from falling foul of the above constraints. In order for a group interest to be recognized, the following cumulative criteria must be met and proven:

- the “assisting” company must receive some benefit, or there must be a balance between the respective commitments of all the affiliates;
- the guarantee must not exceed the assisting company’s financial means;
- the companies involved must form part of a genuine group operating under a common strategy aimed at a common objective; and
- the assistance must be granted for purposes of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group.

The criteria mentioned above have to be applied on a case-by-case basis and a subjective fact-based judgment is required to be made by the directors or managers of the Luxembourg guarantor.

As a result, the guarantees (upstream and cross stream) granted by a Luxembourg company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) and which covers the aggregate obligations and exposure of the relevant Luxembourg assisting company under the transaction documents.

The Indenture contains the following limitation language:

The guarantee granted by any Guarantor which is incorporated and/or having its registered office and its place of central administration in Luxembourg (a "Luxembourg Guarantor") for the obligations of the Issuer which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall be limited at any time to an aggregate amount not exceeding:

- (A) the aggregate amount of the outstanding intercompany loans made to the Luxembourg Guarantor or Subsidiaries of that Luxembourg Guarantor (which are Subsidiaries of that Luxembourg Guarantor on the Issue Date or which will be Subsidiaries of that Luxembourg Guarantor hereafter) by the Issuer which have been funded directly or indirectly with proceeds deriving from the sale of the Notes increased by
- (B) the greater of:
  - (1) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the Luxembourg law of 19 December 2002 on the commercial register and annual accounts, as amended (the "2002 Law") as at the Issue Date (whether as original party or by way of accession); or
  - (2) 90% of the sum of the Luxembourg Guarantor's own funds (*capitaux propres*) and subordinated debt (*dettes subordonnées*, including for the avoidance of doubt intragroup liabilities), both as referred to in Article 34 of the 2002 Law, as at the date on which a demand is made under the Notes; or
  - (3) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Agent or if the Agent so decides by a Luxembourg statutory approved auditor (*réviseur d'entreprise agréé*) (an "Independent Auditor") as at the Issue Date (whether as original party or by way of accession); or
  - (4) 90% of the net assets of the Luxembourg Guarantor calculated on the basis of the fair market value of the assets minus liabilities of the Luxembourg Guarantor (as determined by the Trustee or if the Trustee so decides by an Independent Auditor as at the date on which a demand is made under the Notes).

### **Security interests considerations**

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Collateral Act 2005 governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Collateral Act 2005, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be registered in the shareholders' register of such company. A receivables pledge becomes enforceable against the debtor and against third parties by the mere entering into the pledge agreement by the pledgor and the pledgee. However, the debtor is validly discharged from its payment obligations by payment to the pledgor as long as it has not gained knowledge of the pledge.

Article 11 of the Collateral Act 2005 sets out the following enforcement remedies available upon the occurrence of an enforcement event:

- appropriate or cause a third party to appropriate this collateral at a price determined, before or after appropriation, by the valuation method agreed by the parties;
- assign or cause to be assigned the pledged collateral by private sale in a commercially reasonable manner, by sale over a stock exchange or by public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Collateral Act 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, e.g. courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Except as provided in article 20.4 of the Collateral Act 2005, a third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale.

Under Luxembourg law, security interests qualifying as financial collateral arrangements under the Collateral Act 2005 may be granted in favor of a person acting on behalf of the beneficiaries of such security interests, a fiduciary or a trustee as a security for the claims of third party beneficiaries, present or future, to the extent that such third party beneficiaries are or may be determined.

### **Registration in Luxembourg**

The registration of the transaction documents with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that they must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Collateral Act 2005.

The Luxembourg courts or the official Luxembourg authority may require that the transaction documents and any judgment obtained in a foreign court be translated into French or German.

### **Portugal**

The conditions to be satisfied by the granting of guarantees/security interests relate to (i) capacity and (ii) corporate authority. These rules are derived from general principles and must be applied to specific circumstances, which have to be analyzed on a case by case basis.

#### **Capacity**

Limits on capacity can either be imposed (i) by law or (ii) by the articles of association of the company.

##### **1. Limitations imposed by law.**

Pursuant to the Portuguese Companies Code (*Código das Sociedades Comerciais*) (the "Companies Code"), a company incorporated in Portugal (a "Portuguese Company") has the capacity to enter into any agreements, including financing and security agreements as long as they are necessary or convenient to pursue its purposes. Therefore, a purely free (or gratuitous) act, without consideration, may be outside the scope of the activities of a company as contemplated by law. A company may however carry out gratuitous acts whenever these acts are deemed usual in accordance with the circumstances of time and the own means of the company.

The Companies Code sets out some restrictions on capacity of Portuguese Companies, in particular in what concerns the granting of security interest and guarantees to secure and guarantee the obligations of third parties. Pursuant to article 6(3) of the Companies Code, companies may guarantee third parties' obligations provided that:

- The third party is in a controlling or a group relationship (*relação de domínio ou de grupo*) as defined in the Companies Code; or
- The company has a justified own interest (*justificado interesse próprio*) in guaranteeing the obligations of such company.

Under the Companies Code the definition of “controlling relationship” includes relationships between Portuguese companies where one holds, directly or indirectly the majority of the share capital or the voting rights in, or the right to appoint the majority of the members of the board of directors or supervisory board of another company on, the other company. A “group relationship” includes relationships between Portuguese companies where one is 100% owned or controlled, directly or indirectly, by the other or between companies that are bound by a group agreement or a subordination agreement whereby one company is subject to the instructions or management of the other.

In the absence of a controlling or a group relationship, the validity of a guarantee/security interest could be challenged if there is no justified own interest (*justificado interesse próprio*).

Further to this general legal restriction, additional limitations are imposed by specific laws, such as the prohibition to exercise a financial activity without a specific authorization or the limitation on financial assistance to shareholders or third parties, under the article 322 of the Companies Code, whereby the guarantee or security interest provided by a Portuguese company cannot be extended to cover any indebtedness used to fund, directly or indirectly, the acquisition or subscription of the share capital of such Portuguese company or its parent company (or, if applicable, in any other company which may indirectly control the Portuguese company).

## 2. Limitations imposed by the articles of association.

The provision of guarantees or security interest by a company must be within the limits of the corporate purpose clause of its articles of association.

Should the provision of a guarantee or security by a Portuguese company be considered to exceed the corporate purpose as expressed in the articles of association, the company is still bound by such action, unless there is evidence that the beneficiary of such acts knew that the acts exceeded the corporate purpose or that the beneficiary could not, in light of the circumstances, have been unaware of that fact.

### **Corporate authority**

When a Portuguese Company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution and/or by a shareholders meeting resolution and, where applicable, that the own interest (*interesse próprio*) of the Portuguese Company be justified in such resolution(s).

### **Public policy**

The guarantee/security interest or any of its provisions could be held unenforceable, if it is deemed to be contrary to public policy (*ordem pública*).

### **Limitation language**

The granting of guarantee/security interest in breach of capacity and financial assistance rules could entail criminal and civil liability incurred by the directors or managers of the Portuguese Company.

As a result, the guarantees and collateral (in particular, upstream and cross-stream) granted by a Portuguese Company are subject to certain limitations, which usually take the form of a general limitation language, which is inserted in the relevant transaction document(s) (which will be included in the indentures executed by the Portuguese Companies), and which covers the maximum aggregate obligations and exposure of the relevant Portuguese Company under the transaction documents and excludes any obligations that may be deemed to constitute financial assistance pursuant to article 322 of the Portuguese Companies Code and/or a breach of the restrictions on capacity set out in article 6(3) of the Companies Code.

## **Security interests considerations**

### *Governing law*

According to Portuguese conflict of law rules, the courts in Portugal will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Portuguese law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Portugal, such as registered shares in Portuguese companies, bank accounts held with a bank or branch (*sucursal*) in Portugal, receivables/claims governed by Portuguese law and/or having debtors located in Portugal, movable assets located in Portugal, securities which are held through a securities account located in Portugal, bearer securities physically located in Portugal, etc.

If there are assets located or deemed to be located in Portugal, the security interests over such assets will be governed by Portuguese law and must be created, perfected and enforced in accordance with Portuguese law.

### *Perfection*

Under Portuguese law, the perfection of security interests depends on certain registration, notification and/or acceptance requirements. As examples: (a) the pledge of nominative shares represented by certificates must be (i) notified to, or acknowledged by, the company which has issued the shares, (ii) endorsed in the shares certificates and (iii) registered in the shareholders' register of such company; (b) the receivables pledge becomes enforceable against the debtor after it has been notified to, or acknowledged by, the debtor; (c) the bank account pledge becomes effective against the banks after having been notified to, or acknowledged by, the banks; and (d) the mortgages over real estate must be registered with the Real Estate Registry Office.

### *Enforcement methods*

In the case of a share pledge, bank account pledge and receivable pledge or assignment as security, the enforcement methods which are generally considered more suitable are (i) private sale (*venda extrajudicial*), (ii) foreclosure (*apropriação*) in case of financial pledges and/or (iii) disposal of collateral assigned as security (*venda executiva*). The private sale and foreclosure are only allowed if the security agreement so provides. The foreclosure is permitted for financial pledges over securities and cash deposits and provided that the parties agree the valuation method. In case of non financial pledges, the foreclosure must be carried out at the price determined by a court of law. Court enforcement is also possible but is usually considered to be lengthier and could prejudice the recovery of the claims.

### *Rights of third parties*

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. A third party creditor may seek the forced sale of the assets of the pledgor which are subject to such security through court proceedings, although the beneficiaries under the relevant pledge or security documents will remain entitled to priority over the proceeds of such sale. In this case, the beneficiaries under the relevant pledge or security documents have to timely claim their credits ("*reclamação de créditos*") within the scope of the court proceedings initiated by the third parties creditors.

### *Language*

Portuguese law documents may be executed in English. However, in case of enforcement the Portuguese courts or any other official Portuguese authority may require that the transaction documents and any judgment obtained in a foreign court be translated into Portuguese.

### *Insolvency*

The ability of the Noteholders to enforce, secure and realize their rights under guarantees or security interests granted by a Portuguese Company may be delayed, restricted, subordinated, completely terminated or otherwise adversely affected in any insolvency proceedings conducted under Portuguese jurisdiction or subject to Portuguese law. The following factors, among others, may adversely affect rights of secured creditors generally and in insolvency proceedings particularly:

- *Voidability of prejudicial transactions.* Under Decree Law 53/2004 of 18 March 2004, as last amended by Decree-Law 26/2015 of February 6, 2015 (the "Portuguese Insolvency Code"), any transfer of assets, granting of guarantees or creation of security interests by a Portuguese Company may be terminated by the insolvency administrator irrespective of any other conditions in an insolvency proceeding of the Portuguese Company (the "Presumed Prejudicial Transactions") if, *inter alia*, (i) the guarantee is granted



in the six months prior to the initiation of the insolvency proceeding and is related with transactions which are not in the best interest of the Portuguese Company, (ii) the security interest is given in respect of existing obligations or new obligations replacing such existing obligations within six months prior to the initiation of the insolvency proceedings, (iii) the security interest is granted simultaneously with the creation of the secured obligations if they are undertaken in the sixty days prior to the initiation of the insolvency proceedings or (iv) the agreements are executed against consideration during the year before the insolvency petition is filed and the obligations of the Portuguese Company are deemed excessive when compared with those of the counterparty.

- *Voidability of other transactions.* In addition to the Presumed Prejudicial Transactions described above, the insolvency administrator may also terminate any transactions entered upon by the Portuguese Company during the two years prior to the initiation of the insolvency proceedings, which cause the reduction, place at risk, or which postpone the exercise of the creditors' rights and are entered into in bad faith by the counterparty. Bad faith will be deemed to exist if the beneficiaries knew, at the time the security or guarantee was given, that (i) the Portuguese Company was insolvent, (ii) the granting of the security would be prejudicial and that the insolvency was imminent and (iii) the insolvency proceedings had already been initiated. Bad faith is presumed to exist in relation to any transaction entered upon with or benefiting a related entity in the two years before the initiation of the insolvency proceedings irrespective of whether such relation existed or not on the date the transaction was entered upon.
- *The issuance of an insolvency order by a court of competent authority in respect of a company results in a stay of proceedings.* The insolvency order creates a stay on all enforcement actions pending against the debtor. After the issuance of the insolvency order, the administration and disposal of assets will be decided by a court appointed administrator.
- Claims and rights of creditors of a company in insolvency proceedings may abate in whole or in part due to insufficient funds and assets of the company in insolvency. Under the Portuguese Insolvency Code higher ranking creditors of a certain class will be permitted to satisfy their interests prior to creditors of lower rankings, and creditors of the same class will have a pro rata right to secure and satisfy their interest with other creditors of the same class. Creditors holding a pledge or charge in relation to the insolvent's assets rank higher in priority to shareholders and other unsecured creditors of a company. Such creditors are entitled to receive the proceeds from the disposal of the pledged asset to satisfy their claim but will be treated as unsecured creditors with respect to any portion thereof not entirely satisfied by the proceeds received from the disposal of the pledge if such proceeds are insufficient to repay their entire claim. Creditors holding a pledge or charge may, however, be only be paid after (i) the debts of the insolvent company incurred during the insolvency proceedings, the court fees and other costs concerning the proceeding, subject to certain requirements and limits, (ii) the debts of creditors statutorily preferred under Portuguese law (e.g. tax authorities holding a lien in respect of taxes owed and not paid on real estate property of the company) and (iii) the debts of certain creditors holding statutory liens (e.g. employees).

## **Switzerland**

The validity and the enforcement of a guarantee or security interest may be limited by applicable bankruptcy, insolvency, re-organization or similar laws, regulations or defenses affecting creditors and secured parties in general (including provisions relating to fraudulent transfer, voidable preference, corporate purpose, financial assistance, capital maintenance and solvency), international private laws (including *ordre public*) or laws or principles of general application (including but not limited to the abuse of rights (*Rechtsmissbrauch*), the principle of good faith (*Grundsatz von Treu und Glauben*) and public policy (including antitrust or merger control laws)).

### **Financial assistance rules**

You may not be able to enforce, or recover any amounts under the guarantee/security interests granted by Green due to restrictions on enforcement reflecting Swiss corporate, tax and contract law.

Swiss corporate law does not recognize the overall legal concept of integrated company groups. Consequently directors and officers may not take a consolidated view and fulfill their fiduciary duties merely by considering the overall interests of the entire group and intra-group transactions not made at arm's length terms may be problematic.

Financial assistance by Green (or any other company incorporated in Switzerland which becomes a guarantor) in respect of obligations of its direct or indirect shareholder(s) ("upstream") or of related persons or entities of its shareholder(s) other than any direct or indirect subsidiaries ("cross stream") is subject to certain Swiss corporate law rules that may significantly impact the value of the guarantee/security interest. In particular, upstream and cross stream financial assistance must be within the corporate purpose and scope,

as set forth in the articles of association, and interests of Green and may not entail a repayment of capital or a violation of legally protected reserves. In addition, the enforcement of the guarantee/security interest provided by Green may be treated as a profit distribution to shareholders and, therefore, must be unanimously approved by the board of directors and the shareholders of Green. Such financial assistance must be limited to the freely distributable reserves of Green, in accordance with Swiss law and accounting principles, as to be measured by an auditor's report at the time of enforcement, whereby the report and the calculation of the freely distributable reserves available for profit distribution must take into account (by way of deducting) any upstream or cross-stream loans not granted at arm's length terms. The payment under the guarantee/security interest may require certain prior corporate formalities to be completed including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions. There can be no assurance that Green will have distributable profits and reserves available at the relevant time to satisfy the obligations under the guarantee/security, whether or not it makes dividends payments to its shareholders.

Payments under the guarantee/security interest provided by Green may be subject to the withholding tax at the current rate of 35% (or such other rate as in force from time to time), which, unless Green has entered into a specific agreement with the Swiss federal tax administration for a reduced rate of withholding, must be deducted from the gross payment. Swiss resident beneficial owners of such payments can claim full refund of the withholding tax on the basis of national law, provided the specific requirements are met. Non Swiss residents can claim full or partial refund of the withholding tax on the basis of an applicable double taxation treaty between the country of residence of the recipient and Switzerland, including the Savings Tax Agreement signed between Switzerland and the European Union on October 26, 2004 (SR 0.641.926.81, SR 0.641.926.811), which also covers dividends to EU parent companies, and the Treaty between the United States of America and Switzerland for the Avoidance of Double Taxation with Respect to Taxes on Income (SR 0.672.933.61), provided the specific requirements are met. The obligation of Green to gross up by paying additional amounts may not be enforceable under Swiss law.

Financial assistance rules are unsettled under Swiss law. There are very few court decisions available in this respect and the legal doctrine is divided. We can provide no assurances that future court rulings will not further restrict the enforceability, or deny the validity, of guarantees/security interests. Such rulings would negatively affect the ability to enforce the guarantee/security interest granted by Green. The granting of guarantees/security interest in breach of such financial assistance rules could result in the invalidity and non enforceability of such guarantees/security interests and could entail criminal and civil liability of the board of directors or other corporate bodies of Green. Thus, the guarantee/security interest granted by Green is subject to certain limitations, normally in the form of a general limitation language inserted into the relevant transaction documents and which are in line with the requirements set out hereinabove which in particular cover the maximum aggregate obligations and exposure of Green under the transaction documents.

### ***Security in the form of pledge***

Under Swiss law, a valid pledge only arises if the pledgor loses the exclusive possession over the pledged assets (which includes the delivery of the share certificates representing all shares in Green that are pledged).

A sale or transfer of shares in Green in the context of the realization of the share pledge agreement concerning such shares may be subject to Swiss transfer stamp duty if a Swiss securities dealer, as defined in the Swiss stamp tax act, is involved in the transaction as party or intermediary.

Under Swiss law, pledges are accessory to the obligations they secure and, therefore, pledges may only be constituted for the benefit of the creditors of the secured obligations. Any pledge governed by Swiss law to secure claims of the holders of the Notes under the Indenture should therefore be constituted for the benefit of the holders of the Notes acting as pledgees (being represented for the purposes thereof by the Security Agent acting in its capacity as security agent for itself and as direct representative (*direkter Stellvertreter*) in the name and for the account of each other pledgees). Because any such pledge is likely to be constituted for the benefit of the Security Agent acting as a fiduciary (*Treuhänder*) in its own name but for the benefit of the holders of the Notes (but not as a direct representative (*direkter Stellvertreter*) acting in its own name and in the name and for the account of each other secured party), there is a risk regarding the enforceability of such pledge granted in favor of the holders of the Notes. These risks may be mitigated by the use of a parallel debt structure, whereby the Security Agent becomes a joint creditor (*Solidargläubiger*) of all obligations to be secured by the pledges and the pledges are granted to the Security Agent for the benefit of the holder of the Notes. Accordingly, the rights of the holders of the Notes are not directly secured by the pledges of the collateral, but through the pledges granted to the Security Agent to secure these parallel claims. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer for the full aggregate principal amount of the Notes, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent. The parallel debt obligations referred to above are contained in the Intercreditor Agreement, which is governed by English law, and will also be agreed and acknowledged under the Indenture, which is governed by New York law. As it could be viewed as a circumvention of the accessory nature of the pledge, there is no such assurance that such a structure will be effective before the Swiss courts

as there is no judicial or other guidance as to its efficacy, and, therefore, the ability of the Security Agent to enforce the collateral may be restricted, also, the instruction and appointment of an agent and any power of attorney may be revoked at any time under Swiss law notwithstanding the appointment, instruction or power of attorney being said to be irrevocable and any mandate may, as matter of statutory Swiss law, be terminated at any time by each party to the mandate.

### **Choice of law considerations**

The guarantee by Green is, based on a choice of law, subject to the laws of the State of New York. Should a Swiss court accept jurisdiction in proceedings on the merits based on the laws applicable in Switzerland, a Swiss court will generally recognize the choice of law. The scope of such choice of law is, usually, limited to the rules of the substantive law chosen by the parties; as to procedural matters, a Swiss court will apply Swiss procedural law. Due to the different nature of Swiss procedural law and the procedural law in common law jurisdictions (such as the United States of America and the United Kingdom) classification and delimitation issues between substantive and procedural law could occur. To establish the non-Swiss substantive law applicable to the merits, a Swiss court may, in pecuniary matters, request the parties to establish the non-Swiss substantive law. If the content of the foreign substantive law cannot be established, then Swiss law may be applied. While a Swiss court will generally accept a choice of law, there still exist some exceptions: Swiss courts may diverge from the chosen substantive law (i) if such chosen law leads to a result contrary to Swiss public policy, (ii) if the purpose of mandatory rules of Swiss law require, by their special aim, direct application, or (iii) if the purpose of mandatory rules of another law, to which the dispute is closely connected, are considered legitimate under Swiss legal concepts and, upon weighing the interests of the parties involved, the clearly predominant interest(s) of one party so require. Also, the choice of law may not extend to non-contractual obligations. See also “*Enforcement of Judgments—Switzerland*”.

The above principles also apply to security interests.

Under Swiss conflict of law rules, the choice of foreign law with regard to a share pledge agreement or an assignment of claims cannot be invoked against third parties not being the parties to the transaction.

### **Insolvency law considerations**

Green is organized under the laws of Switzerland. In the event of insolvency, insolvency proceedings relating to Green’s guarantee/security interest would likely be subject to Swiss insolvency law. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland.

Swiss insolvency law provides for two primary insolvency regimes, the bankruptcy procedure (*Konkurs*) and the composition procedure (*Nachlassverfahren*). Bankruptcy procedure is merely designed to liquidate the debtor’s assets and to distribute the proceeds of the liquidation to the debtor’s creditors. The composition procedure is in general intended to restructure a debtor’s critical financial situation and enable the debtor to continue its business on a reorganized financial basis. It can also be used to liquidate the debtor or the debtor’s assets. Both insolvency regimes and avoidance actions are governed by Swiss law in accordance with the Swiss Federal Act on Debt Enforcement and Bankruptcy as amended from time to time (*Bundesgesetz vom 11. April 1889 über Schuldbetreibung und Konkurs (SchKG), SR 281.1*).

Swiss insolvency laws may make it difficult or impossible to effect a restructuring and the insolvency laws of Switzerland may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. The following is a brief description of certain aspects of insolvency law in Switzerland. In the event that Green experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Pursuant to Swiss insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. or other non-Swiss bankruptcy laws. Under Swiss law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office or assets in Switzerland.

### **Bankruptcy Procedure**

In the event of a Swiss entity’s insolvency, the respective insolvency proceedings would be governed by Swiss law as a result of such Swiss entity’s office being registered in the competent commercial register in Switzerland. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets of a foreign entity located in Switzerland. The enforcement of claims and questions relating to insolvency and bankruptcy in general are dealt with by the Swiss Federal Act on Debt Enforcement and Bankruptcy, as amended from time to time. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of bankruptcy (*Konkurs*) and, hence, a general

liquidation of all assets, even if located outside Switzerland, and all liabilities of the debtor. However, with regard to assets located outside Switzerland, a Swiss bankruptcy decree may only be enforceable if it is recognized at the place where such assets are located (which requirements are governed by such foreign law). If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed on a private sale. The right to collect, purchase, sell or acquire ownership of the assets upon a private sale of the security interest is subject to notification and pricing requirements and must generally be made in accordance with the principles of good faith, adequately taking into account the security provider's interests.

However, if bankruptcy is declared, while such a special enforcement proceeding is pending, Swiss court proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private sale is no longer permitted. Certain particular rules apply to security interests created over intermediated securities pursuant to the Swiss Federal Intermediated Securities Act. As a rule, the opening of bankruptcy by the competent court needs to be preceded by a prior debt enforcement procedure which, involves, inter alia, the issuance of a payment summons by local debt enforcement authorities (*Betreibungsamt*). However, the competent court may also declare a debtor bankrupt without such prior proceedings if the following requirements are met: (i) at the request of the debtor, if the debtor's board of directors or the auditors of the company (in case of failure of the board of directors) declare that the debtor is over indebted (*überschuldet*) within the meaning of article 725 (2) of the Swiss Code of Obligations (*Bundesgesetz betreffend die Ergänzung des Schweizerischen Zivilgesetzbuches (Fünfter Teil: Obligationenrecht, SR 220)*) or if it declares to be insolvent (*zahlungsunfähig*), or (ii) at the request of a creditor, if the debtor commits certain acts to the detriment of its creditors or ceases to make payments (*Zahlungseinstellung*) or if certain events happen during composition proceedings, such as failure to get a moratorium agreement.

The bankruptcy proceedings are carried out and the bankrupt estate is managed by the receiver in bankruptcy (*Konkursverwaltung*) which will draw up an inventory of the assets and, further to a creditor's call for the filing of claims, establish a schedule of claims (*Kollokationsplan*). From a Swiss law perspective, all assets, wherever located at the time of the declaration of bankruptcy and all assets acquired or received subsequently from the bankrupt estate are used to satisfy the creditors, after deduction of costs and certain other expenses. However, in respect of assets located abroad, the Swiss authorities do not have jurisdiction to collect such assets for the purpose of including them in the Swiss bankruptcy estate of the debtor. It is therefore the foreign law applicable at the place where the assets are located abroad, or treaties between Switzerland and the state in which such assets are located, that will determine whether and to what extent the foreign authorities can assist in the collection of these assets. Assets of the bankrupt estate over which a pledge was created in favor of a creditor before the declaration of bankruptcy are included in the bankrupt estate. The pledgee is under an obligation to remit the pledged assets to the bankrupt estate. As a consequence, the private enforcement of pledged assets is not permitted and the enforcement mandatorily occurs according to the rules of the Swiss Federal Act on Debt Enforcement and Bankruptcy and the assets are liquidated by the receiver in bankruptcy in the same manner as the other assets of the bankrupt estate, but the creditor secured by the pledge retains its privilege (after deduction of the estate costs) to be satisfied from the proceeds of the liquidation of the assets pledged to it with priority over the unsecured creditors, unless the proceeds from the sale of the pledged assets exceeds the secured claims, in which case the surplus is available for distribution to the unsecured creditors. If the enforcement proceeds are not sufficient to fully satisfy the secured claims, the remainder of the claims have equal rank as unsecured claims with all other unsecured and (provided that it is not a privileged claim) non prioritized claims. If several pledges secure the same claim, the amount realized is applied proportionally to the claim.

Final distribution of non-secured claims is based on a ranking of creditors in three classes. The first and the second class, which are privileged, comprise claims under employment contracts, accident insurance, pension plans, family law and for deposits under the Swiss banking act. Certain privileges can also be claimed by the government and its subdivisions based on specific provisions of federal law. All other creditors are treated equally (*pari passu*) in the third class. A secured party participates in the third class to the extent its claim is not covered by the proceeds of its collateral.

Any creditor wishing to contest the schedule of claims because its claim has been entirely or partially rejected by the receiver in bankruptcy or not allocated in the rank requested must bring an action against the estate before the competent court. If any creditor wishes to contest the admission of another creditor to the schedule of claims or the allocated rank, it must bring an action against such creditor. Such court proceedings could cause the holders of the Notes to recover less than the principal amount of their notes or less than they could recover in a United States liquidation. Such proceedings could also cause payment to the holders of the Notes to be delayed, as compared with holders of undisputed claims.

With the opening of bankruptcy proceedings, interest ceases to accrue against the debtor. However, interest on claims secured by pledges continues to accrue until the realization of the pledge, provided the proceeds

exceed the amount of the claim and the interest which had accrued by the date of the opening of bankruptcy proceedings.

Claims or rights assigned for security purposes by a Swiss entity that came into existence prior to the opening of bankruptcy can be enforced by the assignee outside Swiss bankruptcy proceedings. Enforcement in a strict sense is not necessary as the ownership has already been transferred to the secured party. Enforcement in this context essentially means that the obligation to return the transferred assets under the security agreement expires. However, this must follow similar rules as for the private enforcement of a pledge and must generally be made in accordance with the principle of good faith, adequately taking into account the security provider's interests, in particular that the security interests are to be valued fairly, the valuation must be properly documented, the secured obligations must be repaid by set-off out of the realization and any surplus after satisfaction of the secured obligations must be accounted for and repaid to the party having granted the security.

Swiss law is uncertain with respect to the enforceability of future receivables assigned by way of security that come into existence after the date of a bankruptcy. Under the current jurisprudence of the Swiss Federal Supreme Court, the assignment of claims or rights coming into existence after the adjudication of bankruptcy or similar insolvency proceedings that lead to the loss of the capacity of the relevant assignor to dispose of such rights or claims may generally not be enforceable by the secured creditor and, hence, may fall within the bankruptcy estate and the secured creditor may not be entitled to such claims and the proceeds from an enforcement of such claims.

### **Composition Procedure**

Swiss insolvency laws also provide for reorganization procedures by composition with the debtor's creditors. Reorganization is initiated by a request to be made by the debtor itself or in certain circumstances by the creditors with the competent court for a moratorium (*Nachlassstundung*) pending negotiation of the composition agreement with the creditors and confirmation of such agreement by the competent court. If the request meets the statutory prerequisites, i.e. if it does not seem obvious that there is no prospect to reach a composition agreement, the court will grant the debtor a provisional moratorium. Such provisional moratorium may last up to four months. The administrator (*Sachwalter*) appointed by the court must apply for a definitive moratorium of another four to six months which can be extended to twelve months and, in particularly complex cases, to twenty-four months. In the event of an extension exceeding twelve months, administrator shall call for a creditors' meeting.

The composition procedure will result in a settlement with all creditors called a composition agreement. A distinction is made between a composition agreement providing for the assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) (also called the "liquidation agreement") which leads to a liquidation, the creditors being satisfied out of the proceeds of the liquidation, and in many instances has analogous effects as a bankruptcy, and a percentage agreement (*Dividenden-Vergleich*) providing for the payment of a certain percentage on the creditors' claims and the continuation of the debtor, the creditors having waived any excess claims. Further, there is the possibility of a composition in the form of a payment term extension (*Stundungsvergleich*) where the debtor and the creditors agree on a payment plan according to which the debtor will pay its debts in full, but over time. The composition agreement may also provide that the creditors' claims are, fully or partially, satisfied by allocating shares in the debtor company or a company holding the debtors' assets.

During a moratorium, debt collection proceedings cannot be initiated and pending Swiss court proceedings are stayed. An assignment of claims for security purposes entered into by a Swiss entity prior to the granting of a moratorium is ineffective if the assigned claims come to existence only after the granting of a moratorium. Furthermore, the debtor's power to dispose of its assets and to manage its affairs may be restricted. Enforcement proceedings cannot be initiated or continued as long as the moratorium is in effect, except for claims secured by a mortgage on real estate, but such mortgage on real estate may not under any circumstances be realized during the moratorium. If the debtor requests, and if specific requirements are met, the court may also suspend realization of mortgaged real estate for a period up to one year after confirmation of the composition agreement. Private enforcement of pledged chattel is also not admissible during the moratorium. However, after confirmation of a liquidation agreement, enforcement of a lien on chattel is permissible (if not excluded by the liquidation agreement). A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon the opening of bankruptcy proceedings). Unless the composition agreement otherwise stipulates, claims of unsecured creditors no longer bear interest.

The moratorium aims at facilitating the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors (see below) and confirmed by the competent court. To that end, the court has to appoint an administrator (*Sachwalter*) whose authority may range from

supervision of the debtor's activities to actually taking over the management of the debtor. The administrator drafts a composition agreement to be discussed at a creditors' meeting. The composition agreement is deemed ratified if prior to its confirmation by the court, either the majority of creditors, representing two-thirds of all admitted claims, or one-quarter of all creditors, who shall represent at least three-quarters of all admitted claims, have given their consent to the composition agreement. Secured claims are only counted to the extent of the part which, in the administrator's estimation, is not covered by the security. The administrator has to file his report with the court with a recommendation whether or not to confirm the composition agreement. The court will only confirm the agreement if the debtor's offer is reasonable compared to its financial capacities. In case of a percentage agreement or a payment term extension, it is required that the shareholders provide for a reasonable consideration for the company's restructuring. In the case of a liquidation agreement, the reasonability should depend on whether the creditors receive a higher dividend than in a bankruptcy. Furthermore, complete satisfaction of the filed privileged claims and fulfillment of all the obligations incurred with the consent of the administrator during the moratorium must be sufficiently secured, unless individual creditors waive security for their claims. With the judicial confirmation, the composition agreement becomes binding on all creditors (be it any pre-moratorium creditor and any creditor with a claim that has come into existence during the moratorium without approval by the administrator), whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims.

### **Avoidance Actions**

Certain arrangements or dispositions that are made during certain periods preceding the declaration of bankruptcy or the grant of a moratorium in connection with a composition procedure may be challenged by the receiver in bankruptcy and certain creditors or in case of a composition agreement with assignment of assets, the liquidator under the applicable rules of avoidance. The avoidance may relate to situations where: (i) an over-indebted company repays unmatured debts, settles a debt by unusual means of payment, or grants collaterals for previously unsecured liabilities within one year before the opening of bankruptcy proceedings; (ii) a debtor disposes of assets for free or for inadequate consideration, for example, guarantees or security interests for the benefit of third parties if not made on arm's length terms, within one year before the opening of bankruptcy proceedings, or (iii) the debtor carries out a transaction within five years before the opening of bankruptcy proceedings, with the intention, apparent to the other party, of disadvantaging its creditors or of favoring certain of its creditors to the disadvantage of others and in doing so damages the other creditors and in doing so damages the other creditors (whereby the actual test for such intention is an objective one relating to the circumstances at the relevant time and does not require proof of such intention to favor or harm certain creditor). Under certain circumstances these time periods may be suspended.

The granting of guarantees and security interests should not be voidable under (i) above as long as the creditor does not have or should not have any actual or constructive knowledge of the grantor's over-indebtedness. A bona fide creditor is therefore protected but bears the burden to plead and prove its good faith. Furthermore, the granting of guarantees and security interests should in principle not be voidable under (i) above if the guarantee and/or security interest is later granted for previously unsecured liabilities, but the debtor had previously entered into an obligation to provide such guarantee and/or security interest. A guarantee and/or security interest which have been granted for free or inadequate consideration may deem equivalent to a gift pursuant to article 286 of Swiss Federal Act on Debt Enforcement and Bankruptcy.

In the event that such disputed transactions are successfully avoided, the creditors (such as holders of the Notes) are under the obligation to repay the amounts received. The above principle of avoidance applies in particular to the guarantees or security interests granted by Green. In case of such avoidance of a guarantee or security interest by Green, any amounts obtained by the Noteholders under the guarantee or security interest that is avoided would have to be repaid by the Noteholders. The Noteholders who have restituted the avoided amount paid to them regain the original claim against Green and are entitled to file their claim to be listed in the schedule of claims in their respective rank and priority. The Swiss principles on avoidance may therefore limit the Noteholders' ability to recover payments due on the guarantee or security interest.

### **Foreign Bankruptcy Decrees**

Foreign bankruptcy decrees issued in the country of a debtor's domicile may be recognized in Switzerland only, provided that (i) the bankruptcy decree is enforceable in the country where it was issued, (ii) its recognition is, inter alia, not against Swiss public policy, and (iii) the country which issued the bankruptcy decree grants reciprocity to Switzerland.

### **Dominican Republic**

Conditions to be satisfied for the granting of guarantees/security interests in the Dominican Republic are derived from general principles of law and must be applied to each specific case. Generally these conditions relate to (i) capacity and (ii) corporate authority.

## ***Capacity***

A company incorporated in the Dominican Republic (a “Dominican Company”) has the capacity to enter into agreements necessary or convenient according to the corporate purpose established under its bylaws, including financing and security agreements.

The goal to create value and therefore profits for its shareholders is an essential element of every company and therefore, an act without receiving consideration may fall outside the scope of the purpose of a Dominican Company and could be challenged for lack of interest/cause. However, a Dominican Company may grant security/guarantee in favor of a parent/controlling entity or in favor of subsidiaries or other related entities belonging to the same corporate group.

The granting of a guarantee/security by a Dominican Company must be for its corporate benefit (interés social). There is no statutory definition of corporate benefit under Dominican law; understanding that the existence or absence of corporate benefit is assessed by the courts on a case by case basis.

A guarantee/security interest could be held unenforceable if it is contrary to public policy.

## ***Corporate Authority***

When a Dominican Company grants guarantees/security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by decision of shareholders in a general shareholders meeting, in each case according to applicable rules of quorum and majority set forth by the bylaws/law.

According to Article 217 of General Corporations Law No. 479-08 (as amended), issuance of corporate guarantee by a Dominican Company shall be approved by the Board of Directors, unless the bylaws require approval by the general shareholders meeting. On the other hand, pursuant to Article 327 of the said law a Dominican Company shall not grant as security obligations issued by such company.

Under General Corporations Law No. 479-08 (amended) the following transactions require authorization by the Board of Directors: (i) transactions with one or more of the members of the Board of Managers of a Dominican Company; (ii) transactions with third parties where one or more of the members of the Board of Managers of a Dominican Company have an interest in any manner; (iii) transactions with other entities where one or more of the members of the Board of Managers owns shares or is also member of the board of managers of such other entity. In addition, under General Corporations Law No. 479-08 (as amended), approval by the shareholders meeting shall be required in addition to board approval when any of the previously mentioned transactions involve an amount equal to or greater than 15% of the equity of a Dominican Company, individually or in the aggregate (on a 12 months basis).

## ***Grace period***

Under Article 1244 of the Dominican Civil Code, a Dominican court may under certain conditions grant a grace period in favor of debtor. When a debt is secured by a mortgage over real estate assets, grace period shall not exceed six months. During the grace period collection actions are suspended including any pending enforcement measures that may have been initiated by creditors. A debtor cannot waive in advance its right to ask the court for a grace period.

## **Security interests considerations**

### ***Governing law***

The courts in Dominican Republic will generally apply the law of the place where the assets or subject matter of the pledge or security interest is located in relation to the creation, perfection and enforcement of security interests over such asset. As a consequence, Dominican law will apply in relation to the creation, perfection and enforcement of security interests over assets located in the Dominican Republic.

### ***Perfection/Lien***

Under Dominican law, the perfection of security interests and creation of liens depend on certain registration, notification and/or acceptance requirements applicable according to the type of security being perfected. For example: In a pledge of nominative shares (i) the pledge must be notified to the company that issued the shares by means of a bailiff notice for the pledge to become opposable to third parties and issuer, (ii) possession of the share certificates shall be delivered to creditor or to a third party agreed upon by both creditor and pledger; (iii) share certificates should be endorsed, (iv) pledge should be registered in the shareholders' register of the issuing company and at the Mercantile Registry of the corresponding Chamber of Commerce for the pledge to be opposable to third parties, and (v) the pledge shall have been authorized by the Board of Directors of the company or by the General Shareholders Meeting. A receivables pledge

becomes enforceable against third parties after it has been notified to payer by means of a bailiff notice or acknowledged by payer in a notarial act (acto auténtico). A pledge over a bank account becomes effective against the bank and third parties once it has been notified to the bank by means of a bailiff notice or acknowledged by the latter in a notarial act. Mortgages over real estate must be registered with the corresponding Title Registry Office. Chattel Pledge shall become enforceable against third parties after registration at the corresponding Justice of Peace Office. A pledge over motor vehicles shall become enforceable against third parties after registration at the corresponding Department of the Dominican Tax Authorities (DGII by its Spanish acronym).

### ***Enforcement methods***

In general, foreclosure requires judicial foreclosure procedures to be carried out before Dominican Courts. Procedures vary depending on the type of asset/security being foreclosed on. There are certain requirements providing for notification to debtor, publicity and court hearings. Procedures normally end with a sale of the underlying asset at a public auction. However, in some cases (such as foreclosure on a pledge) creditor can either ask the court to sell the pledged assets at a public auction or request the court that the said assets be transferred to the creditor in payment of the secured debt. Contractual provisions allowing a creditor obtain ownership of the underlying asset without following judicial foreclosure procedures are generally considered null.

### ***Rights of third parties***

The existence of security interests created pursuant to pledge/security agreements does not prevent third party creditors from seeking attachment or execution of assets already subject to a security interest created in favor of another creditor. A third party creditor may seek the forced sale of the said assets through court proceedings, although the secured creditor can oppose and should be entitled to priority over the proceeds of the sale.

### ***Language***

Documents creating security may be executed in English or another language. However, for registration and enforcement purposes or any other official use, a translation into Spanish prepared by an Official Translator duly authorized in the Dominican Republic is required.

### ***Insolvency—Statutory Priorities***

The ability of creditors to enforce security and collect under guarantees or security interests granted by a Dominican Company may be delayed, terminated or otherwise adversely affected by (i) insolvency/bankruptcy proceedings under Dominican law, or (ii) statutory priorities adversely affecting rights of secured creditors generally.

### ***Insolvency—Bankruptcy***

In the Dominican Republic, insolvency proceedings of commercial entities are governed by the Commercial Code of the Dominican Republic. This Code dates back to 1884 and resembles the French Commercial Code of 1807. Insolvency procedure contained therein is rarely used in practice except in some particular cases most of which never reached a conclusion.

In the event of insolvency of debtor, the Commercial Code provides the right to any interested party to bring an action under the Commercial Courts to open insolvency proceedings against the debtor.

In general secured creditors have priority rights (except for statutory priorities) to collect on their collateral and therefore are not affected by bankruptcy/insolvency proceedings unless they renounce/waive their security. Secured creditors have the right to participate in the distribution of other assets of debtor if their collateral is insufficient to cover their claims.

Once the insolvency procedure is opened:

- (a) The actions made by individual creditors against the Bankrupt are frozen. The seizure of assets by creditors through attachment or execution are stayed and replaced by a right to claim for a dividend against the pool;
- (b) all assets of the Bankrupt belong to the pool of assets which is available to pay creditor claims; and
- (c) creditors are paid *pari passu* out of the assets according to the hierarchy or ladder of priorities of their claims.

The insolvency procedure established in the Commercial Code resembles a final liquidation/winding up procedure or prepacking. The state of insolvency of a 'merchant' is determined when the latter 'ceases in the



payment' of its obligations. The term 'ceases in the payment' ("cesación de pagos") is different from insolvency in that the former applies if the Debtor does not comply with its due, liquid and enforceable debts then it has formally ceased in the payment of its liabilities. It does not relate to its debt-equity ratio whereby the assets could not cover the debts. Therefore, the debtor may become insolvent in the financial side but does not fall under the 'cease of payments' if it continues to pay off its debts.

The procedure starts off at the request of the claimant in the conciliation procedure of the Ministry of Industry and Commerce via the Chamber of Commerce and Production. The Chamber summons the debtor and grants the latter a period of 10 days to deposit its accounting records and balance sheet. The chamber fixes the date and time for the parties to meet to verify the credits and to reach a possible settlement. If no settlement is reached, the claimant may sue for a judicial order to declare bankruptcy of the Debtor. The judicial order to be issued will appoint a provisional liquidator, a judicial manager and will order the Justice of Peace to seal all of debtors' assets. The bankruptcy judicial order shall be published in a national newspaper and it is subject to special formalities.

The issuance of the bankruptcy judicial order will have the following effects:

- (a) All outstanding debts will be accelerated and immediately enforceable;
- (b) stays on creditor's executions, transfers of personal or real property without consideration; all payments in kind, for sale, stock, setoff or any other manner for any owed unmatured debts; all outstanding debts that does not involve payments in cash; all conventional or judicial mortgages; chattel pledge recorded on the debtor for past debts; and
- (c) the removal of the merchant's board of directors or managers from the management of the merchant assets.

The Court shall indicate in the bankruptcy order the date on which debtor's state of insolvency started. If the Court fails to determine said date, the date of issuance of the bankruptcy order shall be deemed as the date on which the debtor entered into a state of insolvency. According to Dominican Law, the Court shall also appoint a Judge to oversee bankruptcy proceedings and shall order that debtor's assets be inventoried.

Payments made after the insolvency date or within 10 days prior to such insolvency date can be void or annulled if made: 1) other than in cash; 2) for compensation; or 3) for the payment of obligations not yet due. Payments made to a creditor that knew in advance that debtor had fallen into a cessation of payments state ("estado de cesación de pagos") can also be declared void or annulled. All collateral consented by debtor within this period of time can also be annulled.

Once the definitive liquidator is appointed within 3 days there will be a release of the seals recorded on the debtor's assets and an inventory will be made in the presence of the Justice of Peace. A consolidation of the assets is made which will culminate with a final judicial order approving or denying the liquidation.

With this judicial order the creditors must file in the court their title and security interests. The Secretary of the Court will order all remaining creditors to file in a term of 20 days all their title and security interests to the liquidator. In a term of 3 days after the furnishing of all credits a verification procedure of all credits and confirmation will be initiated by the judicial manager. A period of 8 days will elapse so that the creditors may ratify the credits to the judicial manager. In a period of 3 days after the confirmation of all credits, the judicial manager will summon all provisional admitted creditors to discuss the formation of a reorganization plan for the liquidation of the assets. Minutes of a meeting will be held to agree on the reorganization plan, the creditors will be allowed to vote and decisions will be taken on a majority vote. If the majority votes are reached, then the reorganization plan will be approved. If the votes do not reach the required majority, then the execution of the reorganization plan will be adjourned and a new date will be fixed for another minutes of a meeting.

In the event that no agreement is reached, the pool of creditors will be considered to be in union. There will be an additional period of 8 days for the filing of any opposition to the liquidator. Upon the expiration of this term, any party may request the validation of the reorganization plan. If no agreement on the reorganization plan is reached, a realization of the debtor's assets will be made by the liquidator and the proceeds for that sale will be distributed pro rata between the creditors.

In practice, however, the bankruptcy process as detailed herein is rarely opened and followed until it reaches its conclusion.

### ***Statutory priorities***

Certain types of credits are granted priority in collection by Dominican Law and are therefore considered privileged credits (créditos privilegiados). Privileged credits shall have preference in collecting from debtors assets even in the presence of secured creditors possessing liens on debtor's assets. Creditors with statutory priority include, among others; (i) employees (for collection of salaries, wages and labor compensation),

(ii) Dominican tax authorities (for collection of tax obligations), (iii) lawyers (for collection of legal fees), and (iv) landlords (for collection of rent).

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement") by and among, *inter alios* the Issuer and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, the Notes in an aggregate principal amount of \$2,750 million.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Initial Purchasers offered the Notes for resale at the respective issue price indicated on the cover page hereof. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates. Sales in the United States will be made through affiliates of the Initial Purchasers which are registered with the SEC as U.S. registered broker dealers.

In the Purchase Agreement, the Issuer has agreed that:

- subject to certain exceptions, neither the Issuer, Altice International nor any of the other Guarantors will offer, sell, contract to sell or otherwise dispose of any of their debt securities, or guarantee such debt securities (other than the Notes, the Guarantees and any intercompany debt), without the prior written consent of the Representatives (as defined therein), for a period of 30 days after the date of the final Offering Memorandum; and
- the Issuer will indemnify the Initial Purchasers and their respective affiliates against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

Each purchaser of Notes offered by these Listing Particulars, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Transfer Restrictions*".

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale within the United States of Notes initially sold in reliance on Regulation S by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*".

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

In the Purchase Agreement, each Initial Purchaser represents warrants and agrees that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to such Initial Purchaser or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of these Listing Particulars or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither these Listing Particulars nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. These Listing Particulars do not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession these Listing Particulars comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of these Listing Particulars and resale of the Notes. See "*Transfer Restrictions*".

The Initial Purchasers and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S.

Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

These Listing Particulars are directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “relevant persons”). These Listing Particulars must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which these Listing Particulars relate is available only to relevant persons and will be engaged in only with relevant persons.

## **Luxembourg**

In addition to the cases described in the section entitled “Public Offer Selling Restriction under the EU Prospectus Directive” in which the Initial Purchasers can make an offer of the Notes to the public in an EEA member state (including Luxembourg), the Initial Purchasers can also make an offer of the Notes to the public in Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;
- (b) at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Prospectus Act implementing the EU Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the EU Prospectus Directive.

## **Israel**

Sales of the Notes in Israel will be made through the Initial Purchasers and/or through an Israeli broker(s) engaged by them. The Notes have not been offered to an Israeli person unless such offeree is a “qualified investor” (as defined in the First Appendix to the Israeli Securities Law) who is not an individual (a “Qualified Israeli Investor”) and who (x) completed and signed a questionnaire regarding its qualifications as a Qualified Israel Investor and (y) certified that it has an exemption from Israeli withholding taxes on interest and delivered a copy of such certification to Goldman Sachs International.

## **General**

The Notes are a new issue of securities, and there is currently no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under “Notice to Investors”.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion without notice. In addition, such market-making activities will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell which will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each Initial Purchaser has also agreed in the Purchase Agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes these Listing Particulars, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force.

In connection with the offering, the Stabilizing Manager, or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the offering of the Notes, creating a syndicate short position, and may bid for and purchase Notes in the open market to

cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchasers and/or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and/or may perform other services for, to us and/or our affiliates in the ordinary course of business for which they have received or may receive customary fees, commissions and reimbursement of expenses (including acting as initial purchasers and/or lenders in connection with previous issuances of debt securities and debt facilities of the Issuer). In connection with our strategy to review and evaluate selective acquisitions and other business combinations, we and our shareholders regularly engage mergers and acquisition advisors and other financial advisors to assist us. Certain of the Initial Purchasers and their affiliates may be currently advising us or other interested parties, and the Initial Purchasers and their affiliates may advise us or other interested parties from time to time on other transactions in the future. In addition, certain of the Initial Purchasers or their affiliates are party to certain of our hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in us, our current or future subsidiaries and their affiliates and/or financial intermediaries and the financial instruments issued by any of them.

Depending on market conditions, the Initial Purchasers may decide to initially purchase and hold a portion of the Notes for their own account.

Delivery of the Notes was made against payment on the Notes on the Issue Date, which was 11 business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes. Trades in the secondary market generally settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of these Listing Particulars or the next succeeding seven business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Altice or its controlling shareholder or any of their respective affiliates may purchase Notes in the offering at a purchase price per Note equal to the issue price set forth on the cover page of these Listing Particulars. The purchase agreement between the Issuer and the Initial Purchasers does not restrict the ability of Altice or its controlling shareholder or any of their respective affiliates to buy or sell Notes in the future and, as a result, Altice or its controlling shareholder or any of their respective affiliates may buy or sell the Notes in open market transactions at any time following the consummation of the offering of the Notes.

In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (and/or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investments and securities activities may involve securities and/or instruments of the Issuer. The Initial Purchasers and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **LEGAL MATTERS**

Certain legal matters in connection with this offering have been passed upon for us by Ropes & Gray International LLP, as to matters of United States federal, New York and English law; by Meitar Liquornik Geva Leshem Tal, as to matters of Israeli law; by Luther S.A., as to matters of Luxembourg law, by Uria Menéndez—Proença de Carvalho, as to matters of Portuguese law; by Franklin as to matters of French law; by Holenstein attorneys-at-law Ltd, as to matters of Swiss law and by Castillo y Castillo as to matters of Dominican law.

Certain legal matters in connection with this offering have been passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of United States federal, New York and English law; by Goldfarb Seligman & Co., as to matters of Israeli law; by NautaDutilh Avocats Luxembourg S.à r.l., as to matters of Luxembourg law; by Cuatrecasas, Goncalves Pereira, RL as to matters of Portuguese law; Latham & Watkins AARPI as to matters of French law; Pestalozzi Attorneys at Law Ltd as to matters of Swiss law and by Pellerano & Herrera as to matters of Dominican law.

## ENFORCEMENT OF JUDGMENTS

The Issuer is a public limited liability company (*société anonyme*), incorporated under the laws of Luxembourg and the Guarantors are incorporated under the laws of France, Israel, Luxembourg, Switzerland, Portugal and the Dominican Republic.

Many of the directors and executive officers of the Issuer and the Guarantors are nonresidents of the United States and a substantial portion of the assets of such persons are located outside the United States. As a consequence, you may not be able to effect service of process on these non U.S. resident directors and officers in the United States or to enforce judgments against them outside of the United States, including judgments of the U.S. courts predicated upon the civil liability provisions of the U.S. securities laws.

### Israel

The Issuer has been advised by its Israeli counsel that, subject to specified time limitations and legal procedures, Israeli courts may enforce a foreign judgment in a civil matter which is non-appealable, provided that among other things:

- the judgment is obtained after due process before a court of competent jurisdiction, according to the laws of the foreign state in which the judgment is given and the rules of private international law currently prevailing in Israel;
- the prevailing law of the foreign state in which the judgment is rendered allows for the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to be heard and to present his or her evidence;
- the judgment is not contrary to public policy of Israel, and the enforcement of the civil liabilities set forth in the judgment is not likely to impair the security or sovereignty of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties;
- an action between the same parties in the same matter was not pending in any Israeli court at the time at which the lawsuit was instituted in the foreign court; and
- the judgment is enforceable according to the laws of Israel and according to the law of the foreign state in which the relief was granted.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus a per annum statutory rate of interest set on a quarterly basis by Israeli regulations. Judgment creditors must bear the risk of unfavorable exchange rates. In recent years, Israeli courts have increasingly been willing to enforce a foreign judgment in the foreign currency specified in the judgment, in which case there are also applicable rules regarding the payment of interest.

### Luxembourg

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment against an issuer incorporated in Luxembourg with respect to the Notes obtained from a court of competent jurisdiction in the United States, 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 (*exequatur*) set forth in Article 678 et seq. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*), being:

- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. court order or judgment must not result from an evasion of Luxembourg law (*fraude à la loi*);
- the U.S. court awarding the judgment has jurisdiction to adjudicate the particular matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;

- the judgment is enforceable in the jurisdiction where the decision has been rendered;
- the judgment was obtained in compliance with the rights of the defendant, i.e., following proceedings at which the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense; and
- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the laws of Luxembourg or have been given in proceedings of a criminal or tax nature.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, 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.

## Portugal

The Issuer has been advised by its Portuguese counsel, that a valid, final and conclusive judgment against a guarantor of Portuguese nationality with respect to its Guarantee obtained from a court of competent jurisdiction in the United States, 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 Portugal subject to compliance with the judgments enforcement requirements including, without limitation, those set out in Article 980 et seq. of the Portuguese Civil Procedure Code (*Código do Processo Civil*) being:

- there are no doubts regarding the authenticity of the judgment or the reasoning of the judgment;
- the judgment is final and enforceable in the jurisdiction where the decision is rendered;
- the judgment of the U.S. Court has not been obtained by fraud and does not relate to a matter on which Portuguese courts have exclusive jurisdiction;
- the judgment of the U.S. Court does not refer to a matter that has been decided by a Portuguese court or that is being subject to a proceeding before a Portuguese Court, except if the judgment of the U.S. Court prevents this jurisdiction;
- the defendant was duly notified by the U.S. Court in accordance with its own procedural laws and that the defendant had the opportunity to present a defense (*princípio do contraditório*) with equal defense rights (*princípio da igualdade das partes*);
- the enforcement of the judgment will not lead to a breach which is manifestly contrary to Portuguese international public policy rules; and
- the request of recognition of a judgment rendered by a court of competent jurisdiction in the United States may be challenged if the party against whom the judgment was rendered is a Portuguese citizen or a Portuguese company and the result of the judgment would be more favorable to said party if the United State's court had applied Portuguese law (assuming that the Portuguese law would be applicable according to the Portuguese rules of conflict of laws).

## Switzerland

Judgments in civil or commercial matters of a non-Swiss court or authority will be recognized and enforced against an individual or a legal entity with legal domicile or seat in Switzerland pursuant to a bilateral or multilateral treaty or convention between the foreign country and Switzerland e.g. the Lugano Convention on Jurisdiction and Enforcement of Judgments of October 30, 2007. In case no applicable treaty or convention exists, the rules of the Swiss Federal Act on Private International Law (*Bundesgesetz über das Internationale Privatrecht vom 18. Dezember 1987 (IPRG)*; "PILA"; SR 291) apply. Except for arbitral awards, there is currently no treaty or convention in effect pertaining to the recognition and enforcement of judgments in civil and commercial matters between the United States of America and Switzerland.

Thus, articles 25-32 PILA apply for the recognition and enforcement of an U.S. federal or state court judgment ("U.S. Judgment") in Switzerland. In cases where an U.S. money judgment shall be enforced, the Swiss Federal Act on Debt Enforcement and Bankruptcy (SR 281.1) and the Swiss Code of Civil Procedure (*Schweizerische Zivilprozessordnung vom 19. Dezember 2008 (ZPO)*, SR 272), apply in addition to the PILA. The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including a U.S. Judgment, is generally subject to appeal (on the cantonal level as well as on the federal level).



There is doubt as to the enforceability in Switzerland of civil liabilities based on the security laws of the United States, either in an original action or in an action to enforce a judgment obtained in the U.S. courts. The United States and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment issued by a court in the United States, whether or not predicated solely upon U.S. security laws, may not be enforceable in Switzerland.

However, if a person has obtained a final and conclusive judgment rendered by a U.S. court which is enforceable in the United States and files a claim with the competent Swiss court, the Swiss court may be expected to acknowledge the judgment rendered by the U.S. court, provided that (i) there are no grounds to refuse recognition and enforcement and (ii) such judgment has not been rendered in violation of elementary principles of fair trial and is not contrary to the public policy of Switzerland and has been rendered in a court which has established its jurisdiction vis-à-vis the relevant party on the basis of a valid submission by such party to the jurisdiction of such U.S. court. In particular a Swiss court or authority will refuse recognition and enforcement for the following reasons only, and may not otherwise review the non-Swiss judgment, including a U.S. judgment, as to its merits:

- if recognition and enforcement would be irreconcilable with Swiss public policy; or
- if a party proves that:
  - (1) it was not duly summoned pursuant to the law of its domicile or ordinary residence unless it made an appearance in proceedings without objecting to jurisdiction; or
  - (2) the decision was rendered in violation of fundamental principles of Swiss procedural law, in particular the right to be heard was not granted; or
  - (3) proceedings between the same parties in the same subject matter were first initiated or adjudicated in Switzerland, or that it was earlier adjudicated in a third country and such judgment is recognizable in Switzerland.

Further, valid submission to the jurisdiction of a foreign court, in particular a U.S. court or authority is established (i) if a provision of the PILA so provides or, in the absence of such provision, the defendant had his legal domicile in the country in which the decision was rendered; or (ii) if the parties, in a pecuniary dispute, entered into an agreement valid under the PILA submitting their dispute to the jurisdiction of the court or authority which rendered the judgment; or (iii) if the defendant, in a pecuniary dispute, proceeded on the merits without objecting to the jurisdiction; or (iv) if, in the event of a counterclaim, the court or authority which rendered the decision had jurisdiction over the principal claim and if there is a factual connection between the principal claim and the counterclaim. It is uncertain whether a Swiss court will apply this practice to default judgment as well. Swiss courts may deny the recognition and enforcement of punitive damages or other rewards.

Moreover, a Swiss court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. The procedure of enforcement and recognition of judgments of U.S. courts in Switzerland are governed by the provisions of the Swiss Civil Procedure Code and the Swiss Federal Act on Debt Enforcement and Bankruptcy. The judgment of a Swiss court or authority of first instance concerning recognition and enforcement of a foreign judgment, including U.S. judgments, is generally subject to appeal (at the cantonal level as well as on the federal level).

Subject to the foregoing, holders of the Notes may be able to enforce in Switzerland judgments in civil and commercial matters obtained from United States federal or state courts; however, we cannot assure you that those judgments will be enforceable. Awards of punitive damages or other types of penalty in original actions outside Switzerland may also not be enforceable in Switzerland. Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. No such pre-trial discovery process along the lines of U.S. law does not exist under Swiss law. No statement can be made as to the time and efficiency of the recognition and enforcement in Switzerland of a foreign judgment considering that recognition and enforcement proceedings tend to be time consuming in Switzerland.

Under Swiss law, any amount denominated in a foreign currency which has to be enforced through Swiss debt collection authorities (*schweizerische Zwangsvollstreckungsbehörden*) has to be converted into Swiss Francs.

Swiss law documents may be executed in English. However, in case of enforcement, the Swiss courts or any other Swiss authority may require that the transaction documents and any judgment obtained in a foreign court be translated into one of the official languages of Switzerland.

The instruction and appointment of an agent and any power of attorney may be revoked at any time under Swiss law notwithstanding the appointment, instruction or power of attorney being said to be irrevocable and any mandate may, as a matter of statutory Swiss law, be terminated at any time by each party to the mandate.

Judicial documents may not be served directly from abroad, amongst others, the United States of America to a person in Switzerland (see Switzerland's reservation to the Hague Convention on Service Abroad of Judicial or Extra- Judicial Documents in Civil and Commercial Matters concluded on 15 November 1965) and service needs to be effected by way of judicial assistance.

### **The Dominican Republic**

The Dominican Republic is not a party to any treaties providing for reciprocal recognition and enforcement of judgments rendered in foreign courts in legal proceedings with respect to civil and commercial matters. Therefore, the Issuer has been advised by Castillo Y Castillo, its Dominican counsel, that under current applicable Dominican law, a valid final and conclusive judgment issued by a competent court located outside of the Dominican Republic would be enforced in the Dominican Republic subject to obtaining an exequatur issued by a competent court of the Dominican Republic. Based on current applicable Dominican law, the courts of the Dominican Republic should issue an exequatur in respect of a judgment obtained in a foreign court if:

- (a) such judgment complies with all formalities required for the enforceability thereof under applicable laws of the foreign jurisdiction;
- (b) has been translated into Spanish by an Official Interpreter duly authorized in the Dominican Republic, together with related documents and satisfies the authentication requirements of Dominican law;
- (c) was issued by a competent court following service of process upon the parties to the action;
- (d) was issued after an opportunity was given to the defendant to present its defense;
- (e) is final, not subject to further appeal and enforceable in the jurisdiction where the decision was rendered;
- (f) does not relate to a matter on which Dominican courts have exclusive jurisdiction;
- (g) does not refer to a matter that has been decided by a Dominican court or that is being judged by a Dominican Court; and
- (h) is not against Dominican public policy.

## **AUDITORS**

The consolidated financial statements of Altice International (formerly known as Altice VII) as of and for the years ended December 31, 2013, 2014 and 2015 have been audited by Deloitte Audit S.à r.l.

The standalone financial statements of PT OpCo as of and for the years ended December 31, 2014 have been audited by KPMG & Associados, SROC, S.A.

## LISTING AND GENERAL INFORMATION

### Listing

All notices to holders of the Notes, including notice of any optional redemption, Minority Shareholder Option Proceeds Offer, change of control or any change in the rate of interest payable on the Notes will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Copies of the following documents may be obtained electronically or inspected in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer and the Paying Agents so long as the Notes remain listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market and the Rules and Regulations of such exchange require:

- the articles of association of the Issuer and the Guarantors (the Issuer's and the Luxembourg Guarantors' articles of association may also be inspected at the Luxembourg Companies and Trade Register (Register de Commerce et les Sociétés, Luxembourg) during normal business hours);
- Altice International's annual reports and quarterly reports and consolidated financial statements required to be provided under "*Description of Notes—Certain Covenants—Reports*";
- the Indenture;
- the Purchase Agreement;
- the Intercreditor Agreement; and
- the security documents governing the Collateral.

So long as the Notes are listed on the official list of the Luxembourg Stock Exchange and so long as the rules and regulations of such stock exchange require the Issuer will maintain a transfer agent in Luxembourg and an office or agency where Notes may be presented for transfer or exchange. The Issuer reserves the right to vary such appointment and will publish notice of such change of appointment on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Pursuant to Part 1, Chapter 5, Item 502 of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes are freely transferable on the Luxembourg Stock Exchange, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on its Euro MTF Market.

The gross proceeds of the offering of the Notes is \$2,750 million.

### Clearing Information

The Notes sold pursuant to Regulation S and to Rule 144A have been accepted for clearance and settlement through the facilities of DTC and have been assigned the CUSIP numbers and ISINs set out in the table below.

	<u>CUSIP</u>	<u>ISIN</u>	<u>Common Code</u>
<i>Rule 144A</i> .....	02154C AE3	US02154C AE30	140116637
<i>Regulation S</i> .....	L0178W AG7	USL0178W AG70	140108260

### Legal Information

#### **The Issuer**

The Issuer is incorporated under the name of Altice Financing S.A. as a public limited liability company (*société anonyme*), incorporated and existing under the laws of Luxembourg on August 17, 2012. The articles of association of the Issuer have been filed with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated September 27, 2012, under number 2407, page 115493 et seq. The registered office of the Issuer is 3, Boulevard Royal, L-2449 Luxembourg. The Issuer's telephone number is +352 278 58 901. The Issuer is registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B171.162.

The Issuer has a share capital of €2,000,000 comprised of 2,000,000 shares, each with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of the Issuer relating to its corporate object, the Issuer may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever form, as well as the administration, management, control and development of such participating interests, in Luxembourg and abroad.

The Issuer 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 entities, 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. The Issuer may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other entities in which the Issuer has an interest or which form part of the group of companies to which the Issuer belongs (including shareholders or affiliated entities) or any other companies. The Issuer may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Issuer may borrow and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

In general, the Issuer 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 corporate object or which are liable to promote its development provided that the Issuer will not enter into any transaction which would constitute a regulated activity of the financial sector.

The creation and issuance of the Notes has been authorized by resolutions of the Board of Directors of the Issuer dated April 18, 2016.

### **The Guarantors**

#### **Cool Holding**

Cool Holding was incorporated in Israel under the name of Cool Holding Ltd. on April 26, 2009. The registered office of Cool Holding in Israel is 16 Abba Hillel Rd., Ramat-Gan 52506, Israel. Cool Holding is registered with the Israeli corporate registrar under number Israeli registration number 51-426602-2. On April 2, 2010, the general meeting of Cool Holding's equity holders approved Cool Holding's registration as a public limited liability company (*société anonyme*) in Luxembourg. The articles of association of Cool Holding have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated May 20, 2010, under number 1060, page 50862 et seq. The registered office of Cool Holding in Luxembourg is 3, Boulevard Royal, L- 2449 Luxembourg. Cool Holding's telephone number is +352 278 58 901. Cool Holding is registered with the Luxembourg Trade and Companies Register under number B152495. According to its articles of association, Cool Holding's principal place of management and control is Luxembourg. Cool Holding is subject to both Luxembourg laws and Israeli laws and is deemed to have dual nationality.

According to Article 2.5 of the articles of association of Cool Holding relating to its corporate purpose, the purpose of Cool Holding is to take participations, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign enterprises; to acquire any securities and rights through participation, contribution, option or in any other way.

Cool Holding may use its funds to invest in real estate, to establish, manage, develop and dispose of its assets as they may be composed from time to time and namely but not limited to, its portfolio of securities of whatever origin, to participate in the creation, development and control of any enterprise, to acquire, by way of investment, subscription, underwriting or option, securities, and any intellectual property rights, to realize them by way of sale, transfer, exchange or otherwise, to receive or grant licenses on intellectual property rights and to grant to or for the benefit of companies in which Cool Holding has a direct or indirect participation, to any companies being shareholder of Cool Holding, to companies being owned by a shareholder of Cool Holding and to companies of the group, any assistance including financial assistance, loans, advances or guarantees.

Without prejudice to the generality of the object of Cool Holding, this latter may do all or any of the following:

- (i) to take, manage and sell participation in other companies by way of acquisition, possession, administration, sale, exchange, transfer, trade, investment in and alienation of shares, bonds, funds, notes, evidences of indebtedness, debentures, certificates and other securities;
- (ii) to borrow money in any form or to obtain any form of credit facility and raise funds through, including, but not limited to, the issue of bonds, notes, promissory notes, certificates and other debt or equity instruments, convertible or not, or the use of financial derivatives or otherwise;
- (iii) to advance, lend or deposit money or give credit to or with or to subscribe to or purchase any debt instrument issued by any Luxembourg or foreign entity on such terms as may be thought fit and with or without security;

- (iv) to enter into any guarantee, pledge or any other form of security, whether by personal covenant or by mortgage or charge upon all or part of the undertaking, property assets (present or future) or by all or any of such methods, for the performance of any contracts or obligations of Cool Holding and of any of connected companies, or any director, manager or other agent of Cool Holding or any of connected companies, within the limits of any applicable law provision; and
- (v) to enter into any agreements, including, but not limited to partnership agreements, underwriting agreements, marketing agreements, management agreements, advisory agreements, administration agreements, cooperation agreement and other services contracts, selling agreements, interest and/or currency exchange agreements and other financial derivative agreements in relation to its object.
- (vi) to acquire income arising from the disposal or licensing of copyrights, patents, designs, secret processes, trademarks or other similar interests;
- (vii) to render technical assistance to other companies;

It being understood that Cool Holding will not enter into any transaction which would cause it to be engaged in any activity that would be considered as a regulated activity of the financial sector.

In a general fashion, Cool Holding may carry out any operation, which it may deem useful in the accomplishment and development of its purposes.

Cool Holding has a share capital of NIS 6,147,657 (six million one hundred forty seven thousand six hundred fifty seven shekels) divided into 6,147,657 (six million one hundred forty seven thousand six hundred fifty seven) ordinary shares, each with a nominal value of NIS 1.00 (one shekel).

The guarantee of the Notes has been authorized by the written consent of the sole shareholder and sole member of the Board of Directors of Cool Holding dated April 18, 2016.

#### **Hadaros**

Hadaros was incorporated in Israel under the name of H.Hadaros 2012 Ltd. on March 22, 2012. The registered office of Hadaros is 16 Abba Hillel Rd., Ramat Gan, 52506, Israel. Hadaros is registered with the Israeli Registrar of Companies under number 51-475212-0.

According to its Articles of Association, Hadaros's corporate objectives are to carry on any legal business. Hadaros has a share capital of NIS 100,000 comprised of 10,000,000 ordinary shares, each with a par value of NIS 0.10, of which 100 ordinary shares are issued and outstanding.

The guarantee of the Notes has been authorized by the written consent of the sole shareholder and sole member of the Board of Directors of Hadaros dated April 18, 2016.

#### **Altice Holdings**

Altice Holdings is incorporated under the name Altice Holdings S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on January 31, 2013. The articles of association of Altice Holdings have been filed with the Luxembourg Trade and Companies Register and one published in the *Mémorial C, Recueil des Sociétés et Associations* dated 23 March 2013 under number 717, page 34394 *et seq.* The registered office of Altice Holdings S.à r.l. is 3, Boulevard Royal, L-2449 Luxembourg. Altice Holdings' telephone number is +352 278 58 901. Altice Holdings is registered with the Luxembourg Trade and Companies Register under number B174906.

Altice Holdings has a share capital of €2,378,000 comprised of 2,378,000 shares, each with a nominal value of €1.00, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Holdings may 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 Luxembourg and abroad.

Altice Holdings 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Holdings may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice Holdings has an interest or which form part of the group of companies to which Altice Holdings belongs (including shareholders or affiliated entities) or any other companies. Altice Holdings may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Holdings 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, Altice Holdings 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.

The guarantee of the Notes by Altice Holdings has been authorized by resolutions of its Board of Managers dated April 18, 2016.

### **Altice Portugal**

Altice Portugal (formerly known as Rightproposal—Telecomunicações, S.A.) was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on February 27, 2012. Altice Portugal is registered under the registration number 510 160 549. The registered office of Altice Portugal is Avenida Fontes Pereira de Melo, 40, 1069-300 Lisboa, Portugal. Altice Portugal's telephone number is +351 210 810 505.

Altice Portugal has a share capital of €50,000.00 comprised of 50,000 shares, each with a nominal value of €1.00, all of which have been subscribed and fully paid-up.

According to Article 2 of Altice Portugal's articles of association, the company's purpose is the installation, operation, marketing and technical assistance of systems of image transmission and cable television signal, establishment, management and operation of infrastructure and telecommunications systems, the provision of telecommunications services and/or television, or directly or indirectly related to them, whatever the system or physical way of transmission, the marketing or the provision of multimedia services or audiovisual media, of all kind, by transmission of cable television or other.

Pursuant to article 3 of Altice Portugal's articles of association, Altice Portugal may also purchase and sell or encumber holdings in companies with different corporate purposes, in companies governed by specific regulations, in complementary group of companies (*agrupamento complementar de empresas*) and in foreign companies or entities.

In general, Altice Portugal may carry out any transaction, which it may deem necessary or convenient in the accomplishment and development of its purposes, save to the extent prohibited by law.

The guarantee of the Notes has been authorized by the written consent of the shareholders and the Board of Directors of Altice Portugal dated April 18, 2016.

### **Altice International**

Altice International exists under the name of Altice International S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on December 15, 2008. The articles of association of Altice International have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 19 January 2009, under number 112, page 5353 *et seq.* The registered office of Altice International is 3, Boulevard Royal, L-2449 Luxembourg. Altice International's telephone number is +352 278 58 901. Altice International is registered with the Luxembourg Trade and Companies Register under number B143725.

Altice International has a share capital of €309,257,000 comprised of 30,925,700,000 shares, each with a nominal value of €0.01, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice International relating to its corporate object, Altice International may 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 Luxembourg and abroad.

Altice International 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice International may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice International has an interest or which form part of the group of companies to which Altice International belongs (including shareholders or affiliated entities) or any other companies. Altice International may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice International 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, Altice International 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.

The guarantee of the Notes by Altice International has been authorized by resolutions of its Board of Managers dated April 18, 2016.

### **Altice West Europe**

Altice West Europe is incorporated under the name of Altice West Europe S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on June 5, 2013. Altice West Europe is incorporated under the name Altice West Europe S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on June 5, 2013. The articles of association of Altice West Europe have been filed with the Luxembourg Trade and Companies Register and one published in the *Mémorial C, Recueil des Sociétés et Associations* dated 3 August 2013 under number 1879, page 90161 et seq. The registered office of Altice West Europe S.à r.l. is 3, Boulevard Royal, L-2449 Luxembourg. Altice West Europe's telephone number is +352 278 58 901. Altice West Europe is registered with the Luxembourg Trade and Companies Register under number B178.002.

Altice West Europe has a share capital of €2,377,000 comprised of 2,377,000 shares, each with a nominal value of €1, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice West Europe relating to its corporate object, Altice West Europe may 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 Luxembourg and abroad.

Altice West Europe 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice West Europe may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice West Europe has an interest or which form part of the group of companies to which Altice West Europe belongs (including shareholders or affiliated entities) or any other companies. Altice West Europe may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice West Europe 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, Altice West Europe 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.

The guarantee of the Notes by Altice West Europe has been authorized by resolutions of its Board of Managers dated April 18, 2016.

### **Altice Caribbean**

Altice Caribbean is incorporated under the name of Altice Caribbean S.à r.l. as a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg on October 4, 2012. The articles of association of Altice Caribbean have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated 22 November 2012, under number 2833, page 135972 et seq. The registered office of Altice Caribbean is 3, Boulevard Royal, L-2449 Luxembourg. Altice Caribbean's telephone number is +352 278 58 901. Altice Caribbean is registered with the Luxembourg Trade and Companies Register under number B172223.

Altice Caribbean has a share capital of €13,000 comprised of 13,000 shares, each with a nominal value of €1.00, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Caribbean relating to its corporate object, Altice Caribbean may 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 Luxembourg and abroad.

Altice Caribbean 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Caribbean may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice West Europe has an interest or which form part of the group of companies to which Altice Caribbean belongs (including shareholders or affiliated entities) or any other companies. Altice Caribbean may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Caribbean 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, Altice Caribbean 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.

The guarantee of the Notes by Altice Caribbean has been authorized by resolutions of its Board of Managers dated April 18, 2016.

### ***Altice Bahamas***

Altice Bahamas was incorporated under the name "Altice SEE S.à r.l." as a private limited liability company (société à responsabilité limitée), incorporated under the laws of Luxembourg on October 14, 2013. On November 11, 2013, the company changed its name to "Altice Bahamas S.à r.l." and raised its share capital from an amount of EUR 12,500 to EUR 20,000 (\$26,729). The articles of association of Altice Bahamas have been filed with the Luxembourg Trade and Companies Register and are published in the *Mémorial C, Recueil des Sociétés et Associations* dated December 24, 2013 under number 3286, page 157700 et seq. The registered office of Altice Bahamas S.à r.l. is 3, Boulevard Royal, L 2449 Luxembourg. Altice Bahamas' telephone number is +352 226 05 640. Altice Bahamas is registered with the Luxembourg Trade and Companies Register under number B181590.

Altice Bahamas has a share capital of \$4,614,530.71 comprised of 448,532,385 Class A Shares and 12,920,686 Class B Shares, each with a nominal value of \$0.01, all of which have been subscribed and fully paid-up.

According to Article 3 of the articles of association of Altice Bahamas may 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 Luxembourg and abroad.

Altice Bahamas 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, realize them by way of sale, transfer, exchange or otherwise, have these securities and intellectual property rights developed. Altice Bahamas may grant assistance (by way of loans, advances, guarantees or securities or otherwise) to companies or other enterprises in which Altice Bahamas has an interest or which form part of the group of companies to which Altice Bahamas belongs (including shareholders or affiliated entities) or any other companies. Altice Bahamas may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

Altice Bahamas 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, Altice Bahamas 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 pro-mote their development.

The guarantee of the Notes by Altice Bahamas has been authorized by resolutions of its Board of Managers dated April 18, 2016.

### **Altice Hispaniola**

Altice Hispaniola, S.A. (“Altice Hispaniola”) is a limited liability corporation (*sociedad anónima*) incorporated under the laws of the Dominican Republic on July 5, 1993. The bylaws of Altice Hispaniola have been filed and registered at the Mercantile Registry of the Santo Domingo Chamber of Commerce and Production, under Mercantile Registration number 4895SD, issued on September 4, 2002. The registered office of Altice Hispaniola is Avenida Núñez de Cáceres No. 8, GINAKA Building, Bella Vista, Santo Domingo, National District, Dominican Republic. Altice Hispaniola’s telephone number is +1 809 859 1000. Altice Hispaniola is registered at the Dominican Directorate General of Internal Taxes (Dirección General de Impuestos Internos—DGII) under National Taxpayer’s Registration number (Registro Nacional de Contribuyentes—RNC) 1-01-61878-7.

Altice Hispaniola has a share capital of RD\$5,800,000,000.00 comprised of 58,000,000 shares, each with a nominal value of RD\$100. All of Altice Hispaniola’s shares have been subscribed and fully paid-up.

According to Article 2 of Altice Hispaniola’s Bylaws relating to its corporate object, Altice Hispaniola may perform general telecommunications activities in the Dominican Republic or abroad, including, but not limited to, activities related or connected with the transmission of voice, data, internet and television without any kind of restriction with respect to the kind of technology used, as well as all kinds of activities related with the main purpose and those activities of lawful trade.

The granting of the senior secured guarantees will be authorized by resolutions of Altice Hispaniola’s General Extraordinary Shareholder’s Meeting prior to the granting of such guarantees.

The guarantee of the Notes has been authorized by the written consent of the shareholders of Altice Hispaniola dated April 18, 2016.

### **Tricom**

Tricom, S.A. (“Tricom”) is a limited liability corporation (*sociedad anónima*) incorporated under the laws of the Dominican Republic on January 25, 1988. The bylaws of Tricom have been filed and registered at the Mercantile Registry of the Santo Domingo Chamber of Commerce and Production, under Mercantile Registration number 4759SD, issued on July 13, 2000. The registered office of Tricom is Autopista Duarte, Km. 11<sup>1/2</sup>, Esq. Avenida Monumental, Santo Domingo Oeste, Santo Domingo Province, Dominican Republic. Tricom’s telephone number is +1 809 476 6000. Tricom is registered at the Dominican Directorate General of Internal Taxes (Dirección General de Impuestos Internos—DGII) under National Taxpayer’s Registration number (Registro Nacional de Contribuyentes—RNC) 1-01-50252-5.

Tricom has a share capital of RD\$8,000,000,000.00 comprised of 80,000,000 shares, each with a nominal value of RD\$100, of which 79,998,936 have been subscribed and fully paid-up.

According to Article 3 of Tricom’s Bylaws relating to its corporate object, Tricom may provide, install, service, maintain and operate telecommunication systems in the Dominican Republic and in other countries, which will be constructed, maintained and operated by the company as set forth in the agreements, contracts and licenses granted in its favor by the corresponding regulatory authorities, as well as those systems whose construction, maintenance and operation is granted to it in the future under any other agreement, contract or license.

Tricom may negotiate the necessary agreements for the interconnection to the public switched telephone network, as well as national networks dedicated to interurban service, as required by said telecommunications systems.

Tricom may construct, maintain and exploit a private telecommunications system for the transmission of national and international calls and for the transmission and reception of messages and signals of any kind.

Likewise, Tricom may provide, install, service, maintain and operate television signals transmission systems through networks or coaxial cabling or by any other means allowed by the corresponding authorities in the Dominican Republic and in other countries, which will be constructed, maintained and operated by the company as set forth in the agreements, contracts and licenses granted in its favor by the corresponding regulatory authorities, as well as those systems whose construction, maintenance and operation is granted to it in the future under any other agreement, contract or license.

In general, Tricom may undertake any financial, technical, industrial, commercial, movable, real estate transactions and any other business or activity of lawful trade, without any limitation, except for those imposed by applicable laws.

The granting of the senior secured guarantees will be authorized by resolutions of Tricom’s General Extraordinary Shareholder’s Meeting prior to the granting of such guarantees.

The guarantee of the Notes has been authorized by the written consent of the shareholders and the Board of Directors of Tricom dated April 18, 2016.

### **PT Portugal**

PT Portugal was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on March 29, 2006. PT Portugal is registered with the Commercial Registry Office of Lisbon under the registration number 507 690 737. The registered office of PT Portugal is Avenida Fontes Pereira de Melo, no. 40, 1069-300 Lisbon, Portugal.

PT Portugal has a share capital of €17,000,000.00, comprised of 50,000 shares, each with a nominal value of €340.00, all of which have been subscribed and fully paid-up.

According to Article 3 of PT Portugal's articles of association, the company's purpose is the management of participations in other companies as an indirect form of economic activity.

In general, PT Portugal may carry out any transaction, which it may deem necessary or convenient in the accomplishment and development of its purposes, save to the extent prohibited by law (notably, the limitations included in Decree Law No. 495/88, of December 30, 1988, as amended from time to time, which regulates Portuguese law holding companies (*sociedades gestoras de participações sociais*)).

The guarantee of the Notes has been authorized by the written consent of the shareholders and the Board of Directors of PT Portugal dated April 18, 2016.

### **PT OpCo**

PT OpCo is the surviving entity following the merger between PTC and Meo, S.A. PT OpCo was incorporated as a public limited liability company (*sociedade anónima*) under the laws of Portugal on September 18, 2000. PT OpCo is registered with the Commercial Registry Office of Lisbon under the registration number 504 615 947. The registered office of PT OpCo is Av. Fontes Pereira de Melo, no. 40, 1050-123 Lisbon, Portugal.

PT OpCo has a share capital of €230,000,000.00, comprised of 1,150,000,000 shares, each with a nominal value of €0.20, all of which have been subscribed and fully paid-up.

According to Article  $\frac{3}{4}$  of PT OpCo's articles of association, the company's purpose is the design, construction, management and exploitation, of electronic communication networks and infrastructures, rendering of electronic communication services, transport and broadcasting of telecommunication broadcast signal and television activities. Furthermore, pursuant to Article  $\frac{3}{2}$  of PT OpCo's articles of association, the company also has as its purpose the rendering of services in the areas of IT systems, information society, media and communication, development and commercialization of electronic communication, IT and communication products and equipment, e-commerce activities, including online auctions and formation and consulting services within its corporate purpose. PT OpCo may also carry out any activities which are complementary, subsidiary or accessory to the aforementioned, directly or by incorporating or having ownership of other companies.

Pursuant to Article  $\frac{3}{4}$  of PT OpCo's articles of association, PT OpCo may, by resolution of the Board of Directors, purchase and sell shareholdings in companies with different corporate purposes or governed by specific regulations, as well as enter into association with other legal entities through complementary groups of companies (*agrupamentos complementares de empresas*), European groups of economic interest (*agrupamentos europeus de interesse económico*), new companies, consortia or partnerships (*associações em participação*) and, likewise, incorporate or participate in any other forms of association, whether temporary or permanent, between companies and/or public or private entities.

In general, PT OpCo may carry out any transaction, which it may deem necessary or convenient in the accomplishment and development of its purposes, save to the extent prohibited by law.

The guarantee of the Notes has been authorized by the written consent of the shareholders and the Board of Directors of PT OpCo dated April 18, 2016.

### **Green**

Green is incorporated under the name green.ch AG (formerly known as Solution25 AG and registered under the business identification number CH-170.3.030.640-6) as a company limited by shares (*Aktiengesellschaft*), incorporated under the laws of Switzerland on April 17, 2007. The articles of association of Green have been filed with, and may be requested from, the Commercial Register of the Canton of Aargau. The registered office of Green is Badstrasse 50, CH-5200 Brugg, Switzerland. Green's telephone number is +41 0844 842

842. Green is registered with the Commercial Register of the Canton of Aargau under the business identification number CHE-113.574.742.

Green has a share capital of CHF 29.400,000 comprised of 193,337 ordinary registered shares (Stamm-Namenaktien) and 29,206,663 preferred registered shares (Vorzugs-Namenaktien), each with a nominal value of CHF 1.00, all of which have been subscribed and fully paid up.

According to Article 2 of the articles of association of Green, the company's corporate purpose is to render services and pursue developments, in particular in the areas of computer science, telecommunications, IT, software and applications, the trading and distributing of goods of all kind, in particular technical products, the direct and indirect acquisition, management and disposal of other businesses, the financing for its own and other account, especially the financing of holding companies, and to provide guarantees and sureties for shareholders, related companies and third parties.

Green can acquire infrastructural facilities, patents, licenses and other intangible assets as well as acquire, manage and dispose of real estate and set up branches. Green can acquire, manage, create a pledge over and dispose of real estate in Switzerland or abroad.

In general, Green may carry out any business, as well as any commercial, financial or other transaction, which is deemed necessary or relevant in furtherance of the company's business activities.

The guarantee of the Notes has been authorized by the written consent of the Board of Directors of Green dated April 18, 2016.

### ***Global Interlink***

Global Interlink Ltd. was incorporated in The Bahamas on September 9, 2010 under the International Business Companies Act, 2000 (as amended) of The Bahamas. The registered agent of the company in The Bahamas is H & J Corporate Services Ltd. and its registered office in The Bahamas is located at Ocean Centre, Montague Foreshore, East Bay Street, P.O. Box SS-19084, Nassau, Bahamas, telephone number +1 242 502 5200. Global Interlink Ltd. is registered in the Register of Companies by the Registrar of Companies in The Bahamas under company registration number 160,205B.

Global Interlink Ltd. has an authorized share capital of US\$1,000.00 divided into 100 shares of US\$10.00 par value each. All of the shares in the capital of the company have been issued.

The Memorandum of Association of Global Interlink Ltd. at paragraph 4 thereof provides that:

- (1) The objects for which the Company is established are to engage in any act or activity that is not prohibited under any law for the time being in force in The Bahamas.
- (2) The Company shall have all such powers as are permitted by any law for the time being in force in The Bahamas, irrespective of corporate benefit, to perform all acts and engage in all activities necessary or conducive to the conduct, promotion or attainment of the objects or purposes of the Company.
- (3) The directors may by resolution of directors exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings and property or any part thereof to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.
- (4) Any mortgage or charge of the undertaking and property of the Company shall for the purpose of Section 80 of the Act be regarded as in the usual or regular course of the business carried on by the Company

The guarantee of the Notes by Global Interlink has been authorized by resolutions of its Board of Directors dated April 18, 2016.

## Management

Holdco is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

The Issuer is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Cool Holding is managed by a board of directors composed of three (3) members being:

1. Mr. Jérémie BONNIN (chairman);
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

Hadaros is managed by a board of directors of which Cool Holding is the sole member.

As of the date of these Listing Particulars, Altice Portugal is managed by a board of directors composed of three (3) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN; and
3. Mr. Dexter GOEI.

As of the date of these Listing Particulars, Altice Holdings is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

As of the date of these Listing Particulars, Altice International is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU

As of the date of these Listing Particulars, Altice West Europe is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

As of the date of these Listing Particulars, Altice Caribbean is managed by a board of managers composed of three (3) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ; and
3. Mr. Laurent GODINEAU.

As of the date of these Listing Particulars, Altice Bahamas is managed by a board of managers composed of four (4) members being:

1. Mr. Jérémie BONNIN;
2. Ms. Emilie SCHMITZ;
3. Mr. Laurent GODINEAU; and

4. Michael David KAZMA

As of the date of these Listing Particulars, Global Interlink is managed by a board of directors composed of four (4) members being:

1. Jean-Michel HEGESIPPE;
2. Max AARON;
3. Altice Caribbean represented by Jérémie BONNIN; and
4. Altice Bahamas represented by Jérémie BONNIN.

As of the date of these Listing Particulars, Altice Hispaniola is managed by a board of directors composed of four (4) members being:

1. Jean-Michel HEGESIPPE;
2. Alexandre MARQUE;
3. Altice Caribbean represented by Jérémie BONNIN; and
4. Altice Bahamas represented by Jérémie BONNIN.

As of the date of these Listing Particulars, Tricom is managed by a board of directors composed of five (5) members being:

1. Jean-Michel HEGESIPPE;
2. Alexandre MARQUE;
3. Patrice Daniel GIAMI;
4. Representative from Altice Caribbean; and
5. Representative from Altice Bahamas.

As of the date of these Listing Particulars, PT Portugal is managed by a board of directors composed of three (3) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN; and
3. Mr. Francois Jean Marc-Antoine VAUTHIER.

As of the date of these Listing Particulars, PT OpCo is managed by a board of directors composed of three (3) members being:

1. Mr. Armando PEREIRA (chairman);
2. Mr. Jérémie BONNIN; and
3. Mr. Francois Jean Marc-Antoine VAUTHIER.

**Business Year**

The business year for the Issuer begins on the first day of January and ends on the last day of December of each year.

The business year for Cool Holding begins on the first day of January and ends on the last day of December of each year.

The business year for Hadaros begins on the first day of January and ends on the last day of December of each year, except for the first business year which commenced on March 22, 2012, being the date of incorporation of Hadaros and ends on December 31, 2012.

The business year for Altice Holdings begins on the first day of January and ends on the last day of December of each year.

The business year for Altice Portugal begins on the first day of January and ends on the last day of December of each year.

The business year for Altice International begins on the first day of January and ends on the last day of December of each year.

The business year for Altice West Europe begins on the first day of January and ends on the last day of December of each year.

The business year for the Holdco begins on the first day of January and ends on the last day of December of each year.

The business year for Altice Caribbean begins on the first day of January and ends on the last day of December of each year.

The business year for Altice Bahamas begins on the first day of January and ends on the last day of December of each year.

The business year for Tricom S.A. begins on the first day of January and ends on the last day of December of each year.

The business year for Global Interlink Ltd. begins on the first day of January and ends on the last day of December of each year.

The business year for Altice Hispaniola begins on the first day of January and ends on the last day of December of each year.

The business year for Green begins on the first day of January and ends on the last day of December of each year.

The business year for PT OpCo begins on the first day of January and ends on the last day of December of each year.

### **Financial statements**

The consolidated financial statements of Altice International and the Issuer will be published on an annual basis. These statements will be audited by Altice International's and the Issuer's auditors.

### **Auditors**

The independent auditor (*réviseur d'entreprises agréé*) of the Issuer and Altice International S.à r.l. is 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 B0067895 which is a member of the *Institut des Réviseurs d'Entreprises*.

### **Litigation**

Other than as disclosed in these Listing Particulars, there are no, and have not been any, governmental, legal or arbitration proceedings against or affecting the Issuer or the Guarantors, nor is the Issuer aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on the financial position of the Issuer.

### **Listing Particulars**

As of the date of these Listing Particulars, our most recent audited financial statements available for Altice International were as of, and for the year ended, December 31, 2015. Except as disclosed in these Listing Particulars, there has been no significant or material adverse change in the financial positions of the Issuer or the Guarantors since December 31, 2015.

Except as disclosed in these Listing Particulars, neither the Issuer nor any of the Guarantors is or has been involved in any governmental, legal or arbitration proceeding relating to claims or amounts that, individually or in the aggregate, are material in the context of the issuance of the Notes and may have, or have had during the twelve months preceding the date of these Listing Particulars, a significant effect on the Issuer's or the Guarantors' financial position or profitability. So far as we are aware, having made all reasonable inquiries, there are no such litigation, arbitration or governmental proceedings pending or threatened.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the Issuer's knowledge and belief, the information contained in these Listing Particulars with regard to the Issuer is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the information set forth under the headings "*Exchange Rate Information*", "*Summary*", "*Industry, Competition and Market Overview*", "*Business of the Group*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Group*" includes extracts from information and data, including industry and market data, released by publicly available sources in Europe and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and do not accept further responsibility in respect thereof.

**The Trustee**

The Trustee is Deutsche Bank Trust Company Americas and its address is 60 Wall Street, 16<sup>th</sup> Floor, MS NYC60-1630, New York, New York 10005, United States. The Trustee will be acting in its capacity of trustee for the holders of the Notes and will provide such services to such holders of the Notes as described in the Indenture.



## GLOSSARY

<b>Term</b>	<b>Definition</b>
<b>“3G”</b>	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.
<b>“4G”</b>	The fourth generation of mobile communications standards, referred to the industry as IMT-Advanced with a nominal data rate of 100 Mbit/s while the client physically moves at high speeds relative to the station, and 1 Gbit/s while client and station are in relatively fixed positions. Expected to provide a comprehensive and secure all-IP based mobile broadband solution to laptop computer wireless modems, smartphones, and other mobile devices. Facilities such as ultra-broadband internet access, IP telephony, gaming services, and streamed multimedia may be provided to users, which when fully implemented is expected to allow for higher data speeds than achievable with 3G and additional network features and capabilities.
<b>“ADSL”</b>	Asymmetrical DSL; an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone line.
<b>“ARPU”</b>	Average Revenue Per User; ARPU is an average monthly measure that we use to evaluate how effectively we are realizing 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.
<b>“bandwidth”</b>	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.
<b>“broadband internet”</b>	Any circuit that can transfer data significantly faster than a dial-up phone line.
<b>“churn”</b>	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).

<b>“CPE”</b>	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.
<b>“Docsis 2.0”</b>	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system.
<b>“Docsis 3.0”</b>	Data over cable service interface specification, a technology that enables the addition of high-speed data transfer over an existing cable television system with enhanced transmission bandwidth and support for Internet Protocol version 6.
<b>“DSL”</b>	Digital Subscriber Line; DSL is a technology that provides high-speed internet access over traditional telephone lines.
<b>“DTH”</b>	Direct-to-home television.
<b>“DTT”</b>	Digital terrestrial television.
<b>“FTTx”</b>	Fiber optic infrastructure.
<b>“FTTH”</b>	Fiber-to-the-home network.
<b>“GPON”</b>	Gigabit passive optical networks. A high-bandwidth optical fibre network using point-to-multipoint architecture.
<b>“HD”</b>	High definition.
<b>“HFC”</b>	Hybrid fiber coaxial.
<b>“HSPA”</b>	High Speed Packet Access, a type of UMTS3G network that supports both mobile communications technology that provides enhanced download and upload speeds.
<b>“HSPA+”</b>	Evolved High Speed Packet Access, an enhanced UMTS3G network that offers higher download and upload speeds than HSPA.
<b>“internet”</b>	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.
<b>“IoT”</b>	Internet of Things. A network of physical objects that feature an IP address for internet connectivity, and the communication that occurs between such objects and other devices and systems.
<b>“IP”</b>	Internet Protocol.
<b>“IPTV”</b>	Internet Protocol television.
<b>“ISP”</b>	Internet Service Provider.
<b>“IT”</b>	Information technology, a general term referring to the use of various software and hardware components when

	used in a business.
<b>“local loop”</b>	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.
<b>“LTE”</b>	Long term evolution technology being a standard in mobile network technology.
<b>“M2M”</b>	Machine-to-machine.
<b>“MHz”</b>	Megahertz; a unit of frequency equal to one million Hertz.
<b>“Mbps”</b>	Megabits per second; each megabit is one million bits.
<b>“Moody’s”</b>	Moody’s Investors Services, Inc.
<b>“multi-play”</b>	The bundling of different telecommunications services, e.g. digital cable television, broadband internet and fixed telephony services, by one provider.
<b>“MVNO”</b>	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.
<b>“network”</b>	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.
<b>“NG-PON2”</b>	Next Generation Passive Optical Network 2. A network standard for passive optical networks with enhanced bandwidth capabilities.
<b>“PacketCable™”</b>	A CableLabs-led initiative to develop interoperable interface specifications for delivering advanced, real-time multimedia services over two-way cable plant. PacketCable_ networks use internet protocol (IP) technology to enable a wide range of multimedia services, such as IP telephony, multimedia conferencing, interactive gaming and general multimedia applications.
<b>“PTO”</b>	
<b>“PVR”</b>	Personal video recording.
<b>“quad-play”</b>	Triple-play with the addition of mobile service.
<b>“RGU”</b>	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.

**“S&P”**

Standard & Poor’s Investors Ratings Services.

**“triple-play”**

Where a customer has subscribed to a combination of three products, digital cable television, broadband internet and fixed telephony services, from us.

**“UHD”**

**“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.

**“VoN”**

Voice over Net, a form of telephony over the internet that is usually a lower quality than VoIP.

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**Altice International S.à r.l.**  
**(Société à responsabilité limitée)**

***CONSOLIDATED FINANCIAL  
STATEMENTS AS AT AND FOR THE  
YEAR ENDED DECEMBER 31, 2015  
AND REPORT OF THE REVISEUR  
D'ENTREPRISES AGREE***

L-2449 Luxembourg, 3, Boulevard Royal  
R.C.S. Luxembourg B 143.725  
Share capital EUR 309.257.000

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To the Board of Managers of  
Altice International S.à r.l.  
3, boulevard Royal  
L-2449 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the Board of Managers, we have audited the accompanying consolidated financial statements of Altice International S.à r.l., which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

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

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

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

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice International S.à r.l. as of December 31, 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

April 18, 2016



**ALTICE International S.à r.l.**  
**Consolidated statement of income**  
**For the year ended December 31, 2015**

	Notes	Year ended December 31, 2015	Year ended December 31, 2014 (Revised)*
(In millions €)			
Revenues . . . . .	4	3,492.8	1,893.2
Purchasing and subcontracting costs . . . . .	4	(786.2)	(448.7)
Other operating expenses . . . . .	23	(764.9)	(423.8)
Staff costs and employee benefit expenses . . . . .	26,15	(339.9)	(152.0)
Depreciation and amortization . . . . .	24	(1,087.9)	(566.5)
Impairment losses . . . . .	24	(20.9)	(13.7)
Other expenses and income . . . . .	4	(101.5)	(126.7)
<b>Operating profit . . . . .</b>		<b>391.6</b>	<b>161.8</b>
Interest relative to gross financial debt . . . . .		(543.1)	(156.2)
Other financial expenses . . . . .		(149.0)	(192.3)
Finance income . . . . .		73.6	3.3
<b>Finance costs, net . . . . .</b>	<b>25</b>	<b>(618.4)</b>	<b>(345.2)</b>
Gain on disposal of businesses . . . . .	4.4	27.5	—
Share of profit of associates . . . . .		2.1	—
<b>Loss before income tax . . . . .</b>		<b>(197.3)</b>	<b>(183.4)</b>
Income tax expenses . . . . .	22	(79.7)	(12.1)
<b>Loss for the year . . . . .</b>		<b>(276.9)</b>	<b>(195.5)</b>
<i>Attributable to equity holders of the parent</i>		(272.9)	(189.4)
<i>Attributable to non-controlling interests . . . . .</i>	3.1	(4.0)	(6.1)

(\*) For the details of the revision see note 30

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

**ALTICE International S.à r.l.**  
**Consolidated statement of other comprehensive income**  
**For the year ended December 31, 2015**

	<u>Notes</u>	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014 (Revised)*</u>
(In millions €)			
<b>Loss for the year</b> .....		<b>(276.9)</b>	<b>(195.5)</b>
<b>Other comprehensive loss</b>			
Exchange differences on translating foreign operations ..		12.7	(0.3)
Revaluation of available for sale financial assets, net of taxes .....	18.4	0.5	2.3
Loss on cash flow hedge, net of taxes .....	16.9	(80.7)	—
Actuarial losses, net of taxes .....	15	(5.1)	(2.2)
<b>Total other comprehensive loss</b> .....		<b>(72.7)</b>	<b>(0.2)</b>
<b>Total comprehensive loss for the year</b> .....		<b><u>(349.7)</u></b>	<b><u>(195.7)</u></b>
<i>Attributable to equity holders of the parent</i> .....		<i>(346.8)</i>	<i>(189.6)</i>
<i>Attributable to non-controlling interests</i> .....	3.1	<i>(2.8)</i>	<i>(6.1)</i>

(\*) For the details of the revision see note 30

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

**ALTICE International S.à r.l.**  
**Consolidated statement of financial position**  
**As at December 31, 2015**

	<u>Notes</u>	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014 (Revised) *</u>
(In millions €)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill . . . . .	5	3,860.0	1,856.6
Intangible assets . . . . .	6	2,717.3	835.0
Property, plant & equipment . . . . .	7	4,376.5	1,457.4
Investment in associates . . . . .	8	308.0	—
Financial assets . . . . .	9	400.3	60.3
Deferred tax assets . . . . .	22	442.7	136.1
Other non-current assets . . . . .		36.6	24.7
<b>Total non-current assets</b> . . . . .		<b><u>12,141.4</u></b>	<b><u>4,370.1</u></b>
<b>Current assets</b>			
Inventories . . . . .	10	82.6	21.6
Trade and other receivables . . . . .	11	995.7	280.8
Current tax assets . . . . .	22	33.2	17.1
Financial assets . . . . .		3.0	0.2
Cash and cash equivalents . . . . .	12	266.0	188.1
Restricted cash . . . . .	12	0.4	—
<b>Total Current assets</b> . . . . .		<b><u>1,380.9</u></b>	<b><u>507.9</u></b>
<i>Assets classified as held for sale</i> . . . . .	4.4	<u>122.1</u>	<u>77.3</u>
<b>Total assets</b> . . . . .		<b><u>13,644.4</u></b>	<b><u>4,955.2</u></b>

(\*) For the details of the revision see note 30

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

**ALTICE International S.à r.l.**  
**Consolidated statement of financial position (Continued)**  
**As at December 31, 2015**

	Notes	Year ended December 31, 2015	Year ended December 31, 2014 (Revised) *
(In millions €)			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	13.1	309.3	309.3
Additional paid in capital	13.2	318.4	318.4
Other reserves	13.3	566.2	(400.0)
Accumulated losses		(653.5)	(380.0)
<b>Equity attributable to owners of the Company</b>		<b>540.3</b>	<b>(152.3)</b>
Non-controlling interests	3	44.4	(2.6)
<b>Total equity</b>		<b>584.7</b>	<b>(154.9)</b>
<b>Non-current liabilities</b>			
Long term borrowings, financial liabilities and related hedging instruments	16	7,843.3	3,603.6
Other non-current financial liabilities and related Hedging instruments	16	963.9	142.6
Non-current provisions	14,15	1,006.6	58.0
Deferred tax liabilities	22	492.6	259.0
Other non-current liabilities	20	22.9	17.1
<b>Total non-current liabilities</b>		<b>10,329.3</b>	<b>4,080.5</b>
<b>Current liabilities</b>			
Short-term borrowings, financial liabilities	16	216.6	166.6
Other financial liabilities	16	463.1	94.9
Trade and other payables	19	1,498.7	543.2
Current tax liabilities		97.0	50.2
Current provisions	14,15	67.3	1.0
Other current liabilities	20	303.2	151.2
<b>Total current liabilities</b>		<b>2,645.9</b>	<b>1,007.2</b>
<i>Liabilities directly associated with assets classified as held for sale</i>	4.4	84.6	22.5
<b>Total Liabilities</b>		<b>13,059.8</b>	<b>5,110.2</b>
<b>Total equity and liabilities</b>		<b>13,644.4</b>	<b>4,955.2</b>

(\*) For the details of the revision see note 30

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

**ALTICE International S.à r.l.**  
**Consolidated statement of changes in equity**  
**For the Year ended December 31, 2015**

	Reserves								Em B
	Number of issued shares	Issued capital	Additional paid in capital	Accumulated losses	Other reserves	Currency reserve	Available for sale reserve	Cash flow hedge reserve	
	'000	€m	€m	€m	€m	€m	€m	€m	
Equity at January 1, 2015 .....	30,925,700	309.3	318.4	(380.0)	(393.8)	(6.6)	1.9	—	
Loss for the year .....	—	—	—	(272.9)	—	—	—	—	
Other comprehensive income/(loss) .....	—	—	—	—	—	11.5	0.5	(80.7)	
<b>Comprehensive income/ (loss) .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(272.9)</b>	<b>—</b>	<b>11.5</b>	<b>0.5</b>	<b>(80.7)</b>	
Equity portion of issuance of hybrid instruments <sup>(1)</sup> ..	—	—	—	—	1,040.8	—	—	—	
Transactions with non- controlling interests .....	—	—	—	—	—	—	—	—	
Others .....	—	—	—	(0.6)	(0.7)	—	—	—	
Equity at December 31, 2015 .....	<u>30,925,700</u>	<u>309.3</u>	<u>318.4</u>	<u>(653.5)</u>	<u>646.3</u>	<u>4.9</u>	<u>2.4</u>	<u>(80.7)</u>	

(\*) For the details of the revision see note 30

(1) Refer to note 13.3

**ALTICE International S.à r.l.**  
**Consolidated statement of changes in equity (Continued)**  
**For the Year ended December 31, 2014**

	Number of issued shares	Issued capital	Additional paid in capital	Accumulated losses	Other reserves				Empl Bene
					Other reserves	Currency reserve	Available for sale	Empl Bene	
	'000	€m	€m	€m	€m	€m	€m	€m	€m
Equity at January 1, 2014 . . . . .	<b>743,011.5</b>	7.4	5.4	(190.6)	(76.9)	(6.3)	(0.4)	0	0
Loss for the year . . . . .	—	—	—	(189.4)	—	—	—	—	—
Other comprehensive income . . . . .	—	—	—	—	—	(0.3)	2.3	(2)	(2)
<b>Comprehensive income/(loss) . . . . .</b>	—	—	—	<b>(189.4)</b>	—	<b>(0.3)</b>	<b>2.3</b>	<b>(2)</b>	<b>(2)</b>
Shareholder Contribution . . . . .	<b>30,182,688.5</b>	301.8	313.0	—	(317.0)	—	—	—	—
Others . . . . .	—	—	—	—	0.4	—	—	—	—
Equity at December 31, 2014 . .	<b><u>30,925,700.0</u></b>	<b><u>309.3</u></b>	<b><u>318.4</u></b>	<b><u>(380.0)</u></b>	<b><u>(393.8)</u></b>	<b><u>(6.6)</u></b>	<b><u>1.9</u></b>	<b><u>(1)</u></b>	<b><u>(1)</u></b>

(\*) For the details of the revision see note 30

**ALTICE International S.à r.l.**  
**Consolidated statement of cash flows**  
**For the year ended December 31, 2015**

	Notes	Year ended December 31, 2015	Year ended December 31, 2014 (*Revised)
(In millions €)			
<b>Net (loss)/profit, including non-controlling interests</b> .....		<b>(276.9)</b>	<b>(195.5)</b>
Adjustments for:			
Depreciation, amortization and impairment losses .....		1,108.8	580.2
Share of profit of associates .....		(2.1)	—
Gains and losses on disposals of assets .....		(31.3)	—
Other non-cash operating gains and losses .....		(25.7)	(5.7)
Finance costs recognized in the consolidated statement of income .....		618.4	345.2
Payment relating to pension plan .....	15	(81.2)	
Income tax expense recognized in the consolidated statement of income .....	22	79.7	12.1
Income tax paid .....		(77.8)	(53.1)
Changes in working capital .....		148.5	59.2
<b>Net cash provided by operating activities</b> .....		<b>1,460.3</b>	<b>742.4</b>
Payments to acquire tangible and intangible assets .....	6,7	(693.2)	(433.8)
Payments to acquire financial assets .....	9	(283.0)	(9.0)
Proceeds from disposal of tangible, intangible and financial assets .....		13.9	1.7
Proceeds from disposal of businesses .....		76.0	—
Payment to acquire investment in equity affiliates .....	8	(260.5)	—
Use of restricted cash to acquire Tricom and ODO .....		—	1,244.0
Payment to acquire subsidiaries, net .....	3.3	(114.5)	(1,272.3)
Transactions with non-controlling interests .....		—	(8.9)
<b>Net cash used by investing activities</b> .....		<b>(1,261.3)</b>	<b>(478.3)</b>
Proceeds from issue of equity instruments .....		—	95.3
Proceeds from issuance of debts .....	16	4,487.5	231.9
Proceeds from issuance of hybrid instruments .....	16	2,055.0	—
Payments to redeem debt instruments .....		(679.1)	(221.2)
Payments to redeem PT outstanding debt on acquisition .....		(5,593.9)	—
Interest paid .....		(386.1)	(249.2)
<b>Net cash provided in financing activities</b> .....		<b>(116.7)</b>	<b>(143.3)</b>
<i>Effects of exchange rate changes on the balance of cash held in foreign currencies</i> .....		2.4	5.9
<i>Cash and cash equivalents linked to assets classified as held for sale at the end of the reporting period</i> .....		(6.8)	
<b>Net increase in cash and cash equivalents</b> .....		<b>77.9</b>	<b>126.8</b>
Cash and cash equivalents at beginning of year .....	12	188.1	61.3
<b>Cash and cash equivalents at end of year</b> .....	12	<b>266.0</b>	<b>188.1</b>

(\*) For the details of the revision see note 30

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements**

## **1 Presentation, basis of preparation**

### **1.1 Presentation**

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

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2015 its sole equity holder is Altice Luxembourg S.A.. The Company is included in the consolidated financial statements of Altice N.V. which are available at the registered office of the Company and on [www.altice.net](http://www.altice.net). The ultimate controlling party is considered to be Patrick Drahi.

Altice is a multinational cable, fiber, telecommunications, and content and media company with presence in several regions—Western Europe (comprising Belgium, Luxembourg, Portugal and Switzerland), Israel, French Overseas Territories and the Dominican Republic. Altice provides very high speed 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.

Altice is also active in the media industry with a portfolio of channels as well as provider of premium contents on nonlinear platforms. It also produces its own original contents (Series, Movies etc.).

During the year, the Parent Company of the Company changed to Altice Luxembourg S.A. when Altice S.A. (former Parent Company) transferred substantially all its assets and liabilities to Altice Luxembourg, including the investment in the Company. The transfer occurred on August 6, 2015.

### **1.2 Basis of presentation of the consolidated financial statements**

The consolidated financial statements were authorised for issuance by the Board of Managers on April 15, 2016. They have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies (See Note 2 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 Company 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;



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**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

- 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.

Furthermore, where the accounting treatment of a specific transaction is not addressed by any accounting standard and interpretation, the Board of Managers applies its judgment to define and apply accounting policies that provide information consistent with the general IFRS concepts: faithful representation and relevance.

**1.3 Application of new and revised International Financial Reporting Standards (IFRSs)**

**i) New and revised IFRSs that are mandatorily effective for the year ending December 31, 2015**

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) and adopted in the European Union that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- (i) The application of IFRIC 21 Levies, applicable retrospectively from January 1, 2015.
  - IFRIC 21 Levies addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.
  - The application of IFRIC 21 has no significant impact on the amounts reported in the Group's condensed consolidated financial statements.
- (ii) Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*. The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans,
- (iii) Annual improvements 2011-2013 which include amendments to the following standards:
  - IFRS 3 Business Combination—Scope of exception for joint ventures,
  - IFRS 13 Fair Value Measurement—Scope of paragraph 52 (portfolio exception)
  - IAS 40 Investment Property—Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.
- (iv) Annual improvements 2010-2012 which include amendments to the following standards:
  - IFRS 2 Share-based Payment—Definition of 'vesting condition'
  - IFRS 3 Business Combinations—Accounting for contingent consideration in a business combination
  - IFRS 8 Operating Segments—Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets
  - IFRS 13 Fair Value Measurement Short-term receivables and payables
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets—Revaluation method—proportionate restatement of accumulated depreciation
  - IAS 24 Related Party Disclosures—Key management personnel

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**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

The application of these amendments presented in ii); iii) and iv) has had no material impact on the amounts recognised in the Group's consolidated financial statements or has had an impact on the disclosures in the Group's consolidated financial statements.

**ii) Standards issued but not yet effective for the year ended December 31, 2015**

In its consolidated financial statements, the Company has not anticipated the following standards and interpretations, for which application is not mandatory for periods started from January 1, 2015.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Board of Managers of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. The new standard will mainly impact revenue recognition for Mobile activities as some arrangements include a handset component with a discounted price and a communication service component: the total revenue will not change but its allocation between the handset sold and the communication service will change (more equipment revenue and less service revenue) and the timing of the revenue recognition will change. In addition, extensive disclosure should be provided.

The standard is effective for annual periods beginning on or after January 1, 2018 (as amended in September 2015). The Group is required to retrospectively apply IFRS 15 to all contracts that are not complete on the date of initial application and have the option to either:

- restate each prior period and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented; or
- retain prior period figures as reported under the previous standards and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application. This approach will also require additional disclosures in the year of initial application to explain how the relevant financial statement line items would be affected by the application of IFRS 15 as compared to previous standards.

It is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 15 has not yet been endorsed in the European Union.

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**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

***IFRS 16 Leases***

IFRS 16 Leases issued on January 13, 2016 is the IASB's replacement of IAS 17 Leases. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019. The Group has the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The Board of Managers of the Company anticipate that the application of IFRS 16 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, especially given the different operating lease arrangements of the Group. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

IFRS 16 has not yet been endorsed by the European Union.

***IFRS 9 Financial Instruments***

IFRS 9 Financial Instruments issued on July 24, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is applicable for annual periods beginning on or after January 1, 2018.

The Board of Managers of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 9 has not yet been endorsed in the European Union.

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**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Board of Managers of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Board of Managers of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

In addition, the following standards were issued but are not yet effective:

- Amendments to IFRS 11 *Accounting for Acquisitions in Joint Operations*. The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combinations*,
- Amendments to IAS 1 *Disclosure initiative*
- Amendments to IAS 7 *Disclosure initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*
- Annual improvements cycle 2012-2014.

The amendments mentioned above might affect the Company's future consolidated financial statements and the Board of Managers is still finalizing its detailed review to be able to conclude on the impact on the consolidated financial statements.

**2 Significant accounting policies**

The principal accounting policies are set out below.

**2.1 Basis of consolidation**

*Subsidiaries*

Entities are fully consolidated if the Group has all the following:

- 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

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

All intra group transactions, balances, income and expenses are eliminated in full on consolidation.

*Joint ventures*

In accordance with IFRS 11 Joint Arrangements, arrangements subject to joint control are classified as either a joint venture or a joint operation. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Investment in which the Group is a joint operator recognizes its shares in the assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investment in which the Company is a joint venturer recognizes its interest in the joint venture in accordance with the equity method.

*Associates*

Investments, over which the Company 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 the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Associates are initially recognized at cost at acquisition date. The consolidated financial statements include the Group's share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

The interest income and expenses recorded in the consolidated financial statements of the Group on loans with associates have not been eliminated in the consolidated statements of income and therefore are still recorded in the consolidated financial statements.

**2.2 Foreign currencies**

The presentation currency of the consolidated financial statements is euros.

The functional currency, which is the currency that best reflects the economic environment in which the Components operate and conduct their transactions, is separately determined for subsidiaries and associates accounted for using the equity method, and is used to measure their financial position and operating results.

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

*Monetary transactions*

Transactions denominated in foreign currencies other than the functional currency of the entity are translated at the exchange rate on the transaction date. At each balance sheet date, monetary assets and liabilities are translated at the closing rate and the resulting exchange differences are recognized in the statement of income.

*Translation of financial statements denominated in foreign currencies*

Assets and liabilities of foreign entities are translated into euros on the basis of the exchange rates at the end of the reporting period. The income and cash flow statements are translated using the average exchange rates for the period. Foreign exchange differences resulting from such translations are either recorded in shareholders' equity under "Currency translation reserve" (for the Group share) or under "Non-controlling interests" (for the share of non-controlling interests) as deemed appropriate.

The exchange rate of the main currencies are as follows:

	Annual average rate		Rate at the reporting date	
	2015	2014	Dec 31, 2015	Dec 31, 2014
			(In €)	
1 CHF .....	0.9364	0.8234	0.9229	0.8317
1 ILS .....	0.2319	0.2108	0.2354	0.2116
1 USD .....	0.9013	0.7528	0.9185	0.8258
100 DOP .....	2.0013	1.7850	2.0165	1.8736

**2.3 Revenue recognition**

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

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

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

*Revenues from the sale of equipment*

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.

*Revenues on separable components of bundle packages*

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 point of sale and the costs of activation.

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.

*Revenue from service*

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.

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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 DSL 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.

Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered.

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—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.

*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.

*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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.4 Finance costs, net**

Finance costs, net 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;
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of financial liability.
- Ineffective portion of cash flow hedges

**2.5 Taxation**

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.

*Current tax*

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.

*Deferred tax*

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.

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.

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.

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.

All deferred tax assets and liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset if an enforceable legal right exists, which enables the offsetting of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.



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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.6 Site dismantling and restoration**

The Company 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.

**2.7 Goodwill and business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- 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 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Acquisition under common control*

In the absence of specific guidance under IFRS for transactions between entities under common control, the Company considered and applied standards on business combination and transactions between entities under common control issued by the accounting standard-setting bodies 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.

Acquisition under common control uses the following methods and principles:

- Carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value on consolidation, although appropriate adjustments should be made to achieve uniformity of accounting policies in the combining entities;
- The results and cash flows of all the combining entities should be brought into the consolidated financial statements of the combined entity from the beginning of the financial year in which the combination occurred, adjusted so as to achieve uniformity of accounting policies;
- The difference, if any, between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange should be shown as a movement on Additional Paid in Capital in the consolidated financial statements;

Any existing balance on the share premium account of the new subsidiary undertaking should be brought in by being shown as a movement on Additional Paid in Capital. These movements should be shown in the reconciliation of movements in shareholders' equity.

**2.8 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

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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. 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 useful lives of the intangible assets are as follows:

	Duration
Software .....	3 to 6 years
Brands .....	5 to 20 years
Customer relations .....	4 to 17 years
Licences .....	Period of licences
Indefeasible Right of use .....	3-30 years
Subscriber acquisition costs .....	based on average duration of subscriptions

Operating licenses for telephony services are recorded based on the fixed amount paid upon acquisition of the license.

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.

Research costs are expensed as incurred. Development expenses are capitalised as intangible assets when the following can be demonstrated:

- the technical feasibility of the project and the availability of the adequate resources for the completion of the intangible assets;
- the ability of the asset to generate future economic benefit;
- the ability to measure reliably the expenditures attributable to the asset; and
- the feasibility and intention of the Group to complete the intangible asset and use or sell it.

Brands acquired in a business combination had either definite or indefinite useful lives as of December 31, 2014. During the year ended December 31, 2015, the Board of Managers has reviewed the useful lives of the brands currently recognized and assessed that these brands have a definite useful life, based on the Group’s strategy. This change has been applied prospectively.

*Exclusive content*

The costs of exclusive in-house content and external content are recognised as an intangible assets. The cost of the rights is recognized at the cost of production of the shows and is amortized on the basis of the actual screenings. The amortisation charge is recorded in the caption “depreciation and amortisation” in the income statement.

Sports broadcasting rights are recognised on the balance sheet from the point at which the legally enforceable licence period begins. Rights for which the licence period has not started are disclosed as contractual commitments in note 30. Payments made to acquire broadcasting rights in advance of the legal right to broadcast the programmes are classified as prepayments in the caption “other financial assets” in the statement of financial position. Broadcasting rights are initially recognised at cost and

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

are amortised from the point at which they are available for use, on a straight line basis over the broadcasting period. The amortisation charge is recorded in the caption “depreciation and amortisation” in the income statement.

**2.9 Impairment of tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.10 Property, plant and equipment**

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

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

	<b>Duration</b>
Buildings . . . . .	5 to 50 years
Cable Network . . . . .	5 to 40 years
Converters and modems . . . . .	3 to 5 years
Computers and ancillary equipment . . . . .	2 to 8 years
Office furniture and equipment . . . . .	3 to 15 years
Communication network infrastructure . . . . .	3 to 15 years
Leasehold contracts . . . . .	see below

Leasehold contracts are depreciated according to the straight line method during the rental period.

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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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.

**2.11 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.

*The Group as lessor*

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

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

*The Group as lessee*

Assets held under finance leases are initially recognized as assets of the Company 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 Company's general policy on borrowing costs (see note 2.12 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.

**2.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.13 Government grants**

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction of the related asset in the consolidated statement of financial position and amortized over the useful lives of the related assets.

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

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

**2.14 Financial assets**

The Company 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.

*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 Company 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 income statement.

*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 and other receivables as well as loan to associate and to non-consolidated entities.

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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

## **2 Significant accounting policies (Continued)**

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

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Company 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.

### *Financial assets measured at fair value through profit or loss (FVTPL)*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short term profit-taking;
- it is a derivative that is not designated and effective as hedge instrument.

Financial assets at FVTPL are stated at fair value, with any gains and losses arising on re-measurement recognised in the caption “Other Financial expense” or “Other Financial income” in the income statements.

### **2.15 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 Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

### **2.16 Cash and cash equivalents**

Cash consists of cash in banks and deposits.

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

### **2.17 Restricted cash**

Restricted cash can consist of balances dedicated to the repayment of the Company’s liabilities to banking entities in accordance with the Company’s credit agreement and therefore amounts that the Group cannot use at its discretion.

Restricted cash can also consist of cash held in escrow to finance certain acquisitions (in the period between the agreement to acquire and the actual closing of the acquisition and the transfer of shares and cash and other considerations). Restricted cash may also consist of guarantees provided by different group companies to financial institutions related to financing or other activities. Restricted cash is not considered as a component of cash and cash equivalents since such balances are not held for the purposes of meeting short-term cash commitments.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.18 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 Company has entered into various forward and interest rate swaps (cross currency and fixed/floating) in order to mitigate risks associated with making investments in currencies other than the functional currency of the underlying component.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**2.19 Hedge accounting**

The Group may designate certain hedging instruments, (which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk), as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the line 'other financial expense'.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**2.20 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.

*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.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

Repurchase of the Group'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 Group's own equity instruments.

**2.21 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities at amortized cost:

*Financial liabilities at amortized cost*

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method. 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.

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

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

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

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

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

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

*Liabilities related to put options granted to non-controlling interests*

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

At inception, in accordance with IAS 32, Financial instruments: presentation, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognized for an amount corresponding to the present value of liability assumed and the counterpart of the liability arising from these obligations is:

- on the one hand, the reclassification as debt of the carrying amount of the corresponding non-controlling interests;
- on the other, a reduction in the equity—Group share: the difference between the present value of the strike price of the options granted and the carrying amount of non-controlling interests is presented as a reduction of other reserves attributable to equity holders of the parent. This item is adjusted at the end of each reporting period to reflect changes in the strike price of the options and the carrying amount of non-controlling interests.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

## **2 Significant accounting policies (Continued)**

At each closing date, the Group, in the absence of specific IFRS guidance, has elected to recognize future increase (decrease) of the fair value of put option in equity, as an increase to (a deduction from) other reserves attributable to equity holders of the parent.

### **2.22 Provisions**

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

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

#### *Legal claims*

A provision regarding legal claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expend 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.

#### *Warranty*

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

#### *Onerous contracts*

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

#### *Restructuring*

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

### **2.23 Liabilities for employment benefits**

#### *Retirement benefit costs and termination benefits*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- Re-measurement.

The Group presents the service cost and the net interest expense in profit or loss in the line item “Staff cost and employee benefit expenses” and “Other financial expenses” respectively.

Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

*Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**2.24 Share based payments**

*Share-based payment transactions of the Company*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

*Share-based payment transactions of the acquiree in a business combination*

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

**2.25 Non-current assets held for sale and discontinued operations**

Pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", assets and liabilities of affiliates that are held for sale are presented separately on the face of the statement of financial position. Depreciation of assets ceases from the date of classification in "Non-current assets held for sale". Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group for which cash flows are independent. It represents a major line of business or geographical area of operations which has been disposed of or is currently being held for sale. If the Group reports discontinuing operations, net income from discontinued operations is presented separately on the face of the statement of income. Therefore, the notes to the consolidated financial statements related to the statement of income only refer to continuing operations.

**2.26 Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described above, the Management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*i) Legal claims*

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

*ii) 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.

*iii) Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the group. Where the Group acts as an agent in a transaction, it recognises revenue net of directly attributable costs.

*iv) Fair value of financial instruments*

Fair value is determined by reference to the market price at the end of the period, when the data is available. For financial instruments for which there is no active market such as interest rate swaps (which the Company currently may use to hedge its interest rate risk), call options and put options granted to non-controlling interests 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.

*v) Deferred tax assets*

Deferred tax assets relate primarily to tax loss carried forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carried forwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss 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 loss carried forward.

*vi) 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 these assets.

*vii) 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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

Management 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.

*viii) Trade receivables and other receivables*

Allowance for trade receivables are recorded i) based on experience of recoverability of the customers and/or ii) based on a specific analysis of the recoverability of the customers

**2.27 Revised information**

The comparative information for the year ended December 31, 2014 has been revised to reflect the impact of the finalization of the purchase price allocation of Tricom S.A. and Altice Hispaniola S.A. (previously Orange Dominicana S.A.) acquired during the course of the year ended December 31, 2014 (See note 30).

In addition, in preparing these consolidated financial statements, the Board of Managers has decided to enhance the presentation of the consolidated statement of income and the consolidated statement of financial position. The Board of Managers believes that the revised presentation further enhanced the presentation of the Group's result and financial position, providing additional details to the users. The enhancement mentioned above did not affect the reported results or the Group's financial position. The comparative information for the year ended and as of December 31, 2015 has been enhanced to reflect the new presentation.

A summary of the changes is provided below:

Consolidated statement of income:

- The line items, 'sales and marketing expenses', 'other operating expenses' and 'general and administrative expenses' have been regrouped under the line item, 'other operating expenses'.
- Previously, the allowance and reversal for provisions were recorded exclusively in the line item, 'depreciation and amortisation'. From the current period onwards, allowances and reversals for operating provisions will be recorded in the line item, 'other expenses and income', allowances and reversals for employee benefits will be recorded in the line item, 'staff costs and employee benefit expenses'.
- The Group has modified the presentation of Finance costs, net to provide more details on the interest rate relative to gross financial debt, other financial expenses and financial income.

Consolidated statement of financial position:

- The Group has decided to modify the presentation of gross financial debt by including the fair value of derivative instruments in the line item, 'long term borrowings, financial liabilities and related hedging instruments'

The Board of Managers has concluded that the impact of these changes on the comparative information for the year ended December 31, 2014 is non material.

**3. Scope of consolidation**

The parent company of the Group is Altice International S.à r.l., a Luxembourg private limited liability company. A full list of entities included in the scope of consolidation and their method of consolidation is provided in note 33.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

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

The details of the main non-controlling interests in the Company's subsidiaries is given below.

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Altice Bahamas S.à r.l. . . .	Luxembourg	2.8%	2.8%	(1.2)	(0.2)	1.8	2.0
Altice Blue Two S.A.S. . . . .	France	0.15%	0.15%	0.1	0.3	0.7	0.7
Deficom Telecom S.à r.l. . .	Luxembourg	26.0%	26.0%	(3.1)	(6.2)	(18.4)	(15.3)
Green.ch . . . . .	Switzerland	0.43%	0.44%	(0.1)	—	0.1	0.2
Green Datacenter AG . . . .	Switzerland	1.37%	1.37%	0.1	—	0.2	0.1
Cool Holding Ltd . . . . .	Israel	—	—	—	—	9.3	9.4
Altice Content Luxembourg S.à r.l. . . . .	Luxembourg	24.0%	—	0.2	—	49.6	—
Winreason S.A. . . . .	Portugal	—	—	—	—	0.9	0.4
<b>Total . . . . .</b>				<b>(4.0)</b>	<b>(6.1)</b>	<b>44.4</b>	<b>(2.6)</b>

The variation in non-controlling interests was mainly due to the acquisition of a minority stake in Altice Content Luxembourg a shareholder of Next Radio T.V. (€49.3 million)

The variations of non-controlling interests based on the nature of the transaction is given below:

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
<b>Balance at beginning of year . . . . .</b>	<b>(2.6)</b>	<b>(0.5)</b>
Share of loss for the year . . . . .	(4.0)	(6.1)
Other comprehensive income . . . . .	1.2	2.6
Transactions with non-controlling interests in Dominican entities . . . . .	—	2.2
Non-controlling interests on acquisition of Portugal Telecom . . . . .	0.5	—
Transactions with non-controlling interests in Altice Blue Two S.A.S. . . . .	—	0.1
Transactions with non-controlling interests in Altice Content Luxembourg S.A. . . . .	49.3	—
Other variations . . . . .	—	(0.9)
<b>Balance at end of year . . . . .</b>	<b>44.4</b>	<b>(2.6)</b>

**3.2 Modification of the scope of consolidation**

**3.2.1 Main changes in consolidation scope in 2015**

**PT Portugal (“PT Portugal” ;“PT”)**

On June 2, 2015, the Company, through its indirect subsidiary, Altice Portugal, successfully completed the previously announced acquisition of a 100% stake in the Portuguese assets of PT Portugal S.G.P.S (“PT”). PT is the incumbent telephone operator in Portugal and the largest operator of fixed and mobile services in the country and an industry leader in fixed-mobile convergence. Through this acquisition, the Group has further strengthened its position in the Western European market and especially its reputation as a leader in fixed-mobile convergence.

Since June 2, 2015, PT contributed €1,353.0 million to Group revenues and €129.9 million to Group operating profit and €74.0 million to Group net loss.

A preliminary purchase price allocation has been recorded in the consolidated statement of financial position for the year ended December 31, 2015. Details are provided in note 5.1.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

The profit and loss statement for Portugal Telecom for the period not consolidated in the Group is presented in note 3.3.

As part of the purchase agreement entered into with the vendor, the Group is protected against any cash claims that claimants might have or might obtain as a result of rulings on on-going litigations. In the event that such litigation existed prior to the acquisition of PT by Altice, the Group can claim indemnities from the vendor to cover cash payments that it might be directed to make.

***Strategic partnership with Next RadioTV media group***

On July 27, 2015, Alain Weill, the Chairman, CEO, Founder and main shareholder of NextRadioTV and Patrick Drahi, the Chairman and Founder of Altice S.A. announced the signing of a strategic partnership of their groups to invest in and to accelerate the development of multimedia projects in both France and other international markets.

The Company, through its indirect subsidiary, Altice Content Luxembourg, is a co-investor in Groupe News Participations S.A.S. ('GNP'), of which it owned 49% of the economic and voting rights as of December 31, 2015. Mr. Alain Weill owns the remaining 51% through his holding, News Participations ('NP'). On December 17, 2015, GNP notified the *Autorité de marchés financiers* (the "AMF") of its intention to file a public tender for the outstanding shares of Next Radio TV. The public tender offer was successfully closed on February 1, 2016.

The acquisition of a stake in GNP was completed on December 9, 2015 and is accounted for in accordance with the equity method as of December 31, 2015, as the Company has determined that it exercised a significant influence over GNP by virtue of the economic rights and governance rights that it has obtained as a result of its investment. For more information, see note 8.

***Sale of OMT's mobile business***

During the year ended December 31, 2014, the Group has agreed to dispose of OMT's mobile business in the Reunion Island and Mayotte as part of the acquisition of SFR by the Group.

These assets were considered as assets held for sale as per the requirements of IFRS 5, Non-current assets held for sale and discontinued operations as at December 31, 2014. As at December 31, 2014, OMT's mobile business were accounted for under two separate lines in the statement of financial position which are "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" (see note 4.4 Assets held for sale).

The Group entered into an exclusivity agreement with Hiridjee Group, owner of Telma, a Madagascar based Telecom Company on March 6, 2015 and the offer was filed for approval with the French anti-trust authorities, who subsequently approved the sale on June 21, 2015. The transaction was closed on July 31, 2015.

The divesture was closed for an enterprise value of €80.0 million. The net gain on the disposal amounts to €27.5 million recorded under the caption 'net result on disposal of businesses' in the consolidated statement of income.

*3.2.2 Transactions in progress as of December 31, 2015*

***Disposal of Cabovisao and ONI***

On September 15, 2015, Altice NV announced that it had reached an agreement with Apax Partners to sell the Portuguese entities Cabovisao and ONI, a condition imposed by the European commission when approving the purchase of Portugal Telecom by Altice. As of December 31, 2015, the assets and liabilities of Cabovisao and ONI were classified as held for sale in the consolidated financial statements of the company. The sale was concluded on January 20, 2016, after regulatory approval were obtained. Refer to Note 32 on subsequent events.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

**3.3 Acquisitions of businesses**

Business combinations that occurred during the reporting period are described in note 3.2. The major classes of assets acquired and liabilities assumed at the acquisition date are:

	<b>Total Business Combinations (PT)</b>
	<b>(In millions €)</b>
Consideration transferred .....	195.1
<b>ASSETS</b>	
Intangible assets .....	2,107.3
Property, plant and equipment .....	2,977.8
Non-current financial assets .....	32.0
Deferred tax assets .....	421.3
Investments in associates .....	9.0
Other non-current assets .....	4.1
Inventories .....	58.1
Trade receivables and others .....	844.1
Tax receivables .....	20.1
Cash and cash equivalents .....	80.6
Other current assets .....	—
<b>Total assets</b> .....	<b>6,554.4</b>
<b>EQUITY AND LIABILITIES</b>	
Non-current liabilities .....	5,835.7
Current liabilities .....	2,380.1
<b>Total liabilities</b> .....	<b>8,215.8</b>
Net assets .....	(1,661.8)
<b>Goodwill</b> .....	<b>1,857.0</b>

Refer to note 5.1 for description of the provisional fair value recognized.

**Profit and loss before acquisition by the Group**

The profit and loss of those new subsidiaries not consolidated from January 1, 2015, for the period from January 1, 2015 to the date of their entry into the Group's accounts is given below:

	<b>PT</b>
	<b>In € millions unaudited</b>
<b>Revenues</b> .....	<b>983.4</b>
Purchases and subcontracting services .....	(208.1)
Other operating expenses .....	(244.1)
Staff costs and employee benefits .....	(157.9)
Depreciation and amortisation .....	(243.1)
Other expenses and income .....	(98.7)
<b>Operating profit</b> .....	<b>31.5</b>
<b>Profit for the period</b> .....	<b>(74.9)</b>

Had the acquisitions listed above all been completed as of January 1, 2015, on a pro-forma basis, the Group would have had revenues of €4,321.5 million (before net intercompany eliminations of €3.2 between various Group companies on a pro-forma basis) for the year ended December 31, 2015.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

#### **4. Segment reporting**

##### **4.1 Definitions of segments**

Given the geographical spread of the various Group entities, it follows that an analysis and control by geographical areas is inalienable to the Group strategy of managing its different businesses. It has thus been decided by the senior management to analyse the business across geographies and then by activity. Other activities such as content, datacenters and holding company operations together with smaller telecommunication operations are classified as others. Such presentation is consistent with the reporting used internally by the executive management of the Group to track operational and financial performance.

The following segments have been identified:

- Israel,
- Dominican Republic,
- Portugal,
- Others (French Overseas Territories / Belgium and Luxembourg / Switzerland / Content / Corporate entities)

In addition, in order to better reflect the evolving business lines of the Group, the Board of Managers has decided to provide additional information on the revenue split as follows:

- Fixed in the business to consumer market (B2C),
- Fixed in the business to business market (B2B),
- Wholesale market,
- Mobile in the business to consumer market (B2C),
- Mobile in the business to business market (B2B),
- Other

We operate high-speed cable, fiber or DSL based fixed line networks in all our operating segments. Consistent with our strategy to invest in convergent networks, we also operate 4G/LTE and 3G networks in our Portugal, Israel, Dominican Republic and French Overseas Territories segments.

- Portugal: In Portugal, we own Portugal Telecom, the largest telecom operator in the country. As of December 31, 2015, we also owned Cabovisao and ONI (both classified as held for sale and disposed of after year end). Portugal Telecom caters to fixed and mobile B2C, B2B and wholesale clients using the Meo brand.
- Israel: In Israel, we provide fixed and mobile services using our HOT and HOT Mobile brands to B2C and B2B clients. HOT also produces award winning exclusive content that it distributes using its fixed network.
- Dominican Republic: In the Dominican Republic, we provide fixed and mobile services to B2C, B2B and wholesale clients using the Tricom (cable network) and Orange (under licence) brands.

Given the constantly evolving nature of the Group and the increase in intersegment transactions, the Board of Managers has decided to modify the presentation of segment reporting and include intersegment transactions relating to revenues. The Board of Managers expects that such intersegment transactions will increase over time, as the Group becomes more integrated.

The presentation was amended for comparative purposes for the year ended December 31, 2014.

Intersegment revenues represented less than 0.5% of total revenues for the years ended December 31, 2015 and 2014, respectively, amounting to €2.3 million and €0.1 million respectively.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

#### **4. Segment reporting (Continued)**

##### **4.2 Financial KPIs**

The Board of Managers has defined certain financial KPIs that are tracked and reported by each operating segment every month to the senior executives of the company. The Board of Managers believes that these indicators offer them the best view of the operational and financial efficiency of each segment and this follows best practices in the rest of the industry, thus providing investors and other analysts a suitable base to perform their analysis of the group's results. The KPIs tracked by the Board of Managers are:

- Revenues (by segment and also in terms of activity),
- Adjusted EBITDA (by segment),
- Capital expenditure (capex) (by segment and also in terms of activity).
- Adjusted EBITDA is defined as operating income before depreciation and amortization, and non-recurring items (capital gain, non-recurring litigation, restructuring costs) and other adjustment (equity based compensation expenses). This non-IFRS GAAP 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.

These measures are useful to readers of Group's financial as it provides them with a measure of the operating results which excludes certain items that Altice management consider outside of its 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.

The Group's subtotal within operating income may not be comparable to similarly titled measures used by other entities. Further, this measure should not be considered as an alternative for operating profit 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 IAS 1 "Presentation of Financial Statements".

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

The fixed 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 licenses to operate. Once Capex are engaged and operational, there are limited additional Capex requirement.

The Board of Managers believes that with the inclusion of Portugal Telecom, the separate disclosure of the information related to the operation in the French Overseas Territories, Belgium & Luxemburg, Switzerland and in the Content industry is less pertinent for the users of the consolidated financial and has therefore been reported under the "Others" segment.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Segment reporting (Continued)**

**4.3 Segment information**

**4.3.1 Operating profit per geographical segment**

	December 31, 2015				
	Portugal	Israel	Dominican Republic	Others	Total
	(in € millions)				
<b>Standalone revenues</b> .....	<b>1,496.2</b>	<b>923.3</b>	<b>694.8</b>	<b>380.9</b>	<b>3,495.2</b>
Intersegment eliminations .....	(0.2)	—	—	(2.1)	(2.3)
<b>Group consolidated revenues</b> .....	<b>1,496.1</b>	<b>923.3</b>	<b>694.8</b>	<b>378.8</b>	<b>3,492.8</b>
Purchasing and subcontracting .....	(326.6)	(222.1)	(141.3)	(96.2)	(786.2)
Other operating expenses .....	(327.6)	(197.8)	(166.0)	(73.5)	(764.9)
Staff costs and employee benefit expenses .....	(201.2)	(73.7)	(27.1)	(38.0)	(339.9)
<b>EBITDA</b> .....	<b>640.7</b>	<b>429.7</b>	<b>360.4</b>	<b>171.0</b>	<b>1,601.8</b>
Depreciation and amortisation .....	(462.1)	(326.1)	(176.3)	(123.4)	(1,087.9)
Impairment losses <sup>(1)</sup> .....	—	—	—	(20.9)	(20.9)
Non-recurring items and other adjustments .....	(54.6)	(18.9)	(8.1)	(20.0)	(101.5)
<b>Operating profit</b> .....	<b>124.0</b>	<b>84.8</b>	<b>176.0</b>	<b>6.7</b>	<b>391.6</b>

	December 31, 2014 (Revised)*				
	Portugal	Israel	Dominican Republic	Others	Total
	(in € millions)				
<b>Revenue</b> .....	<b>183.0</b>	<b>857.4</b>	<b>464.5</b>	<b>388.3</b>	<b>1,893.3</b>
Intersegment eliminations .....	(0.1)	—	—	—	(0.1)
<b>Group consolidated revenues</b> .....	<b>182.9</b>	<b>857.4</b>	<b>464.5</b>	<b>388.3</b>	<b>1,893.2</b>
Purchasing and subcontracting .....	(77.9)	(173.5)	(100.9)	(96.3)	(448.7)
Other operating expenses .....	(31.7)	(191.9)	(118.6)	(81.5)	(423.8)
Staff costs and employee benefit expenses .....	(15.6)	(80.7)	(19.3)	(36.4)	(152.0)
<b>EBITDA</b> .....	<b>57.8</b>	<b>411.3</b>	<b>225.7</b>	<b>174.1</b>	<b>868.8</b>
Depreciation and amortisation .....	(74.2)	(293.8)	(106.5)	(92.0)	(566.5)
Impairment losses <sup>(2)</sup> .....	(8.3)	—	—	(5.4)	(13.7)
Non-recurring items and other adjustments .....	(14.7)	(16.6)	(66.6)	(28.9)	(126.7)
<b>Operating profit</b> .....	<b>(39.5)</b>	<b>100.9</b>	<b>52.6</b>	<b>47.8</b>	<b>161.8</b>

(\*) For the revision impact please see note 30

(1) Includes an expense of €20.8 million relating to the discontinued use of the ONLY brand in the Antilles-Guyane region of the French Overseas Territories segment, following the replacement of the ONLY brand by the SFR brand.

(2) Includes an expense of €5.4 million related to the impairment of the Numericable brand used in the Belgium and Luxembourg segment following the acquisition of a controlling stake by the sole Partner in the Numericable Group in February 2014 and an impairment of the ONI brand in Portugal for €8.3 million.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Segment reporting (Continued)**

**4.3.2 Non-recurring items and other adjustments**

Restructuring, deal fees and related expenses incurred during the years ended December 31, 2015 and December 31, 2014 pertain mainly to transaction costs and one-off payment made to parties involved in the acquisitions or other similar operations. Details are given below:

	December 31, 2015	December 31, 2014
Restructuring costs <sup>(2)</sup> .....	23.9	57.5
Deal fees <sup>(1)</sup> .....	22.0	31.8
Management fees <sup>(3)</sup> .....	28.9	—
Other expenses net .....	30.6	34.2
(Gain)/Loss on disposals of tangible assets .....	(3.9)	3.2
<b>Total non-recurring items and other adjustments .....</b>	<b>101.5</b>	<b>126.7</b>

(1) Deal fees do not include any financing costs, as these are capitalised and amortised as per the requirements of IAS 39, financial instruments. Thus the deal fees shown above only include discretionary fees paid to legal counsel, M&A counsel and any other parties consultants whose services the Group might have employed in order to facilitate various acquisitions performed during the course of the year.

(2) Restructuring costs mainly include costs related to provisions for employee redundancies and contract termination fees

(3) Management fees invoiced by Altice Luxembourg S.A. refer to note 27.1.

**4.3.3 Revenue split by activities**

Intersegment revenues represent less than 0.5% of total revenues.

Revenues split by activity are presented below:

	December 31, 2015				
	Portugal	Israel	Dominican Republic	Others	Total
	(in € millions)				
Fixed—B2C .....	484.6	645.3	106.9	141.3	1,378.0
Fixed—B2B .....	299.7	72.9	37.8	28.8	439.2
Wholesale .....	170.5	—	62.7	10.2	243.3
Mobile—B2C .....	346.3	151.0	414.0	98.4	1,009.8
Mobile—B2B .....	122.5	54.0	50.7	4.8	232.0
Other .....	72.6	—	22.7	95.3	190.6
<b>Total standalone .....</b>	<b>1,496.2</b>	<b>923.3</b>	<b>694.8</b>	<b>380.9</b>	<b>3,495.2</b>
Intersegment adjustment .....	(0.2)	—	—	(2.1)	(2.3)
<b>Total .....</b>	<b>1,496.1</b>	<b>923.3</b>	<b>694.8</b>	<b>378.8</b>	<b>3,492.8</b>

	December 31, 2014				
	Portugal	Israel	Dominican Republic	Others	Total
	(in € millions)				
Fixed—B2C .....	96.8	614.1	70.4	149.4	930.7
Fixed—B2B .....	57.0	66.4	34.8	30.2	188.4
Wholesale .....	28.5	—	20.7	5.9	55.1
Mobile—B2C .....	—	128.6	281.3	119.2	529.1
Mobile—B2B .....	—	48.3	32.4	6.8	87.5
Other .....	0.7	—	24.9	76.8	102.4
<b>Total Standalone .....</b>	<b>183.0</b>	<b>857.4</b>	<b>464.5</b>	<b>388.3</b>	<b>1,893.3</b>
<i>Adjustments</i> .....	(0.1)	—	—	—	(0.1)
<b>Total .....</b>	<b>182.9</b>	<b>857.4</b>	<b>464.5</b>	<b>388.3</b>	<b>1,893.2</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Segment reporting (Continued)**

**4.3.4 Capital expenditure**

Capital expenditure is a key performance indicator tracked by the Group. The schedule below lists the capital expenditure by segments.

	December 31, 2015				
	Portugal	Israel	Dominican Republic (in € millions)	Others	Total
Capital expenditure .....	208.6	284.9	124.1	93.3	710.9

	December 31, 2014				
	Portugal	Israel	Dominican Republic (in € millions)	Others	Total
Capital expenditure .....	24.3	224.7	78.6	105.4	433.8

**4.4 Assets held for sale**

**Sale of OMT's mobile business**

The Group has agreed to dispose of OMT's mobile business in the Reunion Islands and Mayotte. The Group was in negotiation with the Hiridjee Group, the owners of Telma, a Madagascar based Telecoms Company. The transaction was approved for sale by the French anti-trust authorities on June 21, 2015.

These assets were considered as assets held for sale as per the requirements of IFRS 5, *Non-current assets held for sale and discontinued operations* as at December 31, 2014. As at December 31, 2014, OMT's mobile business was accounted for under two separate lines in the statement of financial position which are "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale". The same accounting treatment was applied until completion of the sale.

These assets were reported in the "Others" segment.

The divesture was successfully closed on July 31, 2015 for an enterprise value of €80.0 million. Thus, following the sale, this business was de-consolidated from the consolidated financial statements of the Group for the year ended December 31, 2015. Parties have agreed that no purchase price adjustments were due.

The net book value of the business sold amounted to €53.8 million, thus generating a gain on disposal of €27.5 million, which is presented as a separate line item on the consolidated statement of income, given the non-recurring nature of this transaction.

**ONI and Cabovisao businesses in Portugal**

As part of the acquisition of Portugal Telecom, the Group was required to dispose of its existing business in Portugal.

ONI and Cabovisao have been considered as assets held for sale as per the requirements of IFRS 5, *Non-current assets held for sale and discontinued operations* from March 31, 2015. ONI and Cabovisao's businesses are accounted for under two separate lines in the statement of financial position which are "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale". The Board of Managers has not identified any material indicator of impairment as of December 31, 2015.

On September 15, 2015, the Group has entered into a sale and purchase agreement with Apax France to sell the two business. The transaction was subject to regulatory review by the European Commission and Portuguese authorities and approved in December 2015.

The disposal occurred on January 20, 2016, refer to note 32.

These assets are reported in the 'Portugal' segment.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Segment reporting (Continued)**

The financial data related to OMT's Indian Ocean mobile business and ONI & Cabovisao businesses are set out below:

**Statement of financial position**

	December 31, 2015			December 31, 2014
	Cabovisao	ONI	Total	FOT <sup>(1)</sup>
	(In € millions)			
Goodwill . . . . .	—	1.3	1.3	35.3
Tangible and intangible assets . . . . .	12.4	80.6	93.0	34.8
Other non-current assets . . . . .	0.5	—	0.5	7.2
Other current assets . . . . .	12.4	14.9	27.3	—
<b>Total assets held for sale . . . . .</b>	<b>25.3</b>	<b>96.8</b>	<b>122.1</b>	<b>77.3</b>
Other non-current liabilities . . . . .	7.9	2.4	10.2	2.4
Current trade payables . . . . .	24.3	18.8	43.1	11.1
Other current liabilities . . . . .	19.1	12.2	31.3	9.0
<b>Total liabilities related to asset held for sale . . . . .</b>	<b>51.3</b>	<b>33.3</b>	<b>84.6</b>	<b>22.5</b>

(1) The allocation of goodwill to the held for sale assets was done based on the pro-rata contribution of these assets to the operating cash flows of the French Overseas Territories business. The EBITDA-Capex number was used as a proxy for determining the operating cash flows. All other assets and liabilities for the FOT assets were allocated based on carve out accounts prepared by local Management for the purpose of the disposal of the assets.

**Statement of financial income (From the date of classification as held for sale)**

	December 31, 2015		December 31, 2014
	Cabovisao	ONI	FOT
	(In € millions)		
Revenues . . . . .	62.5	37.3	8.5
Operating profit . . . . .	15.2	7.9	1.0
Finance costs, nets . . . . .	(2.3)	(3.5)	—
Income tax . . . . .	(0.1)	(0.1)	(0.4)
<b>Net income attributed to assets held for sale . . . . .</b>	<b>12.8</b>	<b>4.2</b>	<b>0.6</b>

**Statement of cash flows**

	December 31, 2015		December 31, 2014
	Cabovisao	ONI	FOT
	(In € millions)		
Net cash provided by operating activities . . . . .	16.7	6.9	13.7
Net cash used in investing activities . . . . .	(12.5)	(11.8)	(3.6)
Net cash used in financing activities . . . . .	—	4.9	—
<b>Net change in cash and cash equivalents . . . . .</b>	<b>4.2</b>	<b>—</b>	<b>10.1</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill**

Goodwill recorded on the statement of financial position of the Company was allocated to the different groups of cash generating units (“GCGU”) as defined by the Group. Summary of goodwill recognized, in instances provisionally, on different acquisitions is provided below:

	December 31, 2014 (revised)*	Recognized on business combinations	Variations	Impairment losses	Changes in foreign currency translation	Held for sale	Disposals	December 31, 2015
	(In million €)							
Portugal .....	1.3	1,857.0	—	—	—	(1.3)	—	1,857.0
Israel .....	627.2	—	—	—	70.6	—	—	697.8
Dominican Republic .....	767.3	—	—	—	91.6	—	—	858.9
French Overseas Territories .....	281.1	—	—	—	—	—	—	281.1
Belgium and Luxembourg .....	295.5	—	—	—	—	—	—	295.5
Switzerland .....	18.3	—	—	—	0.1	—	—	18.3
<b>Total Gross Value .....</b>	<b>1,990.6</b>	<b>1,857.0</b>	<b>—</b>	<b>—</b>	<b>162.3</b>	<b>(1.3)</b>	<b>—</b>	<b>4,008.6</b>
Portugal .....	—	—	—	—	—	—	—	—
Israel .....	(129.4)	—	—	—	(14.6)	—	—	(144.0)
Dominican Republic .....	—	—	—	—	—	—	—	—
French Overseas Territories .....	(4.6)	—	—	—	—	—	—	(4.6)
Belgium and Luxembourg .....	—	—	—	—	—	—	—	—
Switzerland .....	—	—	—	—	—	—	—	—
<b>Total Cumulative impairment .....</b>	<b>(134.0)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(14.6)</b>	<b>—</b>	<b>—</b>	<b>(148.6)</b>
Portugal .....	1.3	1,857.0	—	—	—	(1.3)	—	1,857.0
Israel .....	497.8	—	—	—	56.0	—	—	553.8
Dominican Republic .....	767.3	—	—	—	91.6	—	—	858.9
French Overseas Territories .....	276.5	—	—	—	—	—	—	276.5
Belgium and Luxembourg .....	295.5	—	—	—	—	—	—	295.5
Switzerland .....	18.3	—	—	—	0.1	—	—	18.3
<b>Total Net Book Value .....</b>	<b>1,856.6</b>	<b>1,857.0</b>	<b>—</b>	<b>—</b>	<b>147.7</b>	<b>(1.3)</b>	<b>—</b>	<b>3,860.0</b>

(\*) Revised information presents previously published information adjusted to take into account, amongst other items, the impact of the final purchase price allocations of different Group entities acquired during the Financial Year ended December 31, 2014. For the details of the revision see note 30



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill (Continued)**

	December 31, 2013	Recognized on business combina-tions	Variations	Impairment losses	Changes in foreign currency translation	Held for sale	Disposals	December 31, 2014 (revised)*
	(In millions €)							
Portugal . . . . .	1.3	—	—	—	—	—	—	1.3
Israel . . . . .	620.3	—	—	—	6.9	—	—	627.2
Dominican Republic . . . . .	—	668.0	—	—	99.3	—	—	767.3
French Overseas Territories . . . . .	298.5	17.9	—	—	—	(35.3)	—	281.1
Belgium and Luxembourg . . . . .	295.5	—	—	—	—	—	—	295.5
Switzerland . . . . .	17.8	0.5	—	—	—	—	—	18.3
<b>Total Gross Value . . . . .</b>	<b><u>1,233.4</u></b>	<b><u>686.4</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>106.2</u></b>	<b><u>(35.3)</u></b>	<b><u>—</u></b>	<b><u>1,990.6</u></b>
Portugal . . . . .	—	—	—	—	—	—	—	—
Israel . . . . .	(128.0)	—	—	—	(1.4)	—	—	(129.4)
Dominican Republic . . . . .	—	—	—	—	—	—	—	—
French Overseas Territories . . . . .	(4.60)	—	—	—	—	—	—	(4.6)
Belgium and Luxembourg . . . . .	—	—	—	—	—	—	—	—
Switzerland . . . . .	—	—	—	—	—	—	—	—
<b>Total Cumulative impairment . . . . .</b>	<b><u>(132.6)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(1.4)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(134.0)</u></b>
Portugal . . . . .	1.3	—	—	—	—	—	—	1.3
Israel . . . . .	492.3	—	—	—	5.5	—	—	497.8
Dominican Republic . . . . .	—	668.0	—	—	99.3	—	—	767.3
French Overseas Territories . . . . .	293.9	17.9	—	—	—	(35.3)	—	276.5
Belgium and Luxembourg . . . . .	295.5	—	—	—	—	—	—	295.5
Switzerland . . . . .	17.8	0.5	—	—	—	—	—	18.3
<b>Total Net book value . . . . .</b>	<b><u>1,100.8</u></b>	<b><u>686.4</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>104.7</u></b>	<b><u>(35.3)</u></b>	<b><u>—</u></b>	<b><u>1,856.6</u></b>

(\*) Revised information presents previously published information adjusted to take into account, amongst other items, the impact of the final purchase price allocations of different Group entities acquired during the Financial Year ended December 31, 2014. For the details of the revision see note 30.

**5.1 Purchase price allocation**

During the year ended December 31, 2015, the Group has finalised the purchase price allocation following the acquisition of Altice Hispaniola S.A. and Tricom S.A. Additionally, a preliminary purchase price allocation was performed for PT-Portugal. A summary of the different fair values attributed to different acquisitions is given below:

**5.1.1 Portugal Telecom**

As mentioned in note 3.2, a preliminary purchase price allocation was performed for PT Portugal for the year ended December 31, 2015. The acquisition was completed on June 2, 2015.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill (Continued)**

Total consideration transferred to the vendors amounted to €195.1 million (excluding purchase price adjustments) on a cash free debt free basis.

The Group has identified the following assets and liabilities to which the purchase price will be allocated as described above. The fair value was provisionally determined by an independent external appraiser based on a business plan prepared as of the date of the acquisition:

- a) Customer relationships: Customer relationships were determined for each operating segment of PT-Portugal, namely B2C, B2B and Wholesale customers (for both the fixed and mobile businesses). They were evaluated using the excess earnings method and the useful life reflects the economic life of the asset. The total value of customer relationships was €1,247.0 million (€904.1 million net of taxes).
- b) Brand: The Meo brand was preliminary measured at its fair value using the relief from royalty method, and a useful life of 20 years. The fair value amounted to €160.0 million (€116.0 million net of taxes)
- c) Frequencies: PT has invested in spectrum in order to provide mobile services. The mobile licenses were revalued for an amount of €56 million (€41.2m net of taxes).

Following the purchase price allocation, the preliminary allocation between the different classes of assets and liabilities is given below. The difference has been recorded as goodwill in the consolidated financial statements for the year ended December 31, 2015:

Total consideration transferred . . . . .	€ 195.1 million
Fair value of identifiable assets, liabilities and contingent liabilities . . . . .	€(1,661.8) million
Goodwill . . . . .	€ 1,857.0 million

The Group is continuously evaluating the fair value of acquired assets and liabilities and expects to complete the final purchase price allocation within the measurement period as defined by IFRS 3.

**5.1.2 Dominican Entities**

**5.1.2.1 Tricom S.A. (“Tricom”) and Global Interlinks (“GLX”)**

The purchase price allocation regarding Tricom and GLX has been completed.

Total consideration paid to the vendors for the shares of the acquired entities amounted to €302.9 million (including purchase price adjustments) on a cash-free, debt-free basis.

The final fair values attributed to the identifiable assets of Tricom and GLX were as follows:

- a) Property plant and equipment: A final value of €22.3 million (€16.3 million net of taxes) was attributed to the property, plant and equipment of Tricom and GLX.
- b) Brand: An additional value of €5.5 million (€4.0 million net of taxes) was attributed to the Tricom brand
- c) Licences: Tricom’s mobile licences were valued at €53.0 million (€38.7 million net of taxes).
- d) Client relationships: €33.5 million was attributed to customer relationships (€24.5 million net of taxes).

Following the purchase price allocation, the residual amount of €72.7 million over the consideration paid was recognised as goodwill in the Group’s consolidated financial statements as of December 31, 2015 and for the year then ended.

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

The purchase price allocation regarding ODO has been completed.

Total consideration paid to the vendors for the shares of the acquired entity amounted to €1,032.3 million on a cash free, debt free basis.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill (Continued)**

The final fair values attributed to the identifiable assets of ODO were as follows:

- a) Property plant and equipment: A final value of €5.2 million (€ 3.7 million net of taxes) was attributed to the property, plant and equipment of ODO.
- b) Licences: ODO's existing mobile licences were valued at €59.1 million (€43.2 million net of taxes).
- c) Client relationships: €79.2 million was attributed to customer relationships (€57.8 million net of taxes).

Following the purchase price allocation, the residual amount of €595.3 million over the consideration paid was recognised as goodwill in the Group's consolidated financial statements as of December 31, 2015 and for the year then ended.

Thus, after the final purchase price allocation for the Dominican Republic segment, the residual value between the fair value of identifiable assets and liabilities and the consideration transferred was recognised as goodwill as shown below:

Total consideration transferred .....	€1,335.2 million
Fair value of identifiable assets, liabilities and contingent liabilities .....	€ 667.2 million
Goodwill .....	€ 668.0 million

**5.2 Impairment of goodwill**

The carrying amount of goodwill as at December 31, 2015 was €3,860.0 million (€1,856.6 million as of December 31, 2014).

The Group has chosen to organise its CGUs based on the geographies that it operates in. For more details on the CGUs, please refer to the note 4 "Segment Reporting".

Goodwill is reviewed at the level of each GCGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. Goodwill was tested at the GCGU level for impairment as of December 31, 2015. The GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use for which we used their fair value less cost of disposal. The Group determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the EBIT margin during the year. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

The value in use of each GCGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Managers. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1-2%. 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 5.6% to 11%. 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 the Board of Directors of the Ultimate Parent Company. Recurring capex is expected to be proportional to sales and thus is indexed to the growth in revenues.

In addition to using internal indicators to assess the carrying amount in use, the Board of Managers also relies on external factors which can influence the cash generating capacity of the CGUs and also indicate that certain factors beyond the control of the Board of Managers might influence the carrying amounts in use:

- Indicators of market slowdown in a country of operation

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill (Continued)**

- Indicators of degradation in financial markets, that can impact the financing ability of the group; and
- Loss of liquidity in capital markets

The Group has made use of various external indicators and internal reporting tools to estimate the revenue growth rates considered for the purpose of impairment testing for the year ended December 31, 2015. A summary of the growth rates used is provided below. The growth rates are provided by GCGU.

	<u>Portugal<sup>(*)</sup></u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Switzerland</u>
Average perpetuity growth rate in 2015 (in %) . . . . .	0.0	1.5	2.0	2.0	2.0	2.0
Average perpetuity growth rate in 2014 (in %) . . . . .	2.0	1.5-2	2.0	2.0	2.0	2.0

(\*) No impairment testing was performed for Cabovisao and ONI, as these assets were held for sale as of December 31, 2015. Management has assessed the carrying value in use based on the purchase price offered by the buyer and has determined that there is no indication of impairment to these businesses

The five year average EBIT margin considered for the purpose of impairment testing for different GCGUs is presented below:

	<u>Portugal</u>	<u>Israel</u>	<u>Dominican Republic</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Switzerland</u>
5 year average EBIT margin (In %) . . . . .	31.4	21.9	36.3	23.23	46.42	16.67

Capex was indexed to the revenues, as the Board of Managers tracks the capex spend expressed in a % of sales as a key KPI. The Board of Managers believes that recurring capex should be related to the acquisition of new clients and hence is indexed to the growth in revenues.

The Board of Managers estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs 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.

	<u>Portugal</u>	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Switzerland</u>
Post tax weighted average cost of capital 2015 (%) . . . . .	7.8	9.5	10.0-11.0	7.8	7.1	5.6
Post tax weighted average cost of capital 2014 (%) . . . . .	7.22	6.3	10.1	6.21	6.24	5.58

The results of the impairment testing did not result in goodwill impairment for the year ended December 31, 2015.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Goodwill (Continued)**

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model were subject to a sensitivity analysis so as to test the resilience of value in use. The sensitivity analysis of these GCGUs is presented below. The recoverable amount for an increase in the WACC is presented below:

	<u>Portugal</u>	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium and Luxembourg</u>	<u>Switzerland</u>
If	0.5% increase of WACC	0.5% increase of WACC	1% increase of WACC	0.5% increase of WACC	0.5% increase of WACC	0.5% increase of WACC
Excess of fair value less cost of disposal / value in use over carrying amount . . . . .	848.2	864.9	114.6	245.4	1.0	151.3

The sensitivity analysis for a decrease in the perpetuity growth rate is given below:

	<u>Portugal</u>	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium and Luxembourg</u>	<u>Switzerland</u>
If	1% decrease of perpetuity growth rate					
Excess of fair value less cost of disposal / value in use over carrying amount . . . . .	966.8	770.4	139.8	213.0	(26.1)	132.9

The analysis did not result in other scenarios whereby a reasonable possible change in the aforementioned EBIT margin would result in a recoverable amount for the GCGU which is inferior to the carrying value, if applied to any other GCGU.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**6. Intangible assets**

	December 31. 2014 (Revised)*	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale or discontinued operations	Other	December 31. 2015
	(In millions €)							
Software . . . . .	138.8	25.9	(1.7)	16.4	21.7	(20.0)	26.3	207.4
Brand name <sup>(3)</sup> . . . . .	141.1	0.0	—	160.0	6.1	(53.8)	0.1	253.5
Customer relations <sup>(1)</sup> . . . . .	507.4	15.0	—	1,247.0	48.6	(10.2)	(0.2)	1,807.5
Licenses . . . . .	217.5	10.5	(0.1)	373.4	14.9	(12.0)	5.3	609.5
R&D costs acquisitions . . .	4.9	3.1	—	6.6	—	(0.1)	5.5	19.3
Subscriber acquisition costs <sup>(2)</sup> . . . . .	232.5	31.9	(0.1)	21.0	29.5	(0.7)	—	314.0
Intangible assets under construction . . . . .	9.9	19.5	—	44.1	0.5	(0.4)	(55.2)	18.4
Other intangible assets . . . .	280.4	118.9	(3.5)	238.8	24.2	(14.8)	(32.6)	611.3
<b>Total Gross Value . . . . .</b>	<b>1,532.4</b>	<b>224.8</b>	<b>(5.4)</b>	<b>2,107.3</b>	<b>145.4</b>	<b>(112.1)</b>	<b>(50.9)</b>	<b>3,841.0</b>
Software . . . . .	(89.0)	(41.2)	1.7	—	(16.8)	16.8	(16.4)	(144.9)
Brand name <sup>(3)</sup> . . . . .	(22.2)	(73.8)	—	—	(1.1)	31.9	—	(65.2)
Customer relations <sup>(1)</sup> . . . . .	(156.3)	(179.1)	—	—	(18.8)	8.6	—	(345.6)
Licenses . . . . .	(38.7)	(31.2)	—	—	(2.7)	7.6	(0.0)	(66.0)
R&D costs acquisitions . . .	—	(5.8)	—	—	—	0.2	(0.0)	(4.9)
Subscriber acquisition costs <sup>(2)</sup> . . . . .	(226.2)	(33.1)	0.0	—	(28.8)	0.1	—	(288.1)
Intangible assets under construction . . . . .	—	—	—	—	—	—	—	—
Other intangible assets . . . .	(165.4)	(80.1)	2.6	—	(16.3)	2.8	46.9	(209.5)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b>(697.3)</b>	<b>(445.2)</b>	<b>4.4</b>	<b>—</b>	<b>(84.6)</b>	<b>68.0</b>	<b>30.5</b>	<b>(1,124.1)</b>
Software . . . . .	49.8	(15.3)	0.0	16.4	4.9	(3.3)	10.0	62.5
Brand name <sup>(3)</sup> . . . . .	118.8	(73.7)	—	160.0	5.0	(21.8)	0.1	188.4
Customer relations <sup>(1)</sup> . . . . .	351.1	(164.1)	—	1,247.0	29.8	(1.6)	(0.2)	1,461.9
Licenses . . . . .	178.8	(21.6)	(0.1)	373.4	12.1	(4.4)	5.3	543.6
R&D costs acquisitions . . .	4.9	(2.7)	—	6.6	—	0.1	5.5	14.4
Subscriber acquisition costs <sup>(2)</sup> . . . . .	6.3	(1.2)	(0.1)	21.0	0.6	(0.7)	—	26.0
Intangible assets under construction . . . . .	9.9	19.5	—	44.1	0.5	(0.4)	(55.2)	18.4
Other intangible assets . . . .	115.0	38.8	(0.9)	238.8	7.9	(12.0)	14.3	401.8
<b>Total Net book value . . . . .</b>	<b>835.0</b>	<b>(220.3)</b>	<b>(1.0)</b>	<b>2,107.3</b>	<b>60.8</b>	<b>(44.1)</b>	<b>(20.4)</b>	<b>2,717.3</b>

(\*) For the revision impact please see note 30

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**6. Intangible assets (Continued)**

	December 31. 2013	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale or discontinued operations	Other	December 31. 2014 (Revised)*
	(In millions €)							
Software	91.2	22.9	(0.0)	12.4	6.6	—	5.7	138.8
Brand name <sup>(3)</sup>	129.9	0.0	—	9.9	1.5	(0.3)	—	141.1
Customer relations <sup>(1)</sup>	386.7	7.4	—	113.8	15.0	(15.5)	—	507.4
Licenses	56.8	2.1	(5.4)	123.4	13.2	(2.4)	29.7	217.5
R&D costs acquisitions	2.5	0.8	—	—	—	(3.6)	3.3	4.3
Subscriber acquisition costs <sup>(2)</sup>	200.3	29.6	(0.1)	—	2.6	—	—	232.5
Intangible assets under construction	6.5	39.6	(0.0)	7.3	0.5	(0.1)	(44.1)	9.9
Other intangible assets	186.3	77.6	(3.9)	16.1	5.5	(7.1)	5.8	280.4
<b>Total Gross Value</b>	<b>1,060.8</b>	<b>180.2</b>	<b>(9.3)</b>	<b>283.0</b>	<b>45.0</b>	<b>(29.0)</b>	<b>0.5</b>	<b>1,531.8</b>
Software	(55.5)	(28.4)	0.0	—	(5.1)	—	—	(89.0)
Brand name <sup>(3)</sup>	(5.0)	(17.0)	—	—	(0.2)	—	—	(22.2)
Customer relations <sup>(1)</sup>	(91.5)	(63.9)	—	—	(2.9)	2.1	—	(156.3)
Licenses	(17.2)	(21.8)	0.9	—	(1.8)	1.3	(0.0)	(38.7)
R&D costs acquisitions	—	(1.7)	—	—	—	3.1	—	0.6
Subscriber acquisition costs <sup>(2)</sup>	(194.1)	(29.6)	0.0	—	(2.6)	—	—	(226.2)
Intangible assets under construction	—	—	—	—	—	—	—	—
Other intangible assets	(118.3)	(29.4)	2.5	—	(3.5)	3.1	(19.8)	(165.4)
<b>Total Cumulative amortization and depreciation</b>	<b>(482.3)</b>	<b>(192.0)</b>	<b>3.4</b>	<b>—</b>	<b>(16.1)</b>	<b>9.5</b>	<b>(19.8)</b>	<b>(697.3)</b>
Software	35.7	(5.5)	(0.0)	12.4	1.5	—	5.7	49.8
Brand name <sup>(3)</sup>	124.9	(17.0)	—	9.9	1.4	(0.3)	—	118.8
Customer relations <sup>(1)</sup>	295.2	(56.5)	—	113.8	12.1	(13.5)	—	351.1
Licenses	39.6	(19.7)	(4.5)	123.4	11.4	(1.1)	29.7	178.8
R&D costs acquisitions	3.1	(0.9)	—	—	—	(0.5)	3.3	4.9
Subscriber acquisition costs <sup>(2)</sup>	6.2	0.1	(0.1)	—	0.1	—	—	6.3
Intangible assets under construction	6.5	39.6	(0.0)	7.3	0.5	(0.1)	(44.1)	9.9
Other intangible assets	68.0	48.2	(1.3)	16.1	2.0	(4.0)	(14.0)	115.0
<b>Total Net book value</b>	<b>579.6</b>	<b>(11.8)</b>	<b>(5.9)</b>	<b>283.0</b>	<b>28.9</b>	<b>(19.5)</b>	<b>(19.3)</b>	<b>835.0</b>

(\*) For the revision impact please see note 30

- (1) Customer relations have been valued using the excess earnings method upon acquisition. These are amortized on the basis of the local churn rate. The carrying amount of customer relations by segment was: (i) Portugal: €1,172.3 million, (ii) Israel: €164.5 million, (iii) Dominican Republic: €65.2 and (iv) Others: €60.0 million.
- (2) Subscriber acquisition 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.
- (3) This caption includes the carrying amount of different brands owned by the Group and recognized as part of the different purchase price allocations. The carrying amounts of the different brands of the Group is: (i) Meo: €155.4 million, (ii) Hot: €20.0 million (iii) Others: €12.3 million.

The increase in intangible assets can mainly be attributed to the acquisition of PT Portugal. The revised balances as of December 31, 2014 are mainly attributable to the finalization of Altice Hispaniola and Tricom's purchase price allocations.

From 2015 onwards, the Group has harmonised its accounting policy regarding brand names and has decided to amortise the brand names based on an individually determined useful life for each brand based on business and strategic considerations (range of 5-20 years).

Following the discontinuation of the ONLY brand by the FOT segment (following the adoption of the SFR brand), an impairment of the ONLY brand was recorded for a total amount of €20.9 million euros.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**7. Property, Plant & Equipment**

	December 31, 2014 (Revised)*	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale	Other	December 31, 2015
	(In millions €)							
Land .....	29.5	—	(5.0)	177.8	2.0	(0.3)	0.7	204.8
Buildings <sup>(1)</sup> .....	115.0	4.1	(1.2)	517.5	13.2	—	(2.1)	647.2
Technical equipment and other equipment <sup>(2)</sup> .....	2,421.6	354.2	(37.0)	2,153.5	176.7	(193.1)	118.6	4,994.5
Tangible assets under construction .....	74.2	144.6	(0.4)	97.5	6.4	(3.3)	(156.6)	162.4
Prepayments on tangible assets .....	2.1	0.2	(0.2)	—	0.1	0.1	(0.9)	1.3
Other tangible assets .....	29.4	1.6	(3.1)	31.5	3.0	(8.4)	(6.4)	47.6
<b>Total Gross Value</b> .....	<b><u>2,671.8</u></b>	<b><u>504.6</u></b>	<b><u>(46.9)</u></b>	<b><u>2,977.8</u></b>	<b><u>201.4</u></b>	<b><u>(204.9)</u></b>	<b><u>(45.9)</u></b>	<b><u>6,057.9</u></b>
Buildings <sup>(1)</sup> .....	(29.2)	(35.7)	0.7	—	(6.2)	0.2	2.8	(67.5)
Technical equipment and other equipment <sup>(2)</sup> .....	(1,141.0)	(608.9)	34.0	—	(64.0)	165.0	36.2	(1,578.7)
Tangible assets under construction .....	(0.3)	(0.3)	—	—	(0.1)	—	—	(0.6)
Other tangible assets .....	(43.8)	2.3	2.6	—	(5.3)	3.5	6.5	(34.3)
<b>Total Cumulative amortization and depreciation</b> .....	<b><u>(1,214.2)</u></b>	<b><u>(642.7)</u></b>	<b><u>37.3</u></b>	<b><u>—</u></b>	<b><u>(75.4)</u></b>	<b><u>168.7</u></b>	<b><u>45.4</u></b>	<b><u>(1,681.2)</u></b>
Land .....	29.5	—	(5.0)	177.8	2.0	(0.3)	0.7	204.7
Buildings <sup>(1)</sup> .....	85.8	(31.7)	(0.5)	517.5	7.0	0.6	1.0	579.7
Technical equipment and other equipment <sup>(2)</sup> .....	1,280.6	(254.7)	(3.0)	2,153.5	112.7	(28.0)	154.8	3,415.8
Tangible assets under construction .....	74.0	144.3	(0.4)	97.5	6.3	(3.3)	(156.6)	161.8
Prepayments on tangible assets .....	2.1	0.2	(0.2)	—	0.1	0.1	(0.9)	1.3
Other tangible assets .....	(14.4)	3.9	(0.5)	31.5	(2.3)	(4.9)	0.1	13.4
<b>Total Net book value</b> .....	<b><u>1,457.4</u></b>	<b><u>(138.0)</u></b>	<b><u>(9.6)</u></b>	<b><u>2,977.8</u></b>	<b><u>125.7</u></b>	<b><u>(35.8)</u></b>	<b><u>(0.9)</u></b>	<b><u>4,376.5</u></b>

(\*) For the revision impact please see note 30



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**7. Property, Plant & Equipment (Continued)**

	December 31, 2013	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale	Other	December 31, 2014 (Revised)*
	(In millions €)							
Land .....	3.3	0.0	—	23.3	2.2	—	0.6	29.5
Buildings <sup>(1)</sup> .....	86.8	1.7	(2.0)	27.5	5.1	(7.6)	3.5	115.0
Technical equipment and other equipment <sup>(2)</sup> .....	1,831.1	181.8	(19.1)	312.0	95.7	(39.9)	60.1	2,421.6
Tangible assets under construction .....	25.2	72.7	(0.4)	39.4	3.7	(0.3)	(66.1)	74.2
Prepayments on tangible assets .....	—	1.4	(0.2)	0.9	0.1	(0.1)	0.0	2.1
Other tangible assets .....	15.5	2.3	(0.2)	9.6	1.5	—	0.7	29.4
<b>Total Gross Value</b> .....	<u>1,961.9</u>	<u>259.9</u>	<u>(22.0)</u>	<u>412.8</u>	<u>108.3</u>	<u>(48.0)</u>	<u>(1.2)</u>	<u>2,671.8</u>
Buildings <sup>(1)</sup> .....	(22.6)	(10.4)	1.6	—	(2.4)	4.6	—	(29.2)
Technical equipment and other equipment <sup>(2)</sup> .....	(790.2)	(336.1)	17.0	—	(59.6)	28.2	(0.3)	(1,141.0)
Tangible assets under construction .....	(0.1)	—	—	—	(0.1)	—	(0.1)	(0.3)
Other tangible assets .....	(14.8)	(28.0)	0.2	—	(0.8)	—	(0.5)	(43.8)
<b>Total Cumulative amortization and depreciation</b> .....	<u>(827.7)</u>	<u>(374.5)</u>	<u>18.8</u>	<u>—</u>	<u>(62.9)</u>	<u>32.8</u>	<u>(0.8)</u>	<u>(1,214.4)</u>
Land .....	3.3	—	—	23.3	2.1	—	0.6	29.5
Buildings <sup>(1)</sup> .....	64.2	(8.7)	(0.4)	27.5	2.8	(3.1)	3.5	85.8
Technical equipment and other equipment <sup>(2)</sup> .....	1,040.9	(154.3)	(2.1)	312.0	36.1	(11.8)	59.8	1,280.6
Tangible assets under construction .....	25.1	72.7	(0.4)	39.4	3.7	(0.3)	(66.2)	74.0
Prepayments on tangible assets .....	—	1.4	(0.2)	0.9	0.1	(0.1)	0.0	2.1
Other tangible assets .....	0.7	(25.7)	(0.0)	9.6	0.7	—	0.3	(14.4)
<b>Total Net book value</b> .....	<u>1,134.2</u>	<u>(114.6)</u>	<u>(3.1)</u>	<u>412.8</u>	<u>45.4</u>	<u>(15.2)</u>	<u>(2.0)</u>	<u>1,457.4</u>

(\*) For the revision impact please see note 30

(1) The caption buildings is mostly 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.

(2) This caption includes:

Cable network: the Company 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.

Call centers that represent centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

Office furniture and equipment that refer to furnishings and IT equipment.

Communication network infrastructure that include the digital technologies for the transmission of multi-channel television services.

As part of the various debt issuances done by the Group, the assets of certain subsidiaries have been pledged as collateral. This includes all material assets of HOT Telecom including the cable network, all material assets of ODO (other than licenses and real estate assets valued at less than €5 million), all assets of Cabovisao and ONI (Including network and PPE) and the assets of PT.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**7. Property, Plant & Equipment (Continued)**

The increase in the property, plant and equipment of the Company can mainly be attributed to the acquisition of PT-Portugal during the year ended December 31, 2015.

In addition to this, property plant and equipment also increased as a result of continued capital expenditure by other group companies, as part of their efforts to drive customer acquisition and growth.

**8 Investment in associates**

The breakdown of the investments in associates is detailed as follows:

	Investments in associates	
	December 31, 2015	December 31, 2014
	(In millions €)	
Groupe News Participation .....	297.3	—
Other associates .....	10.7	—
<b>Total associates</b> .....	<b>308.0</b>	<b>—</b>

The main movement of investment in associates is primarily related to the acquisition of a non-controlling interests in Groupe News Participations, the main shareholder of Next Radio TV.

In December 2015, the Company, through its indirect subsidiary Altice Content Luxembourg S.à r.l., invested €0.96 million in GNP, to acquire a 49% stake. GNP itself held 50.42% of the economic and 60.9% of the voting rights in Next Radio TV ('NXTV').

In addition to the equity investment, the Group has subscribed to two convertible bonds issued by GNP, for an aggregate amount of €296.3 million, which forms part of the investment of the Group in this Company.

The Group has valued the conversion option of the convertible bonds as an embedded derivative. The option was measured at its fair value and recorded as a derivative financial asset for a value of €12.5 million.

The key financial information of the associate is listed below:

	GNP (unaudited) 2015
Revenues .....	17.8
Net loss .....	(1.5)
Net equity .....	218.6
Cash (-)/Net debt (+) .....	252
Total Assets .....	593.8

**9. Other financial assets (Non-current)**

	December 31, 2015	December 31, 2014
	(In millions €)	
Investments held as available for sale <sup>(1)</sup> .....	6.5	42.0
Loans and receivables <sup>(2)</sup> .....	323.8	18.1
Derivative financial assets <sup>(3)</sup> .....	60.1	0.2
Other financial assets .....	9.9	—
<b>Total</b> .....	<b>400.3</b>	<b>60.3</b>

(1) Investment in available for sale financial assets are composed of:

Partner Communications LTD: The Group holds 1,459,926 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 (hereinafter Wananchi): The Group, through an indirect subsidiary, holds a 17.4% equity interest and three board seats in Wananchi Group Holdings Ltd, a cable, DTH and B2B operator based out of Kenya and providing services in Kenya and other neighbouring East African countries. The Board of Managers has classified this

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**9. Other financial assets (Non-current) (Continued)**

investment as an available for sale asset. The Company holds less than 20% of Wananchi and has no significant influence over the operational or financial decision making in Wananchi. The investment in Wananchi is carried at its fair value, which was calculated by the Board of Managers based on a discounted cash flow model, which was modelled on a business plan prepared by Wananchi's management. The management of Wananchi provided the Group with a new business plan, on the basis of which the fair value of the investment was measured at €1.2 million. Management believes that this represents a prolonged and significant decrease in the fair value of the investment and hence has recorded an impairment amounting to €35.2 million for the year ended December 31, 2015. The following assumptions were used in the DCF model to determine the fair value:

WACC: 13.5%

Terminal growth rate: 5%

Forecast period: 8 years

(2) Loans and receivables

As of December 31, 2015, 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 €40.4 million (\$44 million equivalent) and bears interest at a rate of 15% per annum payable in kind and a maturity of 3 years starting December 2013 (12.5% from December 31, 2015). The increase compared to December 31, 2014 is explained by an additional investment made by the Company in Wananchi.

This caption also includes advances made by the Group to its shareholder Altice Luxembourg S.A. for an aggregate amount of €262.7 million. These advances are considered to have short term maturities (< one year).

(3) Derivative financial assets

As part of the issuance of new debts to finance the acquisition of PT Portugal, the Group issued debt in US Dollars. In order to cover the exchange rate risk related to this issuance (refer to note 18), the parties entered into cross currency swaps with different banks, which were classified as cash flow hedges. This caption also includes the fair value of the conversion option of the GNP convertible notes as described in note 8.

**10. Inventories**

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
Raw materials and consumables .....	73.7	25.5
Work in progress .....	29.1	—
<b>Total Gross Value .....</b>	<b>102.8</b>	<b>25.5</b>
Raw materials and consumables .....	(16.6)	(3.9)
Work in progress .....	(3.6)	—
<b>Allowance for obsolescence .....</b>	<b>(20.2)</b>	<b>(3.9)</b>
Raw materials and consumables .....	57.1	21.6
Work in progress .....	25.5	—
<b>Total Net book value .....</b>	<b>82.6</b>	<b>21.6</b>

(\*) For the revision impact please see note 30

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

The cost of inventories recognized in the income statement during the year was €3.0 million (€4.6 million expensed in 2014).

The increase in inventory for the year ended December 31, 2015 mainly relates to the acquisition of PT-Portugal. Inventories at PT-Portugal also includes mobile phones that are sold as part of their commercial offerings.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**10. Inventories (Continued)**

	December 31, 2014 (Revised)*	Variation	Held for sale or discontinued operations (In millions €)	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2015
Raw materials and consumables . . . .	(3.9)	(12.5)	—	(0.3)	(16.6)
Work in progress (goods) . . . . .	—	(3.6)	—	—	(3.6)
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(3.9)</u></b>	<b><u>(16.1)</u></b>	<b><u>—</u></b>	<b><u>(0.3)</u></b>	<b><u>(20.2)</u></b>

	December 31, 2013	Variation	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014 (Revised)*
Raw materials and consumables . . . . .	(1.5)	(2.2)	(0.2)	(3.9)
Work in progress (goods) . . . . .	—	—	—	—
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(1.5)</u></b>	<b><u>(2.2)</u></b>	<b><u>(0.2)</u></b>	<b><u>(3.9)</u></b>

**11. Trade and other receivables**

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
Trade receivables . . . . .	767.7	203.8
Other receivables . . . . .	228.0	77.0
<b>Total trade and other receivables . . . . .</b>	<b><u>995.7</u></b>	<b><u>280.8</u></b>

(\*) For the revision impact please see note 30

**11.1 Trade receivables**

	December 31, 2014	Business Combinations	Net increase / decrease	Reversal	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2015
	(In millions €)						
Trade receivables . . . . .	234.6	832.8	(13.8)	—	(41.1)	13.3	1,025.8
Allowance for doubtful debts . . . . .	<u>(30.8)</u>	<u>(224.6)</u>	<u>(23.4)</u>	—	<u>26.1</u>	<u>(5.4)</u>	<u>(258.1)</u>
<b>Trade receivable, net . . . . .</b>	<b><u>203.8</u></b>	<b><u>608.2</u></b>	<b><u>(37.2)</u></b>	<b><u>—</u></b>	<b><u>(15.0)</u></b>	<b><u>7.9</u></b>	<b><u>767.7</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**11. Trade and other receivables (Continued)**

	December 31, 2013	Business Combinations	Net decrease	Reversal	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014
	(In millions €)						
Trade receivables .....	224.3	69.1	(57.3)	—	(5.8)	4.4	234.6
Allowance for doubtful debts .....	(30.3)	(9.7)	(17.3)	25.1	0.8	0.6	(30.8)
<b>Trade receivable, net .....</b>	<b><u>194.0</u></b>	<b><u>59.4</u></b>	<b><u>(74.6)</u></b>	<b><u>25.1</u></b>	<b><u>(5.0)</u></b>	<b><u>5.0</u></b>	<b><u>203.8</u></b>

The increase in trade receivables is explained mainly by the acquisition of PT-Portugal in June. The increase in 2014 was explained by the acquisitions of ODO and Tricom.

**11.2 Age of trade receivables**

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
Not yet due .....	406.1	133.5
30-90 days .....	149.8	58.9
91-121 days .....	211.7	11.4
<b>Total .....</b>	<b><u>767.7</u></b>	<b><u>203.8</u></b>

The Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information. The Group is of the opinion that there is no risk of concentration of counterparties given the much diversified customer basis, especially on the B2C side (in our largest segments, a major portion of clients pay using direct debit, credit cards or online banking).

For the B2B business, the top 20 clients of the Group represent less than 5% of total Group revenues.

The largest clients of the Group are telecom operators in Portugal. The risk of recoverability for these clients is quite low, given the balance in interconnection transactions between these companies and different companies of the Group.

**11.3 Other current receivables**

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
Prepaid expenses <sup>(1)</sup> .....	50.4	29.0
Business taxes receivables .....	33.0	12.7
Other <sup>(2)</sup> .....	144.6	35.3
<b>Total .....</b>	<b><u>228.0</u></b>	<b><u>77.0</u></b>

(1) Prepaid expenses mainly relate to services for which payments are made before the service is rendered (such as rental, insurance or other services). Such expenses increased due to the acquisition of PT-Portugal.

(2) Other are mainly composed of receivables due to PT for Universal service costs for an amount of €90.1 million. Universal service refers to the distribution of telecom services in rural areas in Portugal. PT is expected to share the cost of service provided with other operators, and the balance represents the amount due to PT. This caption also includes receivables due from social security and other state run organisations that manage employee benefits.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**12 Cash and cash equivalents and restricted cash**

	December 31, 2015	December 31, 2014
	(In millions €)	
Term deposits .....	128.1	—
Bank balances .....	137.9	188.1
<b>Cash and cash equivalents .....</b>	<b>266.0</b>	<b>188.1</b>
Restricted cash .....	0.4	—
<b>Restricted cash .....</b>	<b>0.4</b>	<b>—</b>

**13 Partner's equity**

**13.1 Issued capital**

As of December 31, 2015, total issued capital of the Company amounted to €309.3 million, and was composed of 30,925,700,000 outstanding ordinary shares, with a nominal value of € 0.01 each.

In 2014, the Company's sole partner, performed a restructuring of the equity structure of the Company; all convertible preferred equity certificates (CPECs) and other shareholder debts held by Altice S.A. were contributed in exchange for shares in the Company. Details are given below:

	December 31, 2015	December 31, 2013
	(in € millions)	
<b>Opening balance .....</b>	<b>309.3</b>	<b>7.4</b>
Conversion of convertible instruments ("CPECs") .....	—	290.5
Conversion of Valemi Corp S.A. vendor note .....	—	0.7
Capital increase relating to Tricom S.A. closing .....	—	1.1
Capital increase relating to Orange Dominicana S.A. closing .....	—	8.6
Capital increase relating to transaction with non-controlling interests .....	—	0.9
<b>Closing balance .....</b>	<b>309.3</b>	<b>309.3</b>

There were no changes in the issued capital of the Group for the year ended December 31, 2015 as compared to the year ended December 31, 2014.

**13.2 Additional paid in capital**

As of December 31, 2015, total additional paid-in capital of the Group amounted to €318.4 million.

	December 31, 2015	December 31, 2014
	(in € millions)	
<b>Opening balance .....</b>	<b>318.4</b>	<b>5.4</b>
Conversion of shareholder debts .....	—	137.3
Conversion of Altice IV S.A. vendor note .....	—	13.9
Conversion of Valemi Corp S.A. vendor note .....	—	6.1
Share premium relating to Tricom S.A. closing .....	—	10.2
Share premium relating to the Orange Dominicana S.A. closing .....	—	77.8
Share premium relating to the Altice Blue Two S.A.S. contribution .....	—	59.7
Share premium relating to transaction with non-controlling interests .....	—	8.0
<b>Closing balance .....</b>	<b>318.4</b>	<b>318.4</b>

For the year ended December 31, 2014, the changes in additional paid in capital were related to the restructuring of various shareholder debts carried out in relation to the IPO of Altice S.A. (predecessor entity of Altice N.V.).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**13 Partner's equity (Continued)**

**13.3 Reserves**

**13.3.1 Other reserves**

The increase in the other reserves of €1,040.8 million is mainly due to the issuance of Mandatory Convertible Notes ("MCNs"), a compound financial instruments issued by the Company to finance the acquisition of PT. See note 16.5 for more details.

**13.3.2 Currency, available for sale, cash flow hedge and employee benefits reserves**

The components of the Group's reserves with their respective tax effects is provided below:

	December 31, 2015			December 31, 2014 (revised)*		
	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
	(in € millions)					
Actuarial gains and losses	(6.6)	—	(6.6)	(1.5)	—	(1.5)
<b>Items not potentially reclassified to profit and loss</b>	<b>(6.6)</b>	<b>—</b>	<b>(6.6)</b>	<b>(1.5)</b>	<b>—</b>	<b>(1.5)</b>
Available for sale	2.4	—	2.4	1.9	—	1.9
Currency reserve	4.9	—	4.9	(6.6)	—	(6.6)
Cash flow hedge	(114.1)	33.3	(80.7)	—	—	—
<b>Items potentially reclassified to profit and loss</b>	<b>(106.8)</b>	<b>33.3</b>	<b>(73.5)</b>	<b>(4.8)</b>	<b>—</b>	<b>(4.8)</b>
<b>Total other reserves</b>	<b>(113.4)</b>	<b>33.3</b>	<b>(80.1)</b>	<b>(6.3)</b>	<b>—</b>	<b>(6.3)</b>

(\*) For the revision impact please see note 30

**14 Provisions**

	December 31, 2014 (Revised)*	Business Combinations	Addition	Utilization	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2015
	(In millions €)						
Litigations	28.7	57.4	18.9	(10.8)	(0.2)	15.5	109.5
Provisions for other expenses	19.2	21.1	5.2	(3.1)	(10.2)	2.9	35.1
<b>TOTAL</b>	<b>47.9</b>	<b>78.5</b>	<b>24.1</b>	<b>(13.9)</b>	<b>(10.4)</b>	<b>18.3</b>	<b>144.7</b>

	December 31, 2013	Business Combinations	Addition	Utilization	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014
	(In millions €)						
Litigations	18.0	4.6	15.3	(9.2)	(0.3)	0.3	28.7
Provisions for other expenses	13.2	2.7	7.1	(1.2)	(1.6)	(1.0)	19.2
<b>TOTAL</b>	<b>31.2</b>	<b>7.3</b>	<b>22.4</b>	<b>(10.4)</b>	<b>(1.9)</b>	<b>(0.7)</b>	<b>47.9</b>

(\*) For the revision impact please see note 30

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Provisions (Continued)**

The caption *non-current provisions* and *current provision* shown in the consolidated statement of financial position include the provision mentioned above and the provisions regarding pension plan described in Note 15.

The increase in provisions is related mainly to the acquisition of Portugal Telecom and provisions recorded during the year to account for litigation and restructuring.

Provisions are mainly comprised of:

1. Site renovation costs: in certain cases, the Company and its subsidiaries (mainly PT) have contractual obligation to repair and renovate its technical sites and network components that are leased at the end of the contractual period or in case of an anticipated contract cancellation.
2. Provisions for litigations: These provisions include amounts for which the nature and amounts cannot be disclosed on a case by case basis as this might expose the group to further litigation. Such cases are outlined in note 31, Litigations. All litigation pending against the Group is either being heard or appealed at the date of this report.

These provisions are mainly relating to litigations that have been brought against the Group for which the Board of Managers believes that the risk of cash outflows is probable.

The Management considers that all potential risks of cash outflows on such litigations and claims is properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2015. The current portion of provisions totaled €67.3 million as of December 31, 2015.

**15. Employee benefits**

Depending on the laws and practices in force in the countries where it operates, the Group has obligations in terms of employee benefits, among others:

- In Portugal, Portugal Telecom sponsors defined benefit plans, under which it is responsible for the payment of pension supplements to retired and active employees and healthcare services to retired employees and eligible relatives. In addition, PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspend and pre-retired employees until retirement age. A detailed nature of these benefits is presented below:
  - Pension supplements—Retirees and employees of Companhia Portuguesa Rádio Marconi, S.A. (“Marconi”, a company merged into PT in 2002) hired prior to February 1, 1998 and retirees and employees of Telefones de Lisboa e Porto, S.A. (“TLP”, a company merged into PT in 1994) and Teledifusora de Portugal, S.A. (“TDP”, a company merged into PT in 1994) hired prior to June 23, 1994 are entitled to received a supplemental pension benefit, which complements the pension paid by the Portuguese social security system. In addition, on retirement, PT pays a lump sum gratuity of a fixed amount which depends on the length of service completed by the employee and its salary. Employees hired by PT or any of its predecessor companies after the dates indicated above are not entitled to these benefits and are thus covered only by the general Portuguese Government social security system.
  - Healthcare benefits—PT sponsors the payment of post-retirement health care benefits to certain suspended employees, pre-retired employees and retired employees and their eligible relatives. Health care services are rendered by PT—Associação de Cuidados de Saúde (“PT ACS”), which was incorporated with the only purpose of managing PT’s Health Care Plan. This plan, sponsored by PT, includes all employees hired by PT until December 31, 2000 and by Marconi until February 1, 1998. The financing of the Health Care Plan comprises defined contributions made by participants to PT ACS and the remainder by PT, which incorporated an autonomous fund in 2004 for this purpose.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**15. Employee benefits (Continued)**

- Salaries to suspended and pre-retired employees—PT and other subsidiaries of PT Portugal are also responsible for the payment of salaries to suspended and pre-retired employees until the retirement age, which result from agreements between both parties. These liabilities are not subject to any legal funding requirement and therefore the monthly payment of salaries is made directly by each of the subsidiaries of PT Portugal.
- In Israel, the plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. In addition, the Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies (“the plan assets”). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group’s own creditors and cannot be returned directly to the Group.

The amount included in the consolidated statement of financial position in respect of defined benefit plans is as follows:

	December 31, 2015	December 31, 2014
	(In millions €)	
Present value of defined benefit obligation . . . . .	1,112.7	34.1
Fair value of plan assets . . . . .	(186.0)	(23.0)
<b>Unfunded status</b> . . . . .	<b>926.8</b>	<b>11.2</b>

Movements in the present value of defined benefit obligation were as follows:

	December 31, 2015	December 31, 2014
	(In millions €)	
<b>Balance as of January 1</b> . . . . .	<b>34.1</b>	<b>29.3</b>
Business combinations . . . . .	1,153.6	—
Interest expense . . . . .	8.2	0.9
Current service cost . . . . .	5.5	3.1
Participant contribution . . . . .	0.7	0.3
Benefit paid . . . . .	(100.4)	(2.9)
Settlement . . . . .	—	—
Curtailment . . . . .	6.7	(0.2)
Net actuarial loss/(gain) in net income . . . . .	—	0.1
Net actuarial loss/(gain) in other comprehensive income . . . . .	1.2	3.0
Other (including currency translation adjustment) . . . . .	3.2	0.2
<b>Balance as of December 31</b> . . . . .	<b>1,112.7</b>	<b>34.1</b>
<i>including commitments not financed</i> . . . . .	643.9	3.1
<i>including commitments totally financed or partially financed</i> . . . . .	468.9	31.0

As of December 31, 2015, the line Business Combination includes the effect of the acquisition of Portugal Telecom (see note 3).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**15. Employee benefits (Continued)**

Movements in the fair value of plan assets were as follows:

	December 31, 2015	December 31, 2014
	(In millions €)	
<b>Balance as of January 1</b> .....	<b>23.0</b>	<b>21.1</b>
Business combinations .....	177.1	—
Interest income .....	3.4	0.6
Deposits paid by the employer into the plan .....	2.5	2.2
Participant contributions .....	0.4	0.3
Benefits paid .....	(19.2)	(1.8)
Settlement .....	—	—
Curtailment .....	—	—
Net actuarial (loss)/gain in other comprehensive income .....	(3.7)	0.3
Other (including currency translation adjustment) .....	2.6	0.3
<b>Balance as of December 31</b> .....	<b>186.0</b>	<b>23.0</b>
<b>Total net liabilities</b> .....	<b>926.8</b>	<b>11.1</b>

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	December 31, 2015	December 31, 2014
	(In millions €)	
Current service cost .....	5.5	3.1
Net Interest expense .....	4.8	0.3
Settlement .....	—	—
Curtailment .....	6.7	—
Net actuarial loss/(gain) .....	(0.1)	0.1
<b>Total expenses in respect of employee benefits in profit and loss</b> .....	<b>16.9</b>	<b>3.6</b>
Net actuarial loss .....	4.9	2.7
Other OCI (including currency translation adjustment) .....	0.7	0.1
<b>Total expenses in respect of employee benefits in other comprehensive income</b> .....	<b>5.5</b>	<b>2.8</b>

The detail of the actuarial gains and losses recorded in Other comprehensive income for the year ended December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
<b>Net actuarial loss/(gain)</b>		
—actuarial differences from experience—Defined benefit obligation .....	19.7	0.2
—actuarial differences from change in assumptions- Defined benefit obligation .....	(18.5)	3.0
—actuarial return on plan assets (excluding interests income) .....	3.7	(0.3)
<b>Total</b> .....	<b>4.9</b>	<b>2.7</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**15. Employee benefits (Continued)**

The principal actuarial assumptions for the **euro zone** used for the purposes of the actuarial valuations were as follows:

	December 31, 2015	December 31, 2014
Expected rate of salary increase .....	0-2%	3.0%
Discount rate—Pension .....	1.9%	2%
Discount rate—Salaries to suspended and pre-retired .....	0.5%	—
Discount rate—Healthcare .....	2.25%	—
Inflation rate .....	2%	2%

The principal actuarial assumptions for the **other areas** used for the purposes of the actuarial valuations were as follows:

	December 31, 2015	December 31, 2014
Expected rate of salary increase .....	1-4%	1-4%
Discount rate—Pension .....	2.1%	2.4%
Inflation rate .....	1.2%	1.2%

Significant actuarial assumption for the determination of the defined obligation is discount rate. A variation of discount rate will have the following impact on the Defined Benefit Obligation:

	2015
Obligation with discount rate—decrease 0.25% .....	1,131.6
Obligation at current discount rate .....	1,112.7
Obligation with discount rate—increase 0.25% .....	1,094.5

The fair value of the plan assets at the end of the reporting period for each category, are as follows as of December 31, 2015:

	Amount	%
Shares .....	23.9	13%
Bonds .....	60.9	33%
Real estate .....	4.2	2%
Other .....	97.0	52%
<b>Total</b> .....	<b>186.0</b>	<b>100%</b>

The fair value of the plan assets at the end of the reporting period for each category, are as follows as of December 31, 2014:

	Amount	%
Shares .....	1.5	7%
Bonds .....	2.5	11%
Real estate .....	1.7	7%
Other .....	17.3	75%
<b>Total</b> .....	<b>23.0</b>	<b>100%</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

	December 31, 2015	December 31, 2014 (Revised)*
	(In millions €)	
Long term borrowings, financial liabilities and related hedging instruments	<b>7,843.3</b>	<b>3,603.6</b>
— <i>Debentures</i>	5,639.8	2,729.8
— <i>Loans from financial institutions</i>	2,201.7	846.1
— <i>Derivative financial instruments</i>	1.8	27.7
Other non-current financial liabilities and related hedging instruments	<b>963.9</b>	<b>142.6</b>
— <i>Finance leases</i>	62.8	16.8
— <i>Other financial liabilities</i>	901.1	125.8
<b>Non-current liabilities</b>	<b>8,807.2</b>	<b>3,746.3</b>
Short-term borrowings, financial liabilities	<b>216.6</b>	<b>166.6</b>
— <i>Debentures</i>	29.7	26.7
— <i>Loans from financial institutions</i>	186.9	139.9
Other financial liabilities:	<b>463.1</b>	<b>94.8</b>
— <i>Other financial liabilities</i>	296.8	27.2
— <i>Bank overdraft</i>	0.9	0.1
— <i>Accrued interests</i>	137.7	58.9
— <i>Finance leases</i>	27.7	8.6
<b>Current liabilities</b>	<b>679.7</b>	<b>261.4</b>
<b>Total</b>	<b><u>9,486.9</u></b>	<b><u>4,007.6</u></b>

**16.1 Loans from financial institutions and debentures**

As at December 31, 2015, the details of the loans from financial institutions and bonds are given in the sections that follow.

The maturities of borrowings are given below:

	December 31, 2015	< 1 year	One year or more	December 31, 2014 (revised)*
	(In millions €)			
Debentures	5,669.5	29.7	5,639.8	2,756.5
Loans from financial institutions	2,388.6	186.9	2,201.7	986.0
<b>Total</b>	<b><u>8,058.1</u></b>	<b><u>216.6</u></b>	<b><u>7,841.5</u></b>	<b><u>3,742.5</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

**16.2 Debentures**

Compared to the year ended December 31, 2014, the Group issued new bonds to finance the acquisition of Portugal Telecom.

<u>Instrument</u>	<u>Issuer</u>	<u>Fair value in millions of euros December 31, 2015</u>	<u>Coupon</u>	<u>Year of maturity</u>	<u>Carrying amount December 31, 2015 (excluding EIR impact)</u>	<u>Carrying amount December 31, 2014</u>
—Debentures .....			Between 3.9% and 6.9% + Consumer Price Index			
	HOT Telecom Ltd.	278.5		2018	254.7	257.0
—Senior Secured Notes USD 460 M .....	Altice Financing S.A.	439.4	7.875%	2019	422.5	380.1
—Senior Secured Notes EUR 210M .....	Altice Financing S.A.	218.7	8.00%	2019	210.0	210.0
—Senior Secured Notes EUR 300M .....	Altice Financing S.A.	314.5	6.5%	2022	300.0	300.0
—Senior Secured Notes USD 900M .....	Altice Financing S.A.	816.3	6.5%	2022	826.7	743.2
—Senior Notes USD 425M .....	Altice Finco S.A.	408.4	9.875%	2020	390.4	351.9
—Senior Notes EUR 250M .....	Altice Finco S.A.	278.3	9.00%	2023	250.0	250.0
—Senior Notes USD 400M .....	Altice Finco S.A.	351.8	8.125%	2024	367.4	330.3
—Senior Secured Notes USD 2,060M .....	Altice Financing S.A.	1,863.8	6.625%	2023	1,892.2	—
—Senior Notes USD 385M .....	Altice Finco S.A.	326.2	7.625%	2025	353.6	—
—Senior Secured Notes EUR 500M .....	Altice Financing S.A.	498.3	5.25%	2023	500.0	—
<i>Transaction costs .....</i>					<i>(98.0)</i>	<i>(66.0)</i>
<b>Total value of bonds .....</b>		<b>5,794.2</b>			<b>5,669.5</b>	<b>2,756.5</b>
<i>Of which due within one year .....</i>		<i>29.7</i>			<i>29.7</i>	<i>26.7</i>
<i>Of which due after one year .....</i>		<i>5,764.6</i>			<i>5,639.8</i>	<i>2,729.8</i>

All instruments listed above are level 1 financial instruments.

Credit ratings of the most significant instruments as at December 31, 2015 are as follows:

<u>Instruments issued by</u>	<u>Rating</u>
Altice Financing	B1/BB-
Altice Finco	B3/B-

The Senior Notes 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 Debentures issued by Hot Telecom have the following characteristics:

- a) HOT's Series A' debentures-€151 million, linked to the Consumer Prices Index for Tel Aviv. Series A' debentures which are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018. They bear yearly interest at a fixed rate of 3.9%.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

- b) (b) HOT's Series B' debentures-€127.5 million which 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.

Except for the amortising bond issued by HOT, no other debentures have any current portions.

**16.3 Covenants**

The debt issued by the subsidiaries of the Company is subject to certain restrictive covenants, which apply in the case of debt issued by Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries.

Other than the HOT Debentures and the revolving credit facilities described below, such debt issued by the subsidiaries of the Company is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted group's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

In order to be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

Our Senior Secured Debt is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Debt) and our Senior Debt is subject to an incurrence test of 4:1 (Adjusted EBITDA to Net Debt).

We also have access to different revolving credit facilities, which also are subject only to incurrence based covenants (no maintenance covenants). The terms of these facilities include certain incurrence based covenants that are no more restrictive than the incurrence covenants contained in our other debt instruments. The covenants for the RCFs that had been drawn on for the year ended December 31, 2015 are given below:

<u>Facility</u>	<u>Applicable Restricted Group</u>	<u>Financial Covenant</u>	<u>Testing</u>
Altice International Pari Passu RCF EUR 501M	Altice International and its restricted subsidiaries	Consolidated Net Leverage Ratio of Altice International ≤5.25:1	If there are utilisations outstanding at the end of each relevant period

The Company or its relevant subsidiaries are 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 in the relevant debt instruments.

We were in compliance with all our covenants as of December 31, 2015.

**16.4 Loans from financial institutions**

Compared to the year ended December 31, 2014, the increase in the loans from financial institutions is mainly explained by new term loans granted by credit institutions as follows:

Altice Financing was provided by credit institutions to finance the acquisition of Portugal Telecom the following:

- (i) A €400 million term loan facility with a maturity of seven years and bearing interest at Euribor (3m)+4.25%, with a Euribor floor of 1%, and

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

- (ii) A \$500 million (€459.3 million equivalent) term loan facility with a maturity of seven years and bearing interest at Libor (3m)+4.25%, with a Libor floor of 1%.

A mandatory quarterly repayment of 0.25% of the nominal amount is effective from the first full quarter following the acquisition of Portugal Telecom for both the term loans listed above.

In July 2015, to refinance amounts drawn on its RCF, Altice Financing S.A. was provided by credit institution:

- (i) A €450 million term loan facility with a maturity of seven years and bearing interest at Euribor 3m+3.5% (with a 1% floor) issued by Altice Financing S.A.,

All new term loans are amortised at the rate of 1% annually.

As of December 31, 2015, the loans from financial institutions are composed of the following:

	December 31, 2015	< 1 year	One year or more	December 31, 2014
		(In millions €)		
Altice Financing Term Loans .....	2,194.6	22.6	2,172.0	820.1
Altice Financing RCF .....	160.0	160.0	—	126.2
Others .....	34.0	4.3	29.7	39.8
<b>Total</b> .....	<b><u>2,388.6</u></b>	<b><u>186.9</u></b>	<b><u>2,201.7</u></b>	<b><u>986.0</u></b>

*Available credit facilities:*

As of December 31, 2015, the Group had access to the following revolving credit and guarantee facilities, for a total amount of euro equivalent amount of €999.5 million:

- Revolving credit facilities:
  - (i) Altice Financing S.A.: €80 million, €501 million and €330 million (of which €160 million drawn as of December 31, 2015);
  - (ii) Altice Financing S.A.: \$80 million, equivalent to €73.5 million as at December 31, 2015;
- Guarantee facilities:
  - (i) Altice Financing S.A.: €15 million.

As of December 31, 2015, compared to December 31, 2014, all previously drawn credit facilities had been fully repaid, with the exception of the €501 million facility at Altice Financing S.A., which remained drawn for an aggregate amount of €160 million.

**16.5 Other financial liabilities**

Other financial liabilities mainly consist of Altice International MCNs:

On June 2, 2015, the Company issued Mandatory Convertible Notes for an aggregate amount of €2,055 million, which were entirely subscribed by the Company's sole Partner, Altice S.A. (and subsequently assumed by Altice Luxembourg S.A. refer to note 1). These instruments are compound financial instruments that contains both a liability and an equity component.

As per the terms and conditions of the instruments, the notes bear interest at the weighted average blended rate of the senior debt issued by Altice S.A. to finance the acquisition of PT and an arm's length margin. As per the guidelines of IAS 39, the net present value of future coupon payments has been recorded as a financial liability. The difference between the nominal amount and the liability has been recorded as equity (see note 13.3).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

The following parameters were used to calculate the debt portion:

- Coupon: 7.12%
- Maturity: 9.7 years
- Coupon frequency: semi-annual

The present value of future payments was recorded as *other financial liabilities* and amounted to €1,052.9 million as of December 31, 2015. Out of this amount, €219.7 million has been recognized as current liabilities, including €75.0 million of unpaid interests.

**16.6 Maturity of financial liabilities**

	December 31, 2015	< 1 year	Between 1 and 5 years	> 5 years
	(In millions €)			
Loans, debentures and related hedging instruments	8,058.1	216.6	2,156.3	5,685.2
Financial instruments	1.8	—	—	1.8
Finance leases	90.5	27.7	62.8	—
Accrued interest	137.7	137.7	—	—
Bank overdraft	0.9	0.9	—	—
Other financial liabilities	1,197.9	296.8	101.2	799.9
<b>Nominal value of borrowings</b>	<b>9,486.9</b>	<b>679.7</b>	<b>2,320.4</b>	<b>6,486.9</b>

	December 31, 2014	< 1 year	Between 1 and 5 years	> 5 years
	(In millions €)			
Loans, debentures and related hedging instruments	3,742.4	166.6	1,630.2	1,945.6
Financial instruments	27.7	—	27.7	—
Finance leases	25.4	8.6	16.8	—
Accrued interest	58.9	58.9	—	—
Bank overdraft	0.1	0.1	—	—
Other financial liabilities	153.1	27.2	125.8	—
<b>Nominal value of borrowings</b>	<b>4,007.6</b>	<b>261.4</b>	<b>1,800.6</b>	<b>1,945.6</b>

**16.7 Currency of borrowings**

	December 31, 2015	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc	Dominican Pesos
	(In millions €)					
Loans, debentures and related hedging instruments	8,058.1	2,229.1	5,535.2	254.7	39.1	—
Financial instruments	1.8	1.8	—	—	—	—
Finance leases	90.5	73.2	7.1	9.1	1.0	—
Accrued interest	137.7	36.6	97.7	3.3	—	—
Bank overdraft	0.9	0.9	—	—	—	—
Other financial liabilities	1,197.9	1,118.0	2.0	69.3	0.3	8.3
<b>TOTAL</b>	<b>9,486.9</b>	<b>3,459.2</b>	<b>5,642.0</b>	<b>336.4</b>	<b>40.4</b>	<b>8.3</b>



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**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

	December 31, 2014	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc	Dominican Pesos
			(In millions €)			
Loans, debentures and related hedging instruments . . . . .	3,742.5	820.8	2,626.1	256.9	38.8	—
Financial instruments . . . . .	27.7	27.7	—	—	—	—
Finance leases . . . . .	25.4	7.1	—	16.8	1.5	—
Bank overdraft . . . . .	0.1	0.1	—	—	—	—
Accrued interest . . . . .	58.9	19.9	35.6	3.4	—	—
Other financial liabilities . . . . .	153.1	118.6	—	23.8	0.6	10.1
<b>TOTAL</b> . . . . .	<b><u>4,007.6</u></b>	<b><u>994.2</u></b>	<b><u>2,662.1</u></b>	<b><u>300.6</u></b>	<b><u>40.7</u></b>	<b><u>10.1</u></b>

**16.8 Nature of interest rate**

	Total as of December 31, 2015	Fixed interest rate	Floating interest rate
		(In millions €)	
Loans, debentures and related hedging instruments . . . . .	8,058.1	5,669.5	2,388.6
Financial instruments . . . . .	1.8	—	1.8
Finance leases . . . . .	90.5	90.5	—
Bank overdraft . . . . .	0.9	0.9	—
Accrued interest . . . . .	137.7	109.5	28.2
Other financial liabilities . . . . .	1,197.9	1,197.9	—
<b>TOTAL</b> . . . . .	<b><u>9,486.9</u></b>	<b><u>7,068.2</u></b>	<b><u>2,418.7</u></b>

	Total as of December 31, 2014	Fixed interest rate	Floating interest rate
		(In millions €)	
Loans, debentures and related hedging instruments . . . . .	3,742.5	2,756.5	986.0
Financial instruments . . . . .	27.7	—	27.7
Finance leases . . . . .	25.4	25.4	—
Bank overdraft . . . . .	0.1	0.1	—
Accrued interest . . . . .	58.9	57.0	1.9
Other financial liabilities . . . . .	153.1	153.1	—
<b>TOTAL</b> . . . . .	<b><u>4,007.6</u></b>	<b><u>2,992.1</u></b>	<b><u>1,015.6</u></b>

**16.9 Derivatives and hedge accounting**

As part of its financial risk management strategy, the Group has entered into certain hedging operations. These are split mainly into either fixed to fixed or fixed to floating cross-currency swaps that cover against interest rate risk, or forward swaps that cover against foreign exchange risk. The Group applies hedge accounting for those hedging operations that meet the eligibility criteria as defined by IAS 39. A summary of swaps that are not classified as cash flow hedges is provided below:

A coupon only cross-currency swap transaction covering USD 200 million of the USD 425 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 9.7%

A coupon only cross-currency swap transaction covering USD 225 million of the USD 460 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on

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**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of €186 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 5.9% and 7.6%

A coupon only cross-currency swap transaction covering €100 million of the €210 million principal of Altice Financing's Senior Secured Euro Notes (of which €10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to €100 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 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 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 €446 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate and a fixed spread between 4.5% and 4.8%

A forward transaction covering USD 550 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 of which USD 95.5 million is unhedged) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.127-4.317 ILS/USD.

A forward transaction covering USD 239.5 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 of which USD 95.5 million is unhedged) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate of 3.678 ILS/USD.

A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan (of which USD 200 is unhedged) 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 €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 425 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 4.127 ILS/USD.

A coupon only forward transaction covering USD 225 million of the USD 460 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 4.127 ILS/USD.

A coupon only forward transaction covering €100 million of the €210 million Senior Secured Notes issued by Altice Financing (of which €10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.164 ILS/EUR.

On February 4, 2015, the Group issued debt to finance the acquisition of Portugal Telecom. A part of this debt was issued in USD, which is different from the functional currency of the underlying entities. In order to mitigate risks arising from the variations in foreign exchange rates (the benefiting operating entities generate cash flows in euros which will be used to service this debt), the Group has entered into cross currency swaps for interest and principal payments in order to secure future cash flows in its functional currency.

As part of this operation, a hedging transaction was implemented to swap the entire amount of the USD tranche into € at a fixed exchange rate. Additionally, the fixed coupon on the USD tranche was swapped into a fixed rate to match the swap into EUR. The Group has decided to apply hedge accounting to record this hedging transaction. In addition to the fixed/fixed cross currency swaps, the

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

Group has also entered into a floating/floating cross-currency swap for its USD nominated term loans, which swap a Libor indexed interest rate into a Euribor indexed interest rate. As per analysis performed by the Group, these hedge transactions were not eligible to be designated as cash flow hedges as per the provisions of IAS 39, as these debts include a minimum interest rate floor of 1%.

These operations were designated as cash flow hedges by the Group. The principal characteristics are given below:

Hedged items:

- \$2,060 million bonds bearing interest at a coupon of 6.625%
- \$385 million bonds bearing interest at 7.625%.

Hedging instruments:

- Cross currency swaps, swapping fixed USD coupon payments into fixed euro payments. The fixed EUR/USD rate was fixed at 1.1312.

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

Nominal USD (In millions)	Nominal EUR (In millions)	Effective date	Termination date (*)	USD coupon	EUR coupon
<b>Fixed/Fixed cross currency swap</b>					
2,060.0	1,821.1	04/02/2015	15/05/2023	6.625%	5.236% to 5.306%
385.0	340.3	04/02/2015	15/05/2023	7.625%	6.184% to 6.254%
<b>LIBOR/EURIBOR Interest rate swap</b>					
500.0	442.0	04/02/2015	04/02/2022	L+4.25%	E+4.163% to E+4.233%
1,340.0	1,184.0	10/11/2015	31/01/2023	L+4.00%	E+4.130%

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

Thus, the fair value of the derivative instrument was recorded in other comprehensive income for the year ended December 31, 2015. Before the impact of taxes, an expense of €114.1 million was recorded as other comprehensive income (€80.7 million net of taxes).

**16.10 Reconciliation to swap adjusted debt**

As mentioned in the note above, the Group has entered into various hedge transactions in order to mitigate interest rate and FX risks on the different debt instruments issued by the Group.

Such instruments cover both the principal and the interests due on different debts (both debentures and loans from financial institutions).

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**Notes to the consolidated financial statements (Continued)**

**16. Borrowings and other financial liabilities (Continued)**

A reconciliation between the carrying amount of the Group's financial debt and the due amount of the debts after taking into account the effect of the hedge operations (the "Swap adjusted debt") are given below:

	December 31, 2015		
	In million €		
	Nominal amount as recorded in statement of financial position	Transaction Costs	Nominal Amount Excl. impact of transaction costs
Total debenture and loans from financial institutions . . . . .	8,059.9	143.4	8,202.3
Value of debenture and loans from financial institutions in foreign currency converted at closing spot rate . . . . .	—	—	(4,195.7)
Value of debenture and loans from financial institutions in foreign currency converted at hedged rates . . . . .	—	—	4,039.0
<b>Total swap adjusted value of debentures and loans from financial institutions . . . . .</b>	<b>8,059.9</b>	<b>143.4</b>	<b>8,045.4</b>

**17. Obligations under finance leases**

The Group leased certain of its office facilities and datacenters under financial leases. The Group has options to purchase the assets 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.

In addition, the Group has operating leases relating to building space and other technical assets and other assets such as automobiles under long term contracts.

The future minimum lease payments on operating and finance leases to which the Group is committed are shown as follows:

	Minimum lease payments December 31, 2015 (In € millions)	
	Operating lease	Finance leases
Less than one year . . . . .	81.3	30.8
Between one and two years . . . . .	63.1	16.7
Between two and three years . . . . .	52.7	14.2
Between three and four years . . . . .	48.3	13.7
Five years and beyond . . . . .	69.8	23.2
<b>Total minimum payments . . . . .</b>	<b>315.2</b>	<b>98.6</b>
Less: future finance expenses . . . . .	—	(8.1)
<b>Nominal value of contracts . . . . .</b>	<b>—</b>	<b>90.5</b>
Included in the consolidated financial statements as:		
— <b>Current borrowings (note 16)</b> . . . . .		<b>27.7</b>
— <b>Non-current borrowings (note 16)</b> . . . . .		<b>62.8</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**17. Obligations under finance leases (Continued)**

	Minimum lease payments December 31, 2014 (In € millions)	
	Operating lease	Finance leases
Less than one year . . . . .	48.0	8.6
Between one and two years . . . . .	23.4	9.7
Between two and three years . . . . .	23.4	4.2
Between three and four years . . . . .	23.4	2.7
Five years and beyond . . . . .	15.2	2.8
<b>Total minimum payments</b> . . . . .	<b>133.5</b>	<b>28.1</b>
Less: future finance expenses . . . . .	—	(2.7)
<b>Nominal value of contracts</b> . . . . .	<b>—</b>	<b>25.4</b>
Included in the consolidated financial statements as:		
— <b>Current borrowings (note 16)</b> . . . . .		<b>8.6</b>
— <b>Non-current borrowings (note 16)</b> . . . . .		<b>16.8</b>

**18 Financial risk factors**

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

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

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

**18.1 Credit risk**

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

The Group's income mainly derives from customers in Israel, in Dominican Republic, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt. Additionally, our retail customers represent a major portion of our revenues and these clients generally pay in advance for the services they buy from us.

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

**18.2 Liquidity risk**

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

The Group has a strong track record of driving operating free cash flow generation and specializes in turning around struggling businesses and optimizing the cash generation of existing businesses. As all our external debt is issued and managed centrally, executive Managers of the Group have a significant amount of control and visibility over the payments required to satisfy our obligations under the different external debts.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**18 Financial risk factors (Continued)**

Additionally, the Group has access to undrawn revolving credit facilities for an aggregate amount of €983.5 million (of which €160 million was drawn as of December 31, 2015) to cover any liquidity needs not met by operating cash flow generation.

**18.3 Market risks**

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

**18.3.1 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 Company 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, 2015	December 31, 2014
	(In millions €)	
Financial debt at fixed rates .....	7,068.2	2,992.1
Financial debt at variable rates .....	2,418.7	1,015.6
<b>TOTAL</b> .....	<b>9,486.9</b>	<b>4,007.6</b>

The Group's proportion of variable rate debt increased from 25.3% for the year ended December 31, 2014 to 25.5% for the year ended December 31, 2015. When it can, the Group endeavours to issue fixed rate debt (which also typically offers longer maturities).

The Group has entered into different hedging contracts to manage interest rate risk related to debt instruments with variable interest rates. See note 16.9 for more information.

No sensitivity analysis was performed on the impact of an increase of interest rates applicable to floating rate debt, given the Euribor/Libor floor in place. We do not expect that in a near future a reasonable change in interest rate would lead to Euribor/Libor rate greater than the floor rate.

**18.3.2 Israeli CPI risk**

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI (Consumer Price Index). 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 Company is exposed to changes in the Israeli CPI amounted to approximately €181.5 million (NIS 771 million) as of December 31, 2015 (€180.5/NIS 853 million as of December 31, 2014).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**18 Financial risk factors (Continued)**

**18.3.3 Foreign currency management**

1. Foreign currency ("FX") sensitivity analysis

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

	December 31, 2015			
	Israeli Shekel	Swiss Franc	Dominican Pesos	Total
	(In millions €)			
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....	1.4	(1.1)	(4.3)	<b>(4.0)</b>
Decrease of 10% in exchange rate .....	(1.4)	1.1	4.3	<b>4.0</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....	99.5	0.5	0.8	<b>100.8</b>
Decrease of 10% in exchange rate .....	(99.5)	(0.5)	(0.8)	<b>(100.8)</b>
	December 31, 2014			
	Israeli Shekel	Swiss Franc	Dominican Pesos	Total
	(In millions €)			
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....	3.4	0.3	0.7	<b>2.9</b>
Decrease of 10% in exchange rate .....	(3.4)	(0.3)	(0.7)	<b>(2.9)</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....	89.3	1.4	(13.0)	<b>77.7</b>
Decrease of 10% in exchange rate .....	(89.3)	(1.4)	13.0	<b>(77.7)</b>

On the basis of the analysis provided above, the Board of Managers believes that the Group's exposure to FX rate risks is limited.

Exchange differences recorded in the income statement represented a loss of €59.7 million in 2015 (2014: loss of €143.5 million).

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

Additionally, the Group is exposed to foreign currency risk on the different debt instruments that it has issued over time. The Board of Managers believes that the FX price risk related to such debt issuance is limited as:

- (i) Foreign currency debt issued in currencies other than Euros or USD is borne by companies that have issued such debt in their functional currencies.
- (ii) A portion of the USD debt issued by subsidiaries of the Group is hedged to manage the associated FX risk. A reconciliation between the nominal amount of the total debt measured at its balance sheet rate and the swap adjusted debt is presented in note 16.10.

**18.3.4 Price risk**

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by reference to the quoted market price. As of December 31, 2015, the carrying amount of these investments was €5.3 million (€5.5 million as of December 31, 2014).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**18 Financial risk factors (Continued)**

**18.4 Fair value of financial assets and liabilities**

**18.4.1 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Company'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
	31/12/2015	31/12/2014				
<b>Financial Liabilities</b>						
Foreign currency forward contracts and interest rate swaps (see note 16.9) . . . . .	1.8	(27.7)	Level 2	Zero curve	N/A	N/A
<b>Financial Assets</b>						
Interest rate swaps (see note 9) . . . . .	60.1	—	Level 2	Zero curve	N/A	N/A
<b>AFS</b>						
—Wananchi <sup>(1)</sup> . . . . .	1.2	36.5	Level 3	Discounted cash flows	Weighted Average Cost of Capital	N/A
—Partner and Co. . . . .	5.3	5.5	Level 1	Quoted price in an active market	N/A	N/A

(1) An impairment of €35.2 million was recorded in the consolidated statement of income related to this investment for the year ended December 31, 2015.

**18.4.2 Reconciliation of Level 3 fair value measurements**

	Available for sale (unlisted shares)	Others	Total
	(In € million)		
December 31, 2015			
Opening balance . . . . .	36.5	—	36.5
Additions . . . . .	—	—	—
Total gains or losses:			
—in profit or loss . . . . .	(35.2)	—	(35.2)
—in other comprehensive income . . . . .	—	—	—
Closing balance . . . . .	<u>1.2</u>	<u>—</u>	<u>1.2</u>
	Available for sale (unlisted shares)	Others	Total
	(In € million)		
December 31, 2014			
Opening balance . . . . .	31.9	—	31.9
Total gains or losses:			
—in profit or loss . . . . .	—	—	—
—in other comprehensive income . . . . .	4.6	—	4.6
Closing balance . . . . .	<u>36.5</u>	<u>—</u>	<u>36.5</u>



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**Notes to the consolidated financial statements (Continued)**

**19. Trade and other payables**

	December 31, 2015	December 31, 2014
	(In millions €)	
Trade payables .....	1.359.0	469.8
Corporate and social security contributions .....	44.9	35.0
Indirect tax payables .....	93.5	38.0
Other payables .....	1.3	0.4
<b>Total trade and other payables .....</b>	<b><u>1,498.7</u></b>	<b><u>543.2</u></b>

The increase in trade and other payables is mainly attributable to the acquisition of PT-Portugal.

**20. Other current and non-current liabilities**

	December 31, 2015	December 31, 2014
	(In millions €)	
Current deferred revenue <sup>(1)</sup> .....	275.2	104.4
Other current liabilities .....	28.0	46.8
<b>Total other current liabilities .....</b>	<b><u>303.2</u></b>	<b><u>151.2</u></b>
Non-current deferred revenue <sup>(2)</sup> .....	4.5	8.3
Fixed asset payables .....	4.8	4.8
Other liabilities non-current .....	13.6	4.1
<b>Total other non-current liabilities .....</b>	<b><u>22.9</u></b>	<b><u>17.1</u></b>

1. Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off as well as those generated by sales of prepaid mobile contracts at PT and ODO.

2. Non-current deferred revenues result from multi-year contracts with business customers.

**21. Classification and fair value of financial assets and liabilities**

On December 31, 2015 and 2014, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2015			
	Book value	Amortized cost	Fair Value	
			Derivative instruments	Assets available for sale
	(In millions €)			
<b>Current assets</b>				
Cash and cash equivalents .....	266.0	266.0	—	—
Restricted cash .....	0.4	0.4	—	—
Trade and other receivables .....	995.7	995.7	—	—
Other current assets .....	36.2	36.2	—	—
<b>Non-current assets</b>				
Loans and receivables .....	323.8	323.8	—	—
Available for Sale .....	6.5	—	—	6.5
Other Financial assets .....	70.0	9.9	60.1	—
Other long-term trade receivables .....	36.6	36.6	—	—
	<b><u>1,735.1</u></b>	<b><u>1,668.5</u></b>	<b><u>60.1</u></b>	<b><u>6.5</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21. Classification and fair value of financial assets and liabilities (Continued)**

	Book value	Amortized cost	Fair value
<b>Current liabilities</b>			
Borrowings .....	216.6	216.6	—
Trade and other payables .....	1,498.7	1,498.7	—
Other financial liabilities .....	463.1	463.1	—
Other current liabilities .....	303.2	303.2	—
<b>Non-current liabilities</b>			
Borrowings .....	7,843.3	7,841.5	1.8
Other financial liabilities .....	963.9	963.9	—
Other non-current liabilities .....	22.9	22.9	—
	<u>11,311.6</u>	<u>11,309.9</u>	<u>1.8</u>

December 31, 2014

	Book value	Amortized cost	Fair Value	
			Derivative Instruments	Assets available for sale
(In millions €)				
<b>Current assets</b>				
Cash and cash equivalents .....	188.1	188.1	—	—
Restricted cash .....	—	—	—	—
Trade and other receivables .....	280.8	280.8	—	—
Other current assets .....	17.1	17.1	—	—
<b>Non-current assets</b>				
Restricted cash .....	—	—	—	—
Loans and receivables .....	18.0	18.0	—	—
Available for Sale .....	42.0	—	—	42.0
Other Financial assets .....	0.2	0.2	—	—
Other long-term trade receivables .....	24.7	24.7	—	—
	<u>571.2</u>	<u>529.0</u>	<u>—</u>	<u>42.0</u>

	Book value	Amortized cost	Fair value
<b>Current liabilities</b>			
Borrowings .....	166.6	166.6	—
Trade and other payables .....	543.2	543.2	—
Other payables .....	94.9	94.9	—
Other current liabilities .....	151.2	151.2	—
<b>Non-current liabilities</b>			
Borrowings .....	3,603.6	3,575.9	27.7
Other financial liabilities .....	142.6	142.6	—
Other non-current liabilities .....	17.1	17.1	—
	<u>4,719.4</u>	<u>4,691.7</u>	<u>27.7</u>

**22. Taxation**

Income taxes are detailed as follows:

	December 31, 2015	December 31, 2014 (revised)*
(In millions €)		
Current taxes .....	(90.9)	(34.2)
Deferred taxes .....	11.2	22.1
<b>TOTAL</b> .....	<u>(79.7)</u>	<u>(12.1)</u>

(\*) For the revision impact please see note 30

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**22. Taxation (Continued)**

Before netting deferred tax assets and liabilities by fiscal entity, the components of deferred tax balances are as follows:

	December 31, 2015	December 31, 2014 (revised)*
	(In millions €)	
Employee benefits .....	303.6	1.3
Other temporary non-deductible provisions .....	95.8	(0.2)
Fair value adjustment (derivative) .....	(8.0)	—
Difference between tax and accounting depreciation .....	(673.9)	(202.5)
Other temporary tax deductions .....	7.8	55.9
Net operating losses and tax carry forward, net of allowance .....	1,013.4	723.2
Valuation allowances for deferred tax asset .....	(788.6)	(700.6)
<b>TOTAL</b> .....	<b>(49.9)</b>	<b>(122.9)</b>

(\*) For the revision impact please see note 30

After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the statement of financial position as follows:

	December 31, 2015	December 31, 2014 (revised)*
	(In millions €)	
Deferred tax assets .....	442.7	136.1
Deferred taxes liabilities .....	(492.6)	(259.0)
<b>TOTAL</b> .....	<b>(49.9)</b>	<b>(122.9)</b>

(\*) For the revision impact please see note 30

The net deferred tax variation in the statement of financial position is analysed as follows:

	December 31, 2015	December 31, 2014 (revised)*
	(In millions €)	
<b>Opening balance</b> .....	<b>(122.9)</b>	<b>(135.7)</b>
Deferred tax on income .....	11.2	29.4
Deferred tax on shareholder's equity .....	33.3	7.3
Change in consolidation scope .....	37.8	(24.2)
Currency translation adjustment .....	(8.9)	0.4
<b>Closing balance</b> .....	<b>(49.9)</b>	<b>(122.9)</b>

(\*) For the revision impact please see note 30

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**22. Taxation (Continued)**

The reconciliation between the effective tax rate and the theoretical tax rate:

	December 31, 2015	December 31, 2014 (revised)*
	(In millions €)	
<b>Loss for the year</b> .....	<b>(276.9)</b>	<b>(195.5)</b>
Share of profit in associates .....	2.1	—
Tax charge (expenses)/ income .....	(79.7)	(12.1)
<b>Loss before income tax and associates</b> .....	<b>(199.3)</b>	<b>(183.4)</b>
Statutory tax rate <sup>(1)</sup> .....	29.22%	29.22%
Income tax calculated on theoretical tax .....	58.2	53.3
<b>Impact of:</b>		
Differences between Parent company and foreign income tax rates .....	(8.6)	10.7
Effect of permanent differences .....	(87.5)	(58.9)
Recognition of tax losses and variation in related allowances .....	(0.8)	(42.9)
Effect of change in tax rate .....	4.9	—
Other movements .....	(45.8)	25.7
<b>Income tax expense</b> .....	<b>(79.7)</b>	<b>(12.1)</b>
<b>Effective tax rate</b> .....	<b>(40.0)%</b>	<b>(6.8)%</b>

(\*) For the revision impact please see note 30

(1) Statutory tax rate applicable in Luxembourg

Permanent differences are mainly due to financial interests that are non-deductible, penalties and other non-deductible expenses.

**Net operating losses and carried forward tax credits**

Deferred tax assets related to carried forward tax credit on net operating losses expire in the following years:

	December 31, 2015	December 31, 2014 (revised)*
	(In millions €)	
2016 .....	0.8	11.5
Between 2017- 2020 .....	8.4	14.5
2021 .....	296.8	—
Unlimited .....	707.4	697.2
<b>Net operating losses and tax carry forward, gross</b> .....	<b>1,013.4</b>	<b>723.2</b>
Valuation allowance .....	(788.6)	(700.6)
<b>Net operating losses and tax carry forward, net</b> .....	<b>224.9</b>	<b>22.6</b>

(\*) For the revision impact please see note 30

The Company doesn't believe that the unrecognized deferred tax losses can be used in the actual structuring but will continue exploring opportunities to use these in the future and offset against any future profits that the Company or its subsidiaries may generate.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**22. Taxation (Continued)**

**Tax litigation**

**Portugal Telecom PT**

The Company estimates that the probable tax contingencies arising from tax audits conducted by Portuguese tax authorities on various Group companies over the years amount to €34.5 million. In addition, MEO received Value Added Tax (“VAT”) assessments for 2012 and 2013 related to indemnities charged as result of the breach of loyalty contracts by postpaid customers. MEO believes these indemnities are not subject to VAT as they do not remunerate the company for any services rendered or goods sold but aim to compensate the company for costs incurred.

**23 Other Operating expenses**

Other operating expenses consist of the following cost captions:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>(In millions €)</b>	
Technical and maintenance costs .....	(231.9)	(192.1)
Customer services .....	(163.6)	(50.8)
Business Taxes .....	(31.6)	(6.8)
Sales and marketing expenses .....	(235.4)	(125.3)
General and administrative expenses .....	(102.4)	(48.7)
<b>Total</b> .....	<b><u>(764.9)</u></b>	<b><u>(423.8)</u></b>

**24 Depreciation, amortization and impairment losses**

Depreciation and amortization mainly consist of (i) amortization of intangible assets for a total of €445.2 million (2014: €192.0 million), (ii) depreciation of tangible assets for a total of €642.7 (2014: €374.5 million). The increase in 2015 compared to 2014 was mainly driven by the acquisition of PT-Portugal and the full year impact of the integration of Altice Hispaniola and Tricom. Additionally, the Group completed final purchase price allocation for Altice Hispaniola and Tricom and preliminary purchase price allocations for PT-Portugal, which also led to an increase in depreciation and amortisation.

In 2015, the Group recognised an impairment of the ONLY brand in the French Overseas Territories for an amount of €20.9 million. In 2014, the Group had recognised impairment on the Numericable brand in Belgium (€5.4 million) and ONI in Portugal (€8.3 million).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**25 Net finance costs**

	December 31, 2015	December 31, 2014
	(In millions €)	
Other financial income <sup>(1)</sup> .....	73.6	3.3
<b>Finance income</b> .....	<b>73.6</b>	<b>3.3</b>
Interests charges on borrowings <sup>(2)</sup> .....	(590.1)	(284.7)
Mark-to-Market effect on borrowings .....	47.0	128.5
<b>Interest relative to gross financial debt</b> .....	<b>(543.1)</b>	<b>(156.2)</b>
Foreign exchange losses .....	(59.7)	(143.5)
Other financial expenses .....	(53.9)	(48.8)
Impairment of available for sale financial assets <sup>(3)</sup> .....	(35.2)	—
<b>Other financial expenses</b> .....	<b>(149.0)</b>	<b>(192.3)</b>
<b>Finance costs, net</b> .....	<b>(618.4)</b>	<b>(345.2)</b>

- (1) The increase in the gain arising on fair value of financial instruments related to the Mark-to-Market of the various derivative instruments held by the Group.
- (2) The increase in interest charge for the year ended December 31, 2015 was primarily due to (i) the issuance of new debts to finance the acquisition of Portugal Telecom (€207.9M for the year ended December 31, 2015) and (iii) the issuance of new term loans (€9.4M for the year ended December 31, 2015).
- (3) See note 9, other financial assets

As of December 31, 2015, the pre-tax weighted average cost of debt of the Group was 5.9%.

**26. Average workforce**

The workforce employed by the Group, expressed in the form of full-time-equivalent employees, is presented below. The full time equivalence of each employee is calculated based on the number of hours worked by the employee in a given period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation.

	Year ended December 31, 2015	Year ended December 31, 2014
Managers .....	445	470
Technicians .....	7,212	1,782
Employees .....	7,655	3,762
	<b>15,312</b>	<b>6,014</b>

The increase in personnel was mainly due to the acquisition of PT-Portugal.

**27 Transaction with related parties**

**27.1 Trading and financial transaction**

Transactions with related parties are mainly related to transactions with associates and other entities of the Group. Such transactions are limited to (i) exchange of services between Next Radio TV and Altice Content Luxembourg and Altice Content (iii) exchange of services between different group companies and i24 News, (iv) consulting services invoiced by certain executives of the company, (v) the mandatory convertible notes issued by the Company (refer to note 16.5) and (vi) management fees charged by the Parent Company.

The increase in loans and receivables is mainly due to loans granted by indirect subsidiaries of the Group to Next Radio TV. Such loans and receivables amounted to €297.3 million (See note 8).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**27 Transaction with related parties (Continued)**

Transactions with related parties are not subject to any guarantees. All such transactions are at arm's length and settled in cash.

No compensation was paid to the members of the Board of Manager in respect of their role as Board members during the year ended December 31, 2015.

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(In millions €)					
Equity holders . . . . .	0.3	0.2	59.6	2.6	155.6	0.8
Executive managers . . . . .	—	—	—	2.4	—	—
Associate companies . . . . .	40.8	8.5	31.1	9.8	0.6	0.3
<b>TOTAL . . . . .</b>	<b>41.2</b>	<b>8.7</b>	<b>90.7</b>	<b>14.8</b>	<b>156.2</b>	<b>1.1</b>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(In millions €)					
Equity holders . . . . .	280.9	2.8	38.8	0.4	—	—
Executive managers . . . . .	—	—	—	—	—	—
Associate companies . . . . .	358.9	0.7	32.7	7.6	—	0.3
<b>TOTAL . . . . .</b>	<b>639.9</b>	<b>3.5</b>	<b>71.5</b>	<b>8.0</b>	<b>—</b>	<b>0.3</b>

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(In millions €)					
Equity holders . . . . .	1,169.0	46.2	146.4	0.1	—	—
Executive managers . . . . .	—	—	—	—	—	—
Associate companies . . . . .	5.4	0.9	38.0	20.3	—	—
<b>TOTAL . . . . .</b>	<b>1,174.4</b>	<b>47.1</b>	<b>184.3</b>	<b>20.4</b>	<b>—</b>	<b>—</b>

**28. Contractual obligations and commercial commitments**

**28.1 Contractual commitments**

The Company has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below. These contractual obligations listed below do not contain operating leases (detailed in note 17).

Unrecognised contractual commitments (in million €)	December 31, 2015					
	< 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 . . . . .	224.4	78.4	27.8	9.0	0.2	339.8
Investment commitments . . . . .	334.0	173.0	187.5	45.1	550.5	1,290.1
Guarantees given to suppliers/ customers . . . . .	3.6	0.5	1.5	0.5	21.0	27.1
Guarantees given to government agencies . . . . .	14.1	14.2	—	—	87.0	115.2
Other commitments . . . . .	57.4	—	—	—	—	57.4
<b>Total . . . . .</b>	<b>633.5</b>	<b>266.1</b>	<b>216.8</b>	<b>54.6</b>	<b>658.63</b>	<b>1,829.6</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**28. Contractual obligations and commercial commitments (Continued)**

Unrecognised contractual commitments (in million €)	December 31, 2014					Total
	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	
Good and service purchase commitments . . . . .	65.3	36.9	2.6	—	—	104.9
Investment commitments . . . . .	119.8	40.4	68.1	—	—	228.3
Guarantees given to suppliers/ customers . . . . .	12.7	2.0	2.0	1.9	2.0	20.6
Guarantees given to financial institutions . . . . .	9.0	—	—	—	—	9.0
Guarantees given to government agencies . . . . .	9.4	2.6	4.5	18.2	5.6	40.3
Other commitments . . . . .	51.9	—	—	—	—	51.9
<b>Total contingent liabilities . . . . .</b>	<b>268.1</b>	<b>82.0</b>	<b>77.3</b>	<b>20.1</b>	<b>7.6</b>	<b>455</b>

*Commitment to purchase goods and services*

Commitments to purchase goods and services mainly refer to long term contracts that different operating entities have entered into with suppliers of goods and services that are used to provide services to end customers:

- (1) At Portugal Telecom, commitments to a total of €195.0 million include commitments to purchase inventory (mainly mobile phones, set-top-boxes and Hone Gateways), commitments under contracts entered into with channels included in the pay-tv offer and commitments for other services, primarily related to maintenance contracts.
- (2) HOT Telecom and HOT Mobile have commitments to purchase goods and services for a total of €90.1 million over the next three years. Such commitments include commitments to purchase inventory and engineering and IT related services.

*Investment commitments*

Investment commitments mainly refer to commitments made by different Group companies to suppliers of tangible and intangible assets (including content capex).

At Altice Pictures and Portugal Telecom, sports content commitments for a total amount of €1,181.6 million includes mainly

- i) Right to broadcast soccer games of the English Premier League,
- ii) Right to broadcast games of the French National Basketball league, and
- iii) Contracts entered into with several soccer clubs in Portugal for exclusive broadcasting rights and sponsorship of some of these clubs.

*Guarantees given to government agencies*

This caption mainly consists of guarantees given by the different companies to government agencies as part of its regular operations.

- (1) At Portugal Telecom, guarantees to government agencies for an amount of €63.5 million include a guarantee granted to the Portuguese telecom regulator (Anacom) under the acquisition of the 4G license, amounting to €12 million, and the remaining amount of €51 million relates to bank guarantees under tax litigation.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**28. Contractual obligations and commercial commitments (Continued)**

- (2) At Hot Mobile, a bank guarantee which was made available by Hot Mobile within the context of its win in a tender for the allocation of frequencies and as collateral for its commitment in favour of the Ministry of Communications, which is in force until December 31, 2018. On November 21, 2013, Hot Mobile achieved the target market share that is requires under the terms of the guarantee and accordingly the amount of the guarantee has been reduced to €17.8 million (NIS 75.5 million), which represents the commitment to achieve a target for the deployment of the network.

*Other commitments and guarantees*

These mainly consist of commitments of Hot Telecom for an amount of €57.4 million provided as guarantee related to building lease agreement.

**28.2 Other commitments**

*Commitments linked to telecommunications activities*

In Portugal, Meo provides mobile telephone services through GSM, UMTS and LTE technologies (2G, 3G and 4G, respectively), the licenses of which were awarded by the local telecom regulator (ANACOM) in 1992, 2000 and 2011, respectively, for initial periods of 15 years, renewable for an additional period of 15 years, which already occurred for the GSM license, from 2007 to 2022, while for the UMTS license there was an extension of the initial 15-years period until 2018, after which it can be extended for the additional 15-years period.

The carrying amount of these licenses amounts to approximately €307 million (net carrying before purchase price allocation) as at 31 December 2015, reflecting mainly:

- the acquisition of the UMTS license in 2000 for €133 million;
- the commitments assumed in 2000 by MEO (as well as by other mobile operators) of making contributions to the information society during the period through the maturity of the 3G license, which were valued at the time at €242 million that was capitalized in 2007;
- additional commitments under the terms of the 3G license, which were capitalized in 2009 for an amount of €11.5 million; and
- the acquisition of the LTE license in 2011 in connection with which an amount of €106 million was capitalized, corresponding to the present value of an amount of €83 million paid in January 2012 and five annual installments of €6 million each payable from January 2012 to January 2017.

The right of use of frequencies for terrestrial electronic communications services allocated to MEO requires compliance with a number of obligations, including satisfying minimum quality standards and coverage levels, network effectiveness and servicing time, interoperability and access granting, network integrity and safety, providing ANACOM with specific information about MEO's mobile telephone operations and payment of fees and contributions to the electronic communications universal service compensation fund.

*Commitments related to the acquisition of PT*

As part of the acquisition of PT in June 2015, the Group had committed to the European commission and the Portuguese anti-trust authorities that it would dispose of its existing business in Portugal (Cabovisao and its subsidiary, Winreason). The sale was concluded on January 19, 2016 (see note 32).

**29 Litigation**

In the normal course of its activities, the Group is accused in a certain number of governmental, arbitration and administrative law suits.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**29 Litigation (Continued)**

Provisions are booked by the Group when it is more likely than not that such lawsuits shall incur expenses to the Group and also if the magnitude of these expenses can either be quantified or estimated within a reasonable range. In this case, the provisions corresponds to our best estimate of the risks. The magnitude of the provisions retained is based on the estimate of the level of risk on a case-by-case basis, it being taken into account that the occurrence of events in the course of the legal action can involve a constant re-estimation of this risk.

The Group is not aware of other dispute, arbitration, governmental or legal action or exceptional fact (including any legal action of which the issuer is aware, which is outstanding or by which it is threatened) that may have been or is in progress during the last twelve months and that has a significant effect on the financial position, the earnings, the activity and the assets of the company and the group, other than those described below.

This note lists below all significant Group ongoing legal disputes as at December 31, 2015. Tax disputes as at December 31, 2015 are described in Note 22.

**29.1 Civil and commercial disputes in Portugal**

As of December 31, 2015, Portugal Telecom ( PT Group) had the following outstanding litigations pending against it.

**Optimus—Interconnection agreement**

This legal action is dated from 2001 and relates to the price that Telecomunicações Móveis Nacionais (“TMN”, PT Portugal’s mobile operation at that time) charged Optimus—Comunicações S.A. (“Optimus”, one of MEO’s mobile competitors at that time, currently NOS) for mobile interconnection services, price that Optimus did not agree with. TMN transferred to PT Comunicações (PT Portugal’s fixed operation at that time, currently named MEO) the receivables from Optimus, and subsequently PT Comunicações offset those receivables with payables due to Optimus. NOS argues for the annulment of the offset made by PT Comunicações and accordingly claims from PT Comunicações the settlement of the payables due before the offset plus accrued interest. In August 2015, the court decided that the transfer of the interconnection receivables from TMN to PT Comunicações and consequently the offset of those receivables with payables due by PT Comunicações to Optimus were not legal and therefore sentenced MEO to settle those payables plus interest up to date in the total amount of approximately €35 million. MEO appealed from this decision in October 2015 to the Court of Appeal of Lisbon. The appeal was accepted by the court, which accepted also MEO’s request to consider the suspensive effect of the appeal, conditional upon the submission of a bank guarantee that MEO has already presented in the beginning of 2016.

**TV Tel—Restricted access to the telecommunication ducts**

In March 2004, TV TEL Grande Porto—Comunicações, S.A. (“TVTEL”, subsequently acquired by NOS), a telecommunications company based in Oporto, filed a claim against PT Comunicações in the Lisbon Judicial Court. TV TEL alleged that, since 2001, PT Comunicações has unlawfully restricted and/or refused access to its telecommunication ducts in Oporto, thereby undermining and delaying the installation and development of TV TEL’s telecommunications network. TV TEL is claiming an amount of approximately €15 million from MEO for damages and losses allegedly caused and yet to be sustained by that company as a result of the delay in the installation of its telecommunications network in Oporto. PT Comunicações submitted its defence to these claims in June 2004, stating that (1) TV TEL did not have a general right to install its network in PT Comunicações’s ducts, (2) all of TV TEL’s requests were lawfully and timely responded to by PT Comunicações according to its general infra-structure management policy, and (3) TV TEL’s claims for damages and losses were not factually sustainable. After an initial trial and based in a judicial decision, a new trial is yet to be scheduled to appreciate new facts on this matter. Recently the court notified MEO to present the list of witnesses.

## **29 Litigation (Continued)**

### **Anacom litigation**

MEO has several outstanding proceedings filed from Anacom, for some of which MEO has not yet received formal condemnations. This litigation includes matters such as the violation of rules relating to portability, TDT, the non-compliance of obligations under the universal service (fixed voice and public phones) and restricting the access to phone numbers starting at 760. Historically, MEO paid amounts significantly lower than the administrative fines set by Anacom in final decisions. The initial value of the proceedings is normally set at the maximum applicable amount of the administrative fine until the final.

### **Zon TV Cabo Portugal—Violation of portability rules**

Zon TV Cabo Portugal (currently NOS) claims that MEO has not complied with the applicable rules for the portability of fixed numbers, as a result of which claims for an indemnity of €22 million corresponding to profits lost due to unreasonable rejections and the delay in providing the portability of the number. An expert indicated by each party and a third party expert evaluated this matter and presented the final report to the court. MEO has also filed a claim against NOS regarding portability compensations, the trial of which is scheduled to take place in 2016.

### **Optimus—Abuse of dominant position in the wholesale market**

In March 2011, Optimus filed a claim against MEO in the Judicial Court of Lisbon for the payment of approximately €11 million, as a result of an alleged abuse of dominant position by MEO in the wholesale offer. Optimus sustained its position by arguing that they suffered losses and damages as a result of MEO's conduct. The trial is scheduled to take place during the first half of 2016.

### **Municipal taxes and rights-of-way**

Pursuant to a statute enacted on 1 August 1997, as an operator of a basic telecommunications network, MEO was exempt from municipal taxes and rights-of-way and other fees with respect to its network in connection with its obligations under the Concession. The Portuguese Government has advised MEO in the past that this statute confirmed the tax exemption under MEO's former Concession and that it will continue to take the necessary actions in order for MEO Comunicações to maintain the economic benefits contemplated by the former Concession.

Law 5/2004, dated 10 February 2004, established a new rights-of-way regime in Portugal whereby each municipality may establish a fee, up to a maximum of 0.25% of each wireline services bill, to be paid by the customers of those wireline operators whose network infra-structures are located in each such municipality. Meanwhile, Decree-Law 123/2009, dated 21 May 2009, clarified that no other tax should be levied by the municipalities in addition to the tax established by Law 5/2004. This interpretation was confirmed by the Supreme Administrative Court of Portugal in several legal actions.

Some municipalities however, continue to perceive that the Law 5/2004 does not expressly revoke other taxes that the municipalities wish to establish, because Law 5/2004 is not applicable to the public municipality domain.

Currently, there are legal actions with some municipalities regarding this matter and some of the municipalities have initiated enforcement proceedings against MEO to demand the payment of those taxes.

### **Invesfundo II—Disposal of plots of land**

Invesfundo II acquired from one of MEO's former pension fund assets a group of plots of land for a total amount of €41 million, including one plot of land that Invesfundo II argues that it was not MEO's property, as a result of which Invesfundo II had to acquire that plot of land from a third party for €4 million, amount that is claiming from MEO. The parties are waiting for a judicial decision.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**29 Litigation (Continued)**

**29.2 Civil and commercial disputes in Israel**

In Israel, during the routine course of business, lawsuits have been filed against the companies that comprise the HOT group and various legal proceedings are outstanding against it. In the opinion of the Board of Managers of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a provision of €15.3 million has been recorded in the consolidated financial statements as of December 31, 2015, where provisions are required, in order to cover the exposure as the result of the lawsuits. In the opinion of the Board of Managers of the Group, the amount of the additional exposure, for an amount of approximately €164 million (over and above the provisions that have been recorded in these consolidated financial statements), as of December 31, 2015, as a result of lawsuits that have been filed against companies in the HOT group covers claims which the Board of Managers and legal team estimate to have more than a 50% chance of succeeding.

**30. Revised information**

As per the provisions of IFRS 3 Business Combination, the impact of the recognition of the identifiable tangible and intangible assets of the Tricom and ODO at their fair value was revised for the year ended December 31, 2014.

The total impact for the statement of financial position and income statement as of December 31, 2014 is:

	December 31, 2014 (previously reported)	Revision (In millions €)	December 31, 2014 (revised)
Goodwill . . . . .	1,856.3	0.3	1,856.6
Intangible assets . . . . .	837.1	(2.1)	835.0
Property, plant & equipment . . . . .	1,456.7	0.7	1,457.4
Other non-current assets . . . . .	85.2	(0.2)	85.0
Deferred tax assets . . . . .	98.0	38.1	136.1
<b>Non-current assets</b> . . . . .	<b>4,333.1</b>	<b>36.8</b>	<b>4,370.1</b>
<b>Current assets</b> . . . . .	<b>508.2</b>	<b>(0.3)</b>	<b>507.9</b>
<i>Assets classified as held for sale</i> . . . . .	77.3	—	77.3
<b>Total assets</b> . . . . .	<b>4,918.6</b>	<b>36.5</b>	<b>4,955.2</b>
<b>Equity</b> . . . . .	(154.2)	(0.7)	(154.9)
Other non-current liabilities . . . . .	3,821.5	—	3,821.5
Deferred tax liabilities . . . . .	221.3	37.7	259.0
<b>Non-current liabilities</b> . . . . .	<b>4,042.8</b>	<b>37.7</b>	<b>4,080.5</b>
<b>Current liabilities</b> . . . . .	<b>1,007.7</b>	—	<b>1,007.2</b>
<i>Liabilities directly associated with assets classified as held for sale</i> . . . . .	22.5	—	22.5
<b>Total equity and liabilities</b> . . . . .	<b>4,918.8</b>	<b>36.4</b>	<b>4,955.2</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**30. Revised information (Continued)**

	December 31, 2014 (previously reported)	Revision	December 31, 2014 (revised)
	(In millions €)		
Revenues .....	1,893.2	—	1,893.2
Other operating expenses .....	(1,024.4)	—	(1,024.4)
Depreciation, amortization and impairment .....	(596.5)	30.0	(566.5)
Impairment losses .....	—	(13.7)	(13.7)
Other expenses and income .....	(109.6)	(17.1)	(126.7)
<b>Operating profit</b> .....	<b>162.8</b>	<b>(1.0)</b>	<b>161.8</b>
Finance costs, net .....	(345.2)	—	(345.2)
<b>Loss before taxes</b> .....	<b>(182.4)</b>	<b>(1.0)</b>	<b>(183.4)</b>
Income tax expense .....	(12.4)	0.3	(12.1)
<b>Loss for the year</b> .....	<b>(194.8)</b>	<b>(0.7)</b>	<b>(195.5)</b>
<b>Comprehensive income for the year</b> .....	<b>(195.0)</b>	<b>(0.7)</b>	<b>(195.5)</b>

**31 Going concern**

As at December 31, 2015, the Group had net current liability position of €1,157.5 million and a negative working capital of (€420.4 million), (€240.7 million in 2014). During the year ended December 31, 2015, the Group registered a net loss of €276.9 million (loss of €195.5 million in financial year 2014) and generated cash flows from operations of €1,460.3 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded in the financial year was mainly driven by the increased finance costs on the issuance of new debt to finance the PT Portugal. 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 under standard commercial terms, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€995.7 million vs. €1,498.7 million). Payables due the following month are covered by revenues and cash flows from operations (if needed).

As of December 31, 2015, the Group's short term borrowings mainly comprised of the accrued interests (€137.7 million) on the bonds and loans from financial institutions which are repaid on a semi-annual basis, some local bonds and bank loans (€56.6 million) and a draw down on a portion of our €501 million RCF for an amount of respectively €160 million. Those short term obligations are expected to be covered by the cash flows from operations of the operating subsidiaries.

The long term debt of the Group commences to mature in 2019 (except Hot Telecom debentures which matures in 2018).

In determining the appropriateness of the use of the going concern assumption, the Board of Managers has considered the following elements:

- The Group has a strong track record of generating positive EBITDA and generated strong positive operating cash flows in 2015 (€1,460.3 million). EBITDA amounted to €1,601.8 million, an increase of 84.4% compared to financial year 2014. This increase in EBITDA is mainly due to the integration of newly acquired entities (see note 3) which contributed to this increase compared to prior year. The Board of Managers is of the view that such EBITDA and the consequent cash flows are sufficient to service the working capital of the Group.
- The Group had healthy unrestricted cash reserves at the end of 2015 (€266.0 million vs. €188.1 million in 2014), which would allow it to cover any urgent cash needs. Additionally, as of December 31, 2015, the Group had access to Revolving Credit Facilities ("RCF") and guarantee facilities of up to €984.5 million (out of which €160 million has been drawn as at December 31, 2015).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**31 Going concern (Continued)**

- As of December 31, 2015, the Group had a positive equity position of €584.7 million, of which €540.3 million attributable to the equity owners of the Company. This positive position mainly results from the MCNs issued by the Company in June 2015.

On the basis of the above, the Board of Managers is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these consolidated financial statements and has hence deemed it appropriate to prepare these consolidated financial statements using the going concern assumption.

**32 Events after the reporting period**

***Disposal of Cabovisão***

On January 20, 2016, the Group announced that it had completed the sale of Cabovisão and its subsidiaries (including Winreason) to Apax France. This disposal was mandated by the European Commission and the Portuguese competition authorities following the acquisition of PT Portugal in June 2015. These entities were classified as held for sale by the Group as of December 31 2015, in accordance with IFRS 5.

The enterprise value amounted to EUR 150.8 million, before any impact of price adjustments.

***New Derivatives***

On February 16, 2016, Altice Financing signed an interest rate swap agreement with JP Morgan Chase with the following features:

- Nominal: €0.75 billion
- Variable rate paid by the bank: 3-month EURIBOR
- Rate paid by the Group: (0.13%)
- Maturity: 7 years, but with a clause from the bank to advance the remaining cash flows at the end of 5 years.

***Control obtained over Group News Participation***

Following the successful completion of the tender offer for all the outstanding equity securities of NextRadioTV on February 1, 2016 and the implementation of some organizational changes (such as the appointment of Mr. Weill to Altice's Executive Committee), the Group has concluded that its investment in GNP (the controlling shareholder of NextRadioTV) meets the criteria for establishing control in accordance with IFRS 10 "Consolidated Financial Statements". The tender offer was fully financed by the Group by subscribing an additional tranche of convertible bonds issued by GNP for an aggregate amount of €315.6 million (prior to price adjustments).

Thus, the Group will fully consolidate GNP from 1 February 2016 onwards in its consolidated financial statements.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**33 Full list of entities included in the scope of consolidation**

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest held by the Group	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Altice International S.à r.l. . . . .	Luxembourg	Parent Company	Parent Company	100%	100%
Cool Holding LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
H. Hadaros 2012 LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
HOT Telecommunication Systems LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Telecom Limited Partnership . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Mobile LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Cable Telecommunications Systems LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD) . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Vision LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Nonstop Ventures LTD . . . . .	Israel	EM <sup>(2)</sup>	EM <sup>(2)</sup>	50%	50%
South Saron Communications LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Iscarable LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot TLM Subscription Television LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Eden Cables Systems LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Israel Cables Systems LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Net Limited Partnership . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot EDOM LTD . . . . .	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Zira (Copyrights on the Internet) LTD . . . . .	Israel	EM <sup>(2)</sup>	EM <sup>(2)</sup>	25%	25%
Altice Securities S.à r.l. . . . .	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Holdings S.à r.l. . . . .	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Africa S.à r.l. . . . .	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Blue One S.A.S. <sup>(4)</sup> . . . . .	France	—	FC <sup>(1)</sup>	—	100%
MTVC S.A. . . . .	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
WSG S.A. . . . .	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Green.ch . . . . .	Switzerland	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,57%	99,57%
Auberimmo S.A.S. . . . .	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**33 Full list of entities included in the scope of consolidation (Continued)**

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest held by the Group	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Green Datacenter AG	Switzerland	FC <sup>(1)</sup>	FC <sup>(1)</sup>	98,63%	98,63%
Deficom Telecom S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Coditel Holding Lux S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Coditel Holding S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Coditel Brabant S.p.r.l.	Belgium	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Coditel S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Coditel Management S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84,40%	84,40%
Altice Caribbean S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Portugal S.A.	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Cabovisao S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Finco S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Financing S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
OMT Invest S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Groupe Outremer Telecom S.A.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Outremer Télécom S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Outremer Télécom Océan Indien S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Altice Blue Two S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
City Call Ltd	Mauritius	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Outremer Telecom Ltee	Mauritius	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Telecom Reunion SNC	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
Telecom 2004 SNC	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
OPS S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
WLL Antilles-Guyane S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
WLL Réunion S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%
ONI S.G.P.S., S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Winreason S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelemcom-Infomunicações, S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Knewon S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelemcom Açores S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelemcom Madeira S.A. <sup>(3)</sup>	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Content S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Content Luxembourg S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	76%	—
Ma Chaine Sport S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Entertainment and Sport S.A. (ex Sportv)	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Entertainment and Sport Lux S.à r.l. (ex SportLux)	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
CPA Lux S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Bahamas S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	97,20%	97,20%
Altice Hispaniola S.A.	Dominican Republic	FC <sup>(1)</sup>	FC <sup>(1)</sup>	97,20%	97,20%
Tricom S.A.	Dominican Republic	FC <sup>(1)</sup>	FC <sup>(1)</sup>	97,20%	97,20%
Global Interlinks Ltd	Dominican Republic	FC <sup>(1)</sup>	FC <sup>(1)</sup>	97,20%	97,20%
Mobius S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99,85%	99,85%



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**33 Full list of entities included in the scope of consolidation (Continued)**

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest held by the Group	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Altice Picture S.à r.l. ....	Luxembourg	FC <sup>(1)</sup>	—	100,00%	—
MEO-Serviços de Comunicações e Multimédia, S.A. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Sales .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Data Center .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Pay .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Centro Corporativo S.A. ...	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Moveis .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Brasil .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Pro .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PTM.COM Brasil .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Contact .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Imobiliária .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Previsão .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Portugal Telecom Inovação e Sistemas, S.A. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Cloud e Data Centers, S.A. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Portugal Telecom Inovação Brasil, LDA. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Contact Cabo Verde .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Prestações .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
New Post - A.C.E. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Open Ideia Angola .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Openidea, Tecnologia de Telecomunicações e Sistemas de Informação ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Open Ideia Marocco .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
PT Blueclip .....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Open Labs Pesquisa e Desenvolvimento LTDA ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—
Groupe News Participation S.A.S .....	France	EM <sup>(2)</sup>	—	37,24%	—
PT SGPS S.A. ....	Portugal	FC <sup>(1)</sup>	—	100,00%	—

(1) FC stands for “Full Consolidation”;

(2) EM stand for “Equity Method”;

(3) These entities are classified as held for sale as of December 31, 2015

(4) Entities liquidated during the year ended December 31, 2015

**Altice International S.à r.l.  
(formerly Altice VII S.à r.l.)  
(Société à responsabilité limitée)**

***CONSOLIDATED FINANCIAL  
STATEMENTS AS AT AND FOR THE  
YEAR ENDED DECEMBER 31, 2014  
AND REPORT OF THE REVISEUR  
D'ENTREPRISES AGREE***

L-2449 Luxembourg, 3, boulevard royal  
R.C.S. Luxembourg B 143.725  
Share capital EUR 309.257.000

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## REPORT OF THE REVISEUR D'ENTREPRISES AGREÉ

To the Sole Partner

Altice International S.à r.l. (Formerly Altice VII S.à r.l.)  
3, boulevard Royal  
L-2449 Luxembourg  
Grand Duchy of Luxembourg

Following our appointment by Sole Partner, we have audited the accompanying consolidated financial statements of Altice International S.à r.l., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Altice International S.à r.l. as of December 31, 2014, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

April 30, 2015

**ALTICE International S.à r.l.**  
**Consolidated statement of income**  
**For the year ended December 31, 2014**

	<u>Notes</u>	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
(In millions €)			
Revenues .....	21	<b>1,893.2</b>	<b>1,286.8</b>
Purchasing and subcontracting expenses .....	21	(448.7)	(367.8)
Other operating expenses .....	22	(255.7)	(185.5)
Staff costs and employee benefit expenses .....		(146.0)	(134.7)
General and administrative expenses .....		(48.7)	(36.2)
Other sales and marketing expenses .....		(125.3)	(43.9)
<b>Operating profit before depreciation, amortization and restructuring costs</b> .....		<b>868.8</b>	<b>518.8</b>
Depreciation and amortization .....	23	(596.5)	(399.6)
Management fees .....		(0.9)	(0.6)
Restructuring costs and other expenses .....	24	(108.7)	(76.2)
<b>Operating profit</b> .....		<b>162.8</b>	<b>42.3</b>
Finance income .....	25	131.8	93.6
Finance costs .....	25	(477.0)	(336.9)
<b>Loss before income tax</b> .....		<b>(182.4)</b>	<b>(201.0)</b>
Income tax expenses .....	20	(12.4)	(7.4)
<b>Loss for the year</b> .....		<b>(194.8)</b>	<b>(208.4)</b>
<i>Attributable to equity holders of the parent</i> .....		(188.8)	(186.2)
<i>Attributable to non-controlling interests</i> .....		(6.1)	(22.2)

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

**ALTICE International S.à r.l.**  
**Consolidated statement of other comprehensive income**  
**For the year ended December 31, 2014**

	<u>Notes</u>	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
(In millions €)			
<b>Loss for the year</b> .....		<b>(194.8)</b>	<b>(208.4)</b>
<b>Other comprehensive (expenses)/income</b>			
Exchange differences on translating foreign operations .....		(0.3)	0.3
Revaluation of available for sale financial assets, net of taxes .....		2.3	1.7
Actuarial gains and losses, net of taxes .....	13	(2.2)	0.6
<b>Total other comprehensive (expenses)/income</b> .....		<b>(0.2)</b>	<b>2.6</b>
<b>Total comprehensive loss for the year</b> .....		<b><u>(195.0)</u></b>	<b><u>(205.9)</u></b>
<i>Attributable to equity holders of the parent</i> .....		<i>(189.1)</i>	<i>(183.8)</i>
<i>Attributable to non-controlling interests</i> .....		<i>(5.9)</i>	<i>(22.1)</i>

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

**ALTICE International S.à r.l.**  
**Consolidated statement of financial position**  
**December 31, 2014**

	<u>Notes</u>	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
(In millions €)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents .....	10	188.1	61.3
Restricted cash .....	10	—	1,242.8
Trade and other receivables .....	9	268.7	230.9
Inventories .....	8	21.6	11.0
Current tax assets .....	20	29.9	14.6
<b>Total Current assets</b> .....		<b><u>508.2</u></b>	<b><u>1,560.6</u></b>
<b>Non-current assets</b>			
Deferred tax assets .....	20	98.0	47.4
Other financial assets .....	7	57.4	50.6
Trade and other receivables .....		27.8	22.8
Property, plant & equipment .....	6	1,456.7	1,134.2
Intangible assets .....	5	837.1	579.6
Goodwill .....	4	1,856.3	1,100.7
<b>Total non-current assets</b> .....		<b><u>4,333.1</u></b>	<b><u>2,935.4</u></b>
<i>Assets classified as held for sale</i> .....	21.6	77.3	—
<b>Total assets</b> .....		<b><u><u>4,918.8</u></u></b>	<b><u><u>4,496.0</u></u></b>

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

**ALTICE International S.à r.l.**  
**Consolidated statement of financial position (Continued)**  
**December 31, 2014**

	Notes	December 31, 2014	December 31, 2013
(In millions €)			
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings .....	14.1,14.2	225.7	57.6
Deferred revenue .....	18	104.4	55.9
Trade and other payables .....	17	552.4	516.6
Other current liabilities .....	14	36.4	15.9
Provisions .....	12	1.0	2.1
Current tax liabilities .....	20	87.8	57.1
<b>Total current liabilities</b> .....		<b><u>1,007.7</u></b>	<b><u>704.9</u></b>
<b>Non-current liabilities</b>			
Borrowings .....	14.1,14.2	3,575.9	3,421.3
Loans from related parties .....	14.5	—	99.2
Other financial liabilities .....	14.6	153.5	271.6
Deferred revenue .....	18	8.3	10.6
Trade and other payables .....	17	25.9	29.0
Retirement benefit obligations .....	13	11.1	8.2
Provisions .....	12	46.9	29.0
Deferred tax liabilities .....	20	221.3	183.1
<b>Total non-current liabilities</b> .....		<b><u>4,042.8</u></b>	<b><u>4,052.0</u></b>
<i>Liabilities directly associated with assets classified as held for sale</i> .....	21.6	22.5	—
<b>Equity</b>			
Issued capital .....	11.1	309.3	7.4
Additional paid in capital .....	11.2	318.4	5.4
Other reserves .....		(399.8)	(82.9)
Accumulated losses .....		(379.4)	(190.6)
<b>Equity attributable to owners of the Company</b> .....		<b><u>(151.6)</u></b>	<b><u>(260.7)</u></b>
Non-controlling interests .....	3.1	(2.6)	(0.5)
<b>Total equity</b> .....		<b><u>(154.2)</u></b>	<b><u>(261.2)</u></b>
<b>Total equity and liabilities</b> .....		<b><u>4,918.8</u></b>	<b><u>4,496.0</u></b>

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



**ALTICE International S.à r.l.**  
**Consolidated statement of changes in equity**  
**For the Year ended December 31, 2013**

	number of issued shares	Issued capital	Additional paid in capital	Accumulated losses	Other reserves			Em B
					Other reserves	Currency reserve	Available for sale	
		€m	€m	€m	€m	€m	€m	
Equity at January 1, 2013 . . . . .	<b>743,011,510</b>	7.4	—	(4.4)	285.8	(6.4)	(2.1)	
Shareholder Contribution . . . . .		—	5.4	—	(198.7)	—	—	
Change in scope . . . . .		—	—	—	(28.7)	—	—	
Transaction with non-controlling interests . . . . .		—	—	—	(135,2)	—	—	
Loss for the period . . . . .		—	—	(186.2)	—	—	—	
Other comprehensive income . . . . .		—	—	—	—	0.1	1,7	
Equity at December 31, 2013 . . . . .	<b><u>743,011,510</u></b>	<b><u>7.4</u></b>	<b><u>5.4</u></b>	<b><u>(190.6)</u></b>	<b><u>(76.9)</u></b>	<b><u>(6.3)</u></b>	<b><u>(0.4)</u></b>	

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The accompanying notes form an integral part of these consolidated financial s

**ALTICE International S.à r.l.**  
**Consolidated statement of changes in equity (Continued)**  
**For the Year ended December 31, 2014**

	number of issued shares	Issued capital	Additional paid in capital	Accumulated losses	Other reserves			Em B			
					€m	€m	€m		€m	€m	€m
Equity at January 1, 2014 . . . . .	<b>743,011,510</b>	7.4	5.4	(190.6)	(76.9)	(6.3)	(0.4)				
Shareholder Contribution . . . . .	<b>30,182,688,490</b>	301.8	313.0	—	(317.0)	—	—				
Loss for the period . . . . .		—	—	(188.8)	—	—	—				
Other comprehensive income . . . . .		—	—	—	—	(0.3)	2.3				
Other movement . . . . .		—	—	—	0.4	—	—				
Equity at December 31, 2014 ..	<b><u>30,925,700,000</u></b>	<b><u>309.3</u></b>	<b><u>318.4</u></b>	<b><u>(379.4)</u></b>	<b><u>(393.8)</u></b>	<b><u>(6.6)</u></b>	<b><u>1.9</u></b>				

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The accompanying notes form an integral part of these consolidated financial s

**ALTICE International S.à r.l.**  
**Consolidated statement of cash flows**  
**For the year ended December 31, 2014**

	<u>Notes</u>	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
(In millions €)			
<b>Loss for the year, including non-controlling interests</b> .....		<b>(194.8)</b>	<b>(208.4)</b>
Adjustments for:			
Depreciation and amortization .....		596.5	399.6
Gains and losses on disposals .....		—	(1.0)
Other non-cash operating gains and losses .....		(22.9)	(13.0)
Finance costs recognized in profit and loss .....		345.2	232.1
Income tax (benefit)/expense recognized in the statement of income .....	20	12.4	7.4
Income tax paid .....		(53.1)	(2.3)
Changes in working capital .....		59.2	24.6
<b>Net cash provided by operating activities</b> .....		<b>742.4</b>	<b>439.2</b>
Payments to acquire tangible and intangible assets .....	5,6	(433.8)	(288.8)
Payments to acquire financial assets .....		(9.0)	(18.1)
Proceeds from disposal of tangible, intangible and financial assets .....		1.7	1.5
Increase in non-current financial assets .....		—	0.8
Use of restricted cash to acquire subsidiaries .....		1,244.0	—
Payment to acquire subsidiaries, net .....	3.3	(1,272.3)	(253.1)
Transactions with non-controlling interests .....	3.4	(8.9)	(120.9)
<b>Net cash used in investing activities</b> .....		<b>(478.3)</b>	<b>(678.8)</b>
Proceeds from issuance of equity instruments .....	11.1	95.3	1.8
Proceeds from issuance of debts .....		231.9	2,452.0
Payments to redeem debt instruments .....		(221.2)	(657.1)
Payments to holders of convertible preferred equity certificates ...		—	(212.5)
Proceeds from restricted cash .....			(1,234.9)
Interest paid .....		(249.4)	(178.6)
<b>Net cash (used in) / provided by financing activities</b> .....		<b>(143.3)</b>	<b>170.7</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies .....		5.9	0.1
<b>Net increase/(decrease) in cash and cash equivalents</b> .....		<b>126.8</b>	<b>(68.7)</b>
Cash and cash equivalents at beginning of year .....	10	61.3	129.7
<b>Cash and cash equivalents at end of year</b> .....	<b>10</b>	<b>188.1</b>	<b>61.3</b>

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements**

**1 Presentation, basis of preparation**

**1.1 Presentation**

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

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2014 its sole equity holder is Altice S.A. The ultimate controlling party is considered to be Patrick Drahi.

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

The Group provides cable and mobile-based telephony services to clients in diverse geographic locations, stretching from the Dominican Republic to Israel.

The Group offers a variety of services over its fixed line and mobile infrastructure, including, but not limited to, pay-TV, 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. It provides residential cable based services primarily as part of double play or triple play packages and, in the French Overseas Territories, the Dominican Republic 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.

The 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 (“HDTV”) services and, in some cases, exclusive content. They tailor both basic channel line-up and our additional channel offerings to each country of operation according to culture, demographics, programming preferences and local regulation.

In Israel, the Dominican Republic and the French Overseas Territories, the Group offers mobile services using fully invested 4G/LTE compliant networks (where available). The acquisition of new businesses in the Dominican Republic is complementary to the cable businesses and in line with the goal of achieving or promoting cable/mobile convergence in most geographies that we operate in. The Group offers mobile services through MVNO arrangements in Belgium.

The Group offers some B2B telecom services in all our geographies. The Group services large corporate customers with a focused B2B offering only in Portugal, Switzerland, Belgium, the Dominican Republic and the French Overseas Territories. In Israel, our B2B services primarily consist of enhanced versions of our residential products which are adapted to the needs of small and medium-sized businesses. Such activities are regrouped under the ‘Fixed’ sub-segment in our segment reporting.

**1.2 Basis of presentation of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Managers on April 30, 2015. They have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as adopted in the European Union.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies (See Note 2 below).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

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 Company 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.

Furthermore, where the accounting treatment of a specific transaction is not addressed by any accounting standard and interpretation, the Board of Managers applies its judgment to define and apply accounting policies that provide information consistent with the general IFRS concepts: faithful representation, relevance and materiality.

**1.3 Application of new and revised International Financial Reporting Standards (IFRSs)**

**i) New and revised IFRSs that are mandatorily effective for the year ending December 31, 2014**

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities. The amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets. The amendments of IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting. The amendments of IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances

The application of these amendments has had no material impact on the amounts recognised in the Group's consolidated financial statements or has had an impact on the disclosures in the Group's consolidated financial statements.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

**ii) Standards issued but not yet effective for the year ending December 31, 2014**

In its consolidated financial statements, the Company has not anticipated the following standards and interpretations, for which application is not mandatory for periods opened from January 1, 2014.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The standard is applicable for annual periods beginning on or after January 1, 2017, however IASB has decided to propose to defer the effective date of IFRS 15 to January 1, 2018.

The Board of Managers of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 15 has not yet been endorsed in the European Union.

**IFRIC 21 Levies**

IFRIC 21 *Levies* addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The interpretation is applicable for annual period beginning on or after January 1, 2015.

The Board of Managers of the Company anticipate that the application of IFRIC 21 will have no significant impact on the consolidated financial statements.

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The Board of Managers of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 9 has not yet been endorsed in the European Union.

***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Board of Managers of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Board of Managers of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

**Other standards issued but not yet effective**

In addition, the following standards were issued but are not yet effective:

- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*. The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans,
- Amendments to IFRS 11 *Accounting for Acquisitions in Joint Operations*. The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combinations*,
- Amendments to IAS 1 *Disclosure initiative*
- Annual improvements cycle 2010-2012, 2011-2013, 2012-2014.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**1 Presentation, basis of preparation (Continued)**

The amendments mentioned above might affect the Company's future consolidated financial statements and the Board of Managers is still finalizing its detailed review to be able to conclude on the impact on the consolidated financial statements.

**2 Significant accounting policies**

The principal accounting policies are set out below.

**2.1 Basis of consolidation**

*Subsidiaries*

Entities are fully consolidated if the Group has all the following:

- 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

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

All intra group transactions, balances, income and expenses are eliminated in full on consolidation.

*Joint ventures*

In accordance with IFRS 11 Joint Arrangements, arrangements subject to joint control are classified as either a joint venture or a joint operation. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Investment in which the Group is a joint operator recognizes its shares in the assets, liabilities, revenues and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investment in which the Group is a joint venturer recognizes its interest in the joint venture in accordance with the equity method.

*Associates*

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

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. Associates are initially recognized at cost at acquisition date. The consolidated financial statements include the Group’s share of income and expenses, from the date significant influence commences until the date that significant influence ceases.

The interest income and expenses recorded in the consolidated financial statements of the Group on loans with associates have not been eliminated in the consolidated statements of income and therefore are still recorded in the consolidated financial statements.

**2.2 Foreign currencies**

The presentation currency of the consolidated financial statements are presented in euros.

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 subsidiaries and associates accounted for using the equity method, and is used to measure their financial position and operating results.

*Monetary transactions*

Transactions denominated in foreign currencies other than the functional currency of the entity are translated at the exchange rate on the transaction date. At each balance sheet date, monetary assets and liabilities are translated at the closing rate and the resulting exchange differences are recognized in the statement of income.

*Translation of financial statements denominated in foreign currencies*

Assets and liabilities of foreign entities are translated into euros on the basis of the exchange rates at the end of the reporting period. The income and cash flow statements are translated using the average exchange rates for the period. Foreign exchange differences resulting from such translations are either recorded in shareholders’ equity under “Currency reserve” (for the Group share) or under “Non-controlling interests” (for the share of non-controlling interests) as deemed appropriate.

The exchange rate of the main currencies are as follows:

	Annual average rate		Rate at the reporting date	
	2014	2013	Dec 31, 2014	Dec 31, 2013
			(In €)	
1 CHF .....	0.8234	0.8126	0.8317	0.8161
1 ILS .....	0.2108	0.2086	0.2116	0.2093
1 USD .....	0.7528	0.7529	0.8258	0.7252
100 DOP .....	1.7850	—	1.8736	—

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.3 Revenue recognition**

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

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

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

*Revenues from the sale of equipment*

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.

*Revenues on separable components of bundle packages*

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.

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.

*Revenue from service*

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.

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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

Installation and set-up fees (including connection) for residential customers are accounted for as revenues when the service is rendered.

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.

*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.

*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

**2.4 Finance costs and income**

Finance costs and income 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;
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.5 Taxation**

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.

*Current tax*

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.

*Deferred tax*

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.

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.

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.

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.

All deferred tax assets and liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset if an enforceable legal right exists, which enables the offsetting of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.

**2.6 Site dismantling and restoration**

The Company 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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

**2.7 Goodwill and business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- 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 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**2.8 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. 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 useful lives of the intangible assets are as follows:

	Duration
Software	3 years
Brands(*)	5 years
Customer relations	4 to 17 years
Licences	5-20 years
Indefeasible Right of use	3-30 years
Subscriber purchase costs	based on average duration of subscriptions

(\*) some brands may have indefinite useful lives.

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.

Operating licenses for telephony services are recorded based on the fixed amount paid upon acquisition of the license.

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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

The costs of producing in-house content and external content are recognised as an intangible assets when the criteria of IAS 38 Intangible Assets for recognition are met. The cost of the rights is recognized at the cost of production of the shows and is amortized on the basis of the actual screenings, with a relatively higher weighting being given to the first screening.

Research costs are expensed as incurred. Development expenses are capitalised as intangible assets when the following can be demonstrated:

- the technical feasibility of the project and the availability of the adequate resources for the completion of the intangible assets;
- the ability of the asset to generate future economic benefit;
- the ability to measure reliably the expenditures attributable to the asset; and
- the feasibility and intention of the Group to complete the intangible asset and use or sell it.

**2.9 Impairment of tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**2.10 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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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

	<u>Duration</u>
Buildings . . . . .	5 to 50 years
Cables Network . . . . .	5 to 40 years
Converters and modems . . . . .	3 to 5 years
Computers and ancillary equipment . . . . .	2 to 8 years
Office furniture and equipment . . . . .	3 to 15 years
Communication network infrastructure . . . . .	3 to 15 years
Leasehold contracts . . . . .	see below

Leasehold contracts are depreciated according to the straight line method during the rental period.

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.

**2.11 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.

*The Group as lessor*

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

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

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

*The Group as lessee*

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see note 2.12 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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.

**2.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.13 Government grants**

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

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

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

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

**2.14 Financial assets**

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

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

*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.

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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 income statement.

*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 and other receivables as well as loan to associate and to non-consolidated entities.

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.

*Held-to-maturity financial assets*

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

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired. Financial assets measured at fair value through profit or loss

**2.15 Inventories**

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

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

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

**2.16 Cash and cash equivalents**

Cash consists of cash in banks and deposits.

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

**2.17 Restricted cash**

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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 as a component of cash and cash equivalents since such balances are not held for the purposes of meeting short-term cash commitments.

**2.18 Derivatives**

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

The Group has entered into various forward and interest rate swaps (cross currency and fixed/floating) in order to mitigate risks associated with making investments in currencies other than its functional currency.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

**2.19 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.

*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 Group'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 Group's own equity instruments.

**2.20 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities at amortized cost:

*Financial liabilities at amortized cost*

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method. 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.

*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.

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

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

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

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

**2.21 Provisions**

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

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

*Legal claims*

A provision regarding legal claims is recognized when the Group has a present legal commitment or an implicit commitment resulting from a past event; when it is more likely than not that the Group will be required to expend 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.

*Warranty*

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

*Onerous contracts*

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

*Restructuring*

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

## **2 Significant accounting policies (Continued)**

### **2.22 Liabilities for employment benefits**

#### *Retirement benefit costs and termination benefits*

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- Re-measurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### *Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

### **2.23 Non-current assets held for sale and discontinued operations**

Pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", assets and liabilities of affiliates that are held for sale are presented separately on the face of the statement of financial position. Depreciation of assets ceases from the date of classification in "Non-current assets held for sale". Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group for which cash flows are independent. It represents a major line of business or geographical area of operations which has been disposed of or

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**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

is currently being held for sale. If the Group reports discontinuing operations, net income from discontinued operations is presented separately on the face of the statement of income. Therefore, the notes to the consolidated financial statements related to the statement of income only refer to continuing operations.

**2.24 Hedge accounting**

The Group may designate certain hedging instruments, (which may include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk), as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'financial costs' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**2.25 Share based payments**

*Share-based payment transactions of the Company*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

*Share-based payment transactions of the acquiree in a business combination*

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognised as remuneration cost for post-combination service.

However, when the acquiree awards expire as a consequence of a business combination and the Group replaces those awards when it does not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognised as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is recognised as remuneration cost for post-combination service.

**2.26 Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described above, the Board of Managers is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*i) Legal claims*

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**2 Significant accounting policies (Continued)**

*ii) 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.

*iii) Revenue recognition*

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 principal or agent.

*iv) Fair value of financial instruments*

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 Company currently may use 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.

*v) Deferred taxes*

Deferred tax assets relate primarily to tax loss carried forwards and to deductible temporary differences between reported amounts and the tax bases of assets and liabilities. The assets relating to the tax loss carried forwards are recognized if it is probable that the Group will generate future taxable profits against which these tax losses can be set off. Evaluation of the Group's capacity to utilize tax loss 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 loss carried forward.

*vi) 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 these assets.

*vii) 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 Board of Managers to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation**

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

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Group	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Altice International S.à r.l.	Luxembourg			Parent Company	Parent Company
Cool Holding LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
H. Hadaros 2012 LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
HOT Telecommunication Systems LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Telecom Limited Partnership	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Mobile LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Cable Telecommunications Systems LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Net Internet Services LTD (Formerly Hot Investments and Finance LTD)	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Vision LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Nonstop Ventures LTD	Israel	Equity method	Equity method	50%	50%
South Saron Communications LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Iscarable LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot TLM Subscription Television LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Eden Cables Systems LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Israel Cables Systems LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot Net Limited Partnership	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Hot EDOM LTD	Israel	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Zira (Copyrights on the Internet) LTD	Israel	Equity method	Equity method	25%	25%
Altice Securities S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Holdings S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Africa S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Blue One S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
MTVC S.A.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
WSG S.A.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Green.ch	Switzerland	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.57%	99.12%
Auberimmo S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Green Datacenter AG	Switzerland	FC <sup>(1)</sup>	FC <sup>(1)</sup>	98.63%	97,3%
Deficom Telecom S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	74%	74%
Coditel Holding Lux II S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Coditel Holding Lux S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Coditel Holding S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Coditel Brabant S.p.r.l.	Belgium	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Coditel S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Coditel Management S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	84.4%	84.4%
Altice Caribbean S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Portugal S.A.	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Cabovisao S.A.	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Finco S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Financing S.A.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice West Europe S.à r.l.	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
OMT Invest S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Groupe Outremer Telecom S.A.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Outremer Télécom S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Outremer Télécom Océan Indien S.A.S.	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the Group	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Altice Blue Two S.A.S. ....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
City Call Ltd .....	Mauritius	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Outremer Telecom Ltee .....	Mauritius	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Telecom Reunion SNC .....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
Telecom 2004 SNC .....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
OPS S.A.S. ....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
WLL Antilles-Guyane S.A.S. ....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
WLL Réunion S.A.S. ....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	99.36%	76.97%
ONI S.G.P.S., S.A. <sup>(2)</sup> .....	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Winreason S.A. <sup>(2)</sup> .....	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelecom-Infomunicações, S.A. <sup>(2)</sup> ..	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Knewon S.A. <sup>(2)</sup> .....	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelecom Açores S.A. <sup>(2)</sup> .....	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Onitelecom Madeira S.A. <sup>(2)</sup> .....	Portugal	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Content S.à r.l. ....	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Ma Chaine Sport S.A.S. ....	France	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Sport Lux S.à r.l. ....	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Sportv S.A. ....	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
CPA Lux S.à r.l. ....	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	100%	100%
Altice Bahamas S.à r.l. ....	Luxembourg	FC <sup>(1)</sup>	FC <sup>(1)</sup>	97.2%	100%
Altice Hispaniola S.A. ....	Dominican Republic	FC <sup>(1)</sup>	—	97.2%	—
Tricom S.A. ....	Dominican Republic	FC <sup>(1)</sup>	—	97.2%	—
Global Interlinks Ltd .....	Dominican Republic	FC <sup>(1)</sup>	—	97.2%	—
Mobius S.A.S. ....	France	FC <sup>(1)</sup>	—	99.85%	—

(1) FC stands for “Full Consolidation”.

(2) As of December 31, 2014, Altice International S.à r.l., a fully owned subsidiary of the company, has agreed to provide financial support to ONI S.G.P.S, its fully owned Portuguese subsidiary. Altice International and its subsidiaries have agreed not to call in any intercompany loans to the detriment of other third party lenders, unless such reimbursement falls due as part of the normal reimbursement schedule of ONI.

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

The details of the main non-controlling interests in the Company’s subsidiaries is given below.

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Altice Bahamas S.à r.l. ....	Luxembourg	2.8%	—	(0.3)	—	1.9	—
Altice Blue Two S.A.S. ....	France	0.64%	23%	0.3	(2.7)	0.7	(1.4)
Deficom Telecom S.à r.l. ...	Luxembourg	26%	26%	(6.2)	(17.1)	(15.3)	(9.3)
Green.ch .....	Switzerland	0.44%	0.88%	—	—	0.2	0.3
Green Datacenter AG ....	Switzerland	1.37%	3%	—	—	0.1	0.2
Cool Holding Ltd .....	Israel	—	—	—	—	9.4	9.3
Altice Portugal S.A. ....	Portugal	—	—	—	(2.3)	0.4	0.4
<b>Total</b> .....				<b>(6.2)</b>	<b>(22.2)</b>	<b>(2.6)</b>	<b>(0.5)</b>

(In millions €)

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

**3.1.2 Variations in non-controlling interests**

The variations of non-controlling interests based on the nature of the transaction is given below:

	December 31, 2014	December 31, 2013
	(In millions €)	
<b>Balance at beginning of year</b> .....	<b>(0.5)</b>	<b>5.2</b>
Share in loss for the year .....	(6.1)	(22.1)
Acquisition of non-controlling interests in Dominican entities .....	2.2	—
Acquisition of non-controlling interests in Altice Portugal S.A. ....	—	(9.1)
Acquisition of non-controlling interests in OMT Invest S.A.S. ....	0.1	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 .....	2.6	0.2
Other variations .....	(0.9)	—
<b>Balance at end of year</b> .....	<b><u>(2.6)</u></b>	<b><u>(0.5)</u></b>

**3.2 Modification of the scope of consolidation**

**3.2.1 Main acquisitions in 2014**

*Tricom S.A. ("Tricom") and Global Interlinks ("GLX")*

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

Since March 12, 2014, Tricom and GLX contributed €122.6 million in revenue and €7.3 million in operating profit to the Group's result for the year ended December 31, 2014.

Total consideration paid to the vendors for the shares of the acquired entities amounted to €302.9 million (including purchase price adjustments) on a cash-free, debt-free basis.

In the fourth quarter of 2014, Tricom S.A. applied IFRS 1 for the first time and as part of the conversion to IFRS, re-evaluated certain tangible and intangible assets at their fair value. The following assets were re-evaluated and their evaluation gain/(loss) was included in the opening net asset value of Tricom S.A. In view of this re-evaluation, The Board of Managers has not included these assets in the preliminary purchase price allocation performed as per the requirements of IFRS 3, as these assets were already booked at their fair market value at the date of acquisition.

- a) Property plant and equipment: an evaluation performed by an independent evaluator in conjunction with Tricom's technical team reevaluated the cable and mobile network and land and other real estate holdings of Tricom and an additional €18.4 million (€13.4 million net of deferred taxes) was allocated on a basis to the property, plant and equipment of Tricom and Global Interlinks.
- b) Brand: An additional amount of €9.7 million (€7.0 million net of deferred tax) was recognised for the Tricom brand

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

- c) Licenses: apart from being the leading cable operator in the Dominican Republic, Tricom S.A. has 2 mobile operation licences. The Board of Managers has evaluated the fair value of these licenses to be €53 million, which represents the upfront payment made to secure the licenses. These values were further updated to represent the bid amounts for new frequencies that were auctioned by the Dominican regulator in late 2013. The license frequencies are summarised below:

<u>Frequency</u>	<u>Fair value</u> (In millions €)
2x12.5 Mhz (850 Mhz/900 Mhz) .....	30
2x15 Mhz (1800 Mhz/1900 Mhz) .....	23

As per the provisions of IFRS 3, the Group has continued its allocation to the provisional purchase price allocation for the identifiable assets and liabilities of the target at acquisition. The following assets were identified:

- d) Client relationships: €28.6 million (€20.6 million net of deferred tax), was recognised and allocated to Tricom. The average useful life of the assets was determined based on specific reporting segments of Tricom and are summarised below. The fair value of client relationships was identified for Tricom, using the following parameters:

<u>Parameters</u>	<u>Customer Relationships</u>
EBIT margin rate .....	20.83%
Client attrition rate .....	19.0%
Discount rate .....	6.69%
Customer acquisition growth rate .....	2%
<i>Average useful life (years)</i> .....	5.0

Following the purchase price allocation, the residual amount of € 74.5 million over the consideration paid was recognised as goodwill in the Company's accounts for the year ended December 31, 2014.

The Board of Managers is continuously evaluating the fair value of identifiable assets and liabilities of Tricom S.A. and expects to finalise the purchase price allocation by the end of the first quarter of 2015, which conforms to the measurement period as defined by IFRS 3:46.

*Altice Hispaniola ("ODO" or "Orange Dominicana S.A.")*

On April 9, 2014, the Group, through its indirect subsidiary, Altice Dominican Republic, completed the acquisition of a 97.2% stake in ODO, the leading mobile operator in the Dominican Republic. ODO operates a high end, 4G-enabled mobile network in the Dominican Republic covering up to 78% of the territory of the Dominican Republic (2G/3G network coverage).

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

Since April 9, 2014, ODO contributed €341.9 million to the Group revenue and €46.2 million to the Group operating profit for the year ended December 31, 2014.

Total consideration paid to the vendors for the shares of the acquired entity amounted to €1,032.3 million on a cash free, debt free basis.

As part of the purchase agreement, the vendor agreed to finance the acquisition of a spectrum license to provide 3G services in the Dominican Republic using ODO's existing network. The price of this license was adjusted when calculating the purchase price. The total amount due for the license amounted to \$ 28.5 million (€20.7 million).

This investment is recorded as an intangible asset in the consolidated financial statements as of December 31, 2014.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

As per the provisions of IFRS 3, the Group has continued its allocation to the provisional purchase price allocation for the identifiable assets and liabilities of the target at acquisition. The following assets were identified:

- a) Property, plant and equipment: The Company hired an independent expert to perform and complete an evaluation of the mobile network owned by ODO. The expert used the replacement cost method to calculate the fair value of the tangible assets, based on inputs from the Board of Managers and ODO's own technical teams. As of December 31, 2014, the evaluation had been completed and an additional €5.2 million (€3.7 million net of deferred taxes) was allocated to the property, plant and equipment of ODO.
- b) Client relationships: €76.6 million (€55.1 million net of deferred tax), was recognised and allocated amongst the operating segment of the target. The average useful life of the assets was determined based on specific reporting segments of the target and are summarised below. The fair value of client relationships was identified for the target, using the following parameters:

<u>Parameters</u>	<u>Customer Relationships</u>
EBIT margin rate .....	30.1%
Client attrition rate .....	45.7%
Discount rate .....	6.7%
Customer acquisition growth rate .....	2%
<i>Average useful life (years)</i> .....	5

- c) Licenses: ODO is the second leading mobile operator in the Dominican Republic and has the rights to use two licenses (one of which was acquired in April 2014), which were valued as assets by the Board of Managers based on their fair values, which were determined on the basis of the auction price paid upfront for these licenses by ODO and a re-evaluation of €59.2 million over the carrying amount at the date of acquisition.

Following the preliminary purchase price allocation, the residual amount of €593 million over the consideration paid was recognised as goodwill in the Company's consolidated financial statements for the year ended December 31, 2014.

The Board of Managers is continuously evaluating the fair value of identifiable assets and liabilities of Orange Dominicana S.A. and expects to finalise the purchase price allocation by the end of the first quarter of 2015, which conforms to the measurement period as defined by IFRS 3:46.

Thus, after the preliminary purchase price allocation for the Dominican Republic segment, the residual value between the fair value of identifiable assets and liabilities and the consideration transferred was recognised as goodwill as shown below:

Total consideration transferred .....	€1,335.2 million
Fair value of identifiable assets, liabilities and contingent liabilities .....	€ 667.7 million
Goodwill .....	€ 667.5 million

**3.2.2 French Overseas Territories ("FOT")**

*Mobius S.A.S. ("Mobius")*

On January 15, 2014, the Company, through its subsidiary, Altice Blue Two S.A.S. ("AB2"), obtained control over Mobius, a telecommunications operator in the French Overseas Territories (specifically, La Reunion), by acquiring 99.85% 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 €15.4 million to revenue and €(0.5) million to the Group operating profit for the year ended December 31, 2014.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

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 €18.9 million, comprising mainly intangible assets for a net value of €7.1 million, property, plant and equipment for a total value of €8.0 million, trade and other receivables for a total amount of €2.9 million, cash and cash equivalents for a total amount of €0.3 million and other current assets in a total amount of €0.6 million. Total liabilities amounted to €17.9 million, comprising €8.1 million of non-current liabilities and €9.8 million of current liabilities. The residual value of €17.9 million was recognised provisionally as goodwill.

The Board of Managers of the Group have determined that the fair value of the identifiable assets and liabilities of Mobius are equal to the book value at acquisition. Given the size of Mobius and its positioning in its given market, The Board of Managers assesses that the residual goodwill is justified by the amount of synergies realised post acquisition and integration of Mobius in the Group.

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

Total consideration transferred . . . . .	€18.9 million
Fair value of identifiable assets and liabilities . . . . .	€ 0.9 million
Goodwill . . . . .	€17.9 million

**3.3 Acquisitions of businesses**

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

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

	<b>Total Business Combinations</b>	<b>Dominican Republic</b>	<b>French Overseas Territories</b>
	(In millions €)		
Consideration transferred . . . . .	1,354.0	1,335.2	18.8
<b>ASSETS</b>			
Intangible assets . . . . .	283.2	276.1	7.1
Property, plant and equipment . . . . .	412.9	404.9	8.0
Deferred tax assets . . . . .	10.4	10.4	—
Other non-current assets . . . . .	24.7	24.7	—
Inventories . . . . .	17.8	17.8	—
Trade receivables and others . . . . .	121.0	118.1	2.9
Cash and cash equivalents . . . . .	39.6	39.3	0.3
Other current assets . . . . .	10.8	10.2	0.6
<b>Total assets</b> . . . . .	<b>920.4</b>	<b>901.5</b>	<b>18.9</b>
<b>EQUITY AND LIABILITIES</b>			
Non-current liabilities . . . . .	86.6	78.7	7.9
Current liabilities . . . . .	165.0	155.2	9.8
<b>Total liabilities</b> . . . . .	<b>251.6</b>	<b>233.9</b>	<b>17.9</b>
Net assets . . . . .	668.9	667.6	0.9
<b>Residual goodwill</b> . . . . .	<b>685.2</b>	<b>667.5</b>	<b>17.9</b>
<i>Impact of NCI</i> . . . . .	—	—	—

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**3. Scope of consolidation (Continued)**

**Profit and loss before acquisition by the Group**

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

	<u>Tricom</u>	<u>ODO</u>
	(In millions €)	
<b>Revenues</b> .....	<b>38.7</b>	<b>108.8</b>
Purchases and subcontracting services .....	(11.1)	(27.4)
<b>Gross Profit</b> .....	<b>27.6</b>	<b>81.4</b>
Other operating expenses .....	(4.2)	(10.3)
General and administrative expenses .....	(1.7)	(6.7)
Other sales and marketing expenses .....	(2.2)	(19.0)
Staff costs and employee benefits .....	(5.3)	—
<b>Operating profit before depreciation and amortization</b> .....	<b>14.1</b>	<b>45.5</b>
Depreciation and amortization .....	(5.1)	(15.3)
Management fees .....	(0.8)	(2.9)
<b>Operating profit</b> .....	<b>8.2</b>	<b>27.4</b>
<b>Profit for the period</b> .....	<b>5.4</b>	<b>19.3</b>

Had the acquisitions listed above all been completed as of January 1, 2014, on a pro-forma basis, the Group would have revenues of €2,033.6 million (after net intercompany eliminations of €5.9 million between various Group companies on a pro-forma basis) for the year ended December 31, 2014.

Operating profit would amount to € 198.4 million, had the acquisition been completed as of January 1, 2014.

**3.4 Change in the Company's ownership interest in 2014**

**3.4.1 Acquisition of non-controlling interests—Altice Blue Two S.A.S.**

As per the agreement signed on March 13, 2014, the managers of Outremer Telecom ("OMT") contributed a 17.5% stake held directly in AB2 and all their shares held in OMT Ocean 3 S.A.S. (an investment vehicle held by certain members of OMT's senior management and holding a 5.4% stake in ABT), for a base value of € 55.2 million, against new shares issued by Altice S.A.. Altice S.A. subsequently contributed its shares in Altice Blue Two S.A.S. and OMT Ocean 3 S.A.S to Altice International S.à r.l. (see note 11).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill**

Goodwill recorded on the statement of financial position of the Company was allocated to the different groups of cash generating units (except for Others where this was allocated to Green.ch only) as defined by the group. Summary of goodwill recognized on different acquisitions is provided below:

	December 31, 2013	Recognized on business combina- tions	Variations	Impairment losses	Changes in foreign currency translation	Held for sale	Disposals	December 31, 2014
	(In millions €)							
Dominican Republic .....	—	667.5	—	—	99.3	—	—	766.9
Israel .....	620.3	—	—	—	6.9	—	—	627.2
FOT .....	298.5	17.9	—	—	—	(35.3)	—	281.1
Belux .....	295.5	—	—	—	—	—	—	295.5
Green.ch .....	17.8	0.5	—	—	—	—	—	18.3
Portugal .....	1.3	—	—	—	—	—	—	1.3
<b>Total Gross Value .....</b>	<b><u>1,233.4</u></b>	<b><u>685.9</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>106.2</u></b>	<b><u>(35.3)</u></b>	<b><u>—</u></b>	<b><u>1,990.3</u></b>
Dominican Republic .....	—	—	—	—	—	—	—	—
Israel .....	(128.0)	—	—	—	(1.4)	—	—	(129.4)
FOT .....	(4.6)	—	—	—	—	—	—	(4.6)
Belux .....	—	—	—	—	—	—	—	—
Green.ch .....	—	—	—	—	—	—	—	—
Portugal .....	—	—	—	—	—	—	—	—
<b>Total Cumulative impairment .....</b>	<b><u>(132.6)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(1.4)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(134.0)</u></b>
Dominican Republic .....	—	667.5	—	—	99.3	—	—	766.9
Israel .....	492.3	—	—	—	5.5	—	—	497.8
FOT .....	293.9	17.9	—	—	—	(35.3)	—	276.5
Belux .....	295.5	—	—	—	—	—	—	295.5
Green.ch .....	17.8	0.5	—	—	—	—	—	18.3
Portugal .....	1.3	—	—	—	—	—	—	1.3
<b>Total Net book value .....</b>	<b><u>1,100.7</u></b>	<b><u>685.9</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>104.8</u></b>	<b><u>(35.3)</u></b>	<b><u>—</u></b>	<b><u>1,856.3</u></b>



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill (Continued)**

	December 31, 2012	Recognized on business combinations	Impairment losses	Changes in foreign currency translation (In millions €)	Disposals	December 31, 2013
Israel .....	601.8	—	—	18.4	—	620.3
FOT .....	4.6	293.9	—	—	—	298.5
Belux .....	295.5	—	—	—	—	295.5
Portugal .....	—	1.3	—	—	—	1.3
Green.ch .....	17.8	—	—	—	—	17.8
<b>Total Gross Value .....</b>	<b>919.7</b>	<b>295.2</b>	<b>—</b>	<b>18.4</b>	<b>—</b>	<b>1,233.3</b>
Israel .....	(124.2)	—	—	(3.8)	—	(128.0)
FOT .....	(4.6)	—	—	—	—	(4.6)
Belux .....	—	—	—	—	—	—
Portugal .....	—	—	—	—	—	—
Green.ch .....	—	—	—	—	—	—
<b>Total Cumulative impairment .....</b>	<b>(128.8)</b>	<b>—</b>	<b>—</b>	<b>(3.8)</b>	<b>—</b>	<b>(132.6)</b>
Israel .....	477.6	—	—	14.6	—	492.3
FOT .....	—	293.9	—	—	—	293.9
Belux .....	295.5	—	—	—	—	295.5
Portugal .....	—	1.3	—	—	—	1.3
Green.ch .....	17.8	—	—	—	—	17.8
<b>Total Net book value .....</b>	<b>790.9</b>	<b>295.2</b>	<b>—</b>	<b>14.6</b>	<b>—</b>	<b>1,100.7</b>

The carrying amount of goodwill as at December 31, 2014 was €1,856.3 million (€1,110.7 million as of December 31, 2013).

For the year ended December 31, 2014, the Board of Managers has decided to reorganize the way the cash generating units (CGUs) and group of cash generating units (GCGUs) are presented, in order to be consistent with the structuring process that the Group has undergone in its different jurisdictions and that is aligning to the way management operates the different segments of the Group (see note 21). To this end, GCGUs now reflect specific geographic areas in which one or several legal structures can be found (eg. Cabovisao and ONI will form Portugal, Tricom/GLX and ODO, Dominican Republic). Historically, each CGU was presented as a standalone legal entity, as the Group had only one operating entity per geography. The rapid expansion of the Group and the push to achieve synergies between fixed, cable and mobile networks in its relevant operating geographies prompted the Board of Managers to acquire new structures in the regions where it was already operating. The Board of Managers believes that combining individual acquired entities is the most economic method of capturing synergies between new, complementary businesses in each operational region. This is underlined by the technical synergies between the different networks, the fact that the teams are now integrated and as a result of the bundle offers to the client. An illustrative example is the integration of support functions in the French Overseas Territories (between OMT and Le Cable; together "FOT"), in Portugal with Cabovisao and ONI and the on-going restructuring of the Dominican entities, in order to have a single, functional support team in the finance, marketing and technical departments. In addition to this, contracts with service providers are negotiated by one entity for the relevant geographies thus providing better purchasing power for the GCGU as a whole. Moreover, internal tracking and monthly financial and operation reviews performed by the Board of Managers are based on specific geographies and not on individual companies, thus the new presentation provides an accurate vision of how the Board of Managers tracks and runs its businesses internally.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill (Continued)**

Goodwill is reviewed at the level of each GCGU annually for impairment and whenever changes in circumstances indicate that its carrying amount may not be recoverable. For 2014, goodwill was tested at the GCGU level for impairment as of December 31, 2014. The GCGU is at the country level where the subsidiaries operate. The recoverable amounts of the GCGUs are determined based on their value in use. The Group determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs. The key assumptions for the value in use calculations are primarily the pre-tax discount rates, the terminal growth rate and the EBIT margin during the period. The impairment tests did not result in impairment for any periods presented in these consolidated financial statements.

As per the requirements of IAS 36, impairment of assets, other intangible assets with an indefinite useful life must also be tested for impairment annually, irrespective of whether any indicators of impairment exist or not. To this end, the Group has performed impairment testing on the brands recognized on previous acquisitions, namely Cabovisao, Coditel, ONI and Only. Despite the reorganization of GCGUs, for the purpose of brand testing, revenue growth parameters for individual subsidiaries were used. Following the results of the testing, the Board of Managers has determined that the ONI brand should be subject to an impairment of €8.2 million. Additionally, the Board of Managers fully impaired the Numericable brand, the carrying amount of €5.4 million was thus written off.

The value in use of each CGU was determined by estimating cash flows for a period of five years for the operating activities. Cash flow forecasts are derived from the most recent business plans approved by the Board of Managers. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate between 1-2%. 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 5.6% to 11%. 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 the Board of Managers. Recurring capex is expected to be proportional to sales and thus is indexed to the growth in revenues.

In addition to using internal indicators to assess the carrying amount in use, the Board of Managers also relies on external factors which can influence the cash generating capacity of the CGUs and also indicate that certain factors beyond the control of the Board of Managers might influence the carrying amounts in use:

- Indicators of market slowdown in a country of operation
- Indicators of degradation in financial markets, that can impact the financing ability of the group
- Loss of liquidity in capital markets

The Group has made use of various external indicators and internal reporting tools to estimate the revenue growth rates considered for the purpose of impairment testing for the year ended December 31, 2014. The perpetual growth rates assumed ranged from 1.0% to 2.0%. A summary of the growth rates used is provided below. The growth rates are provided by individual subsidiary and the GCGU allocation is indicated.

	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Portugal</u>	<u>Others</u>
Average long term growth rate in 2014 (in %) .....	2.0	1.5-2.0	2.0	2.0	1.0-1.5	2.0
Average long term growth rate in 2013 (in %) .....	—	1.5-2.0	2.0	2.0	1.0-1.5	2.0

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill (Continued)**

When estimating EBIT margin for purposes of the 2014 impairment test, the Company used a stable ratio of EBIT margin over the next 5 years. The five year average EBIT margin considered for the purpose of impairment testing for different GCGUs is presented below:

	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Portugal</u>	<u>Others</u>
5 year average EBIT margin (In %) . . . . .	31.4	14.0	31.2	50.3	6.0	18.9

Capex was indexed to the revenues, as the Board of Managers tracks the capex spent expressed in a % of sales as a key KPI. The Board of Managers believes that recurring capex should be related to the acquisition of new clients and hence is indexed to the growth in revenues.

The Board of Managers estimated discount rates using post-tax rates that reflected current market rates for investments of similar risk. The discount rate for the GCGUs 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.

	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Portugal</u>	<u>Others</u>
Post tax weighted average cost of capital 2014 (%) . . . . .	6.32	10.11	6.21	6.24	7.22	5.58
Post tax weighted average cost of capital 2013(%) . . . . .	—	10.11	6.21	6.56	6.31	6.48

The results of the impairment testing did not result in any goodwill impairment for the year ended December 31, 2014. However, as mentioned earlier in this report, the Group identified an impairment on the ONI brand for a total amount of €8.2 million, in addition to the previously mentioned impairment in the Belgium and Luxembourg segment for a total of €5.4 million. This impairment is the reflection of the pricing pressures faced in the Portuguese market due to economic situation prevalent in the country. The Board of Managers believes that this does not reflect on the ability of ONI to generate revenues by leveraging its brand, but an overall difficulty in operating in the region.

As required by IAS 36, ‘impairment of assets’, the headroom of the recoverable amount over the carrying amount is disclosed below:

	<u>Dominican Republic</u>	<u>Israel</u>	<u>French Overseas Territories</u>	<u>Belgium &amp; Luxembourg</u>	<u>Portugal</u>	<u>Others</u>
	(In millions €)					
Carrying amount . . . . .	766.9	493.1	276.5	295.5	1.3	18.2
Recoverable amount . . . . .	3,452.6	1,930.5	497.3	347.7	188.7	196.8
Excess of fair value in use over carrying amount . . . . .	2,685.7	1,437.4	220.8	52.2	187.4	178.6

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model were subject to a sensitivity analysis so as to test the resilience of value in use. The sensitivity analysis of these GCGUs is presented below.

The Board of Managers has analysed the GCGUs for which a reasonable change in the assumptions used for the impairment testing can demonstrate a risk of impairment. The sensitivity analysis of these GCGUs is presented below.

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:

- Dominican Republic: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €2,257 million and therefore no impairment would be required.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill (Continued)**

- Israel: an increase of 100 bps in the WACC decreases the excess of recoverable amount to €1,261.3 million and therefore no impairment would be required. The sensitivity used for the Israeli GCGU is slightly different from the Group standard, as the Board of Managers believes that due to the volatility in the region (political/economic) a higher sensitivity rate is more appropriate for the Israeli market.
- French Overseas Territories: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €157.7 million and therefore no impairment would be required.
- Belgium & Luxembourg: an increase of 50 bps in the WACC decreases the excess of recoverable amount to € (14.7) million and therefore an impairment would be required.
- Portugal: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €156.5 million and therefore no impairment would be required.
- Others: an increase of 50 bps in the WACC decreases the recoverable amount to €149.6 million and therefore no impairment would be required.

Sensitivity of the recoverable amount was tested for a movement of 100 bps in the perpetuity growth rates (PGR), all other assumptions being stable and the impact would be:

- Dominican Republic: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to €995 million and therefore no impairment would be required.
- Israel: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to €1,291.2 million and therefore no impairment would be required.
- French Overseas Territories: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to €119.6 million and therefore no impairment would be required.
- Belgium & Luxembourg: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to € (52.8) million and therefore an impairment would be required.
- Portugal: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to €37.4 million and therefore no impairment would be required.
- Others: a decrease of 100 bps in the PGR decreases the excess of recoverable amount to €131.1million and therefore no impairment would be required.

Thus, for all GCGUs with the exception of Belgium and Luxembourg, the sensitivity analysis did not show any evidence of impairment, in case there is a movement in the key assumptions made for the purposes of the impairment testing.

In addition, the Group analyzed the sensitivity on the estimated recoverable amounts to the reasonable expected changes in the EBIT margin, assuming unchanged values for the other assumptions. The Board of Managers has decided to apply a 300 bps decrease in the EBIT margin for the Belgium and Luxembourg segment, which has shown a low headroom and has shown evidence of impairment in case of a reasonable change in other assumptions such as WACC and PGR. Such a decrease in the EBIT margin decreases the excess of the recoverable amount to €14.3 million and hence no impairment of goodwill will be required.

The analysis did not result in other scenarios whereby a reasonable possible change in the aforementioned EBIT margin would result in a recoverable amount for the GCGU which is inferior to the carrying value, if applied to any other GCGU.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**4. Goodwill (Continued)**

As per the requirements of IAS 36, "Impairment of assets", the headroom of the recoverable amount over the carrying amount for assets with an indefinite useful life (brands) is disclosed below:

	French Overseas Territories	Belgium & Luxembourg	Portugal		Others
	Only	Coditel	Oni (*)	Cabovisao	Green
	(In millions €)				
Brand names .....					
Carrying amount .....	24.3	2.2	16.2	29.6	17.1
Recoverable amount .....	34.3	4.7	16.2	33.2	26.8
Excess of fair value in use over carrying amount ..	10.0	2.5	—	3.6	9.7

The Board of Managers has analyzed the brands for which a reasonable change in the assumptions used for the impairment testing can demonstrate a risk of impairment. The sensitivity analysis of these brands is presented below.

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:

- Only: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €30.7 million and therefore no impairment would be required.
- Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €4.2 million and therefore no impairment would be required.
- Oni: an increase of 50 bps in the WACC decreases the excess of recoverable amount to €15.0million and therefore an additional impairment of €1.2 million will be required.
- Cabovisao: an increase of 50 bps in the WACC decreases the recoverable amount to €30.6 million and therefore no impairment would be required.
- Green: an increase of 50 bps in the WACC decreases the recoverable amount to €23.6 million and therefore no impairment would be required.

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

- Only: a decrease of 50 bps in the royalty rate decreases the excess of recoverable amount to €22.8 million and therefore an impairment of €1.5 million would be required.
- Coditel: a decrease of 50 bps in the royalty rate decreases the excess of recoverable amount to €3.8 million and therefore no impairment would be required.
- Oni: a decrease of 50 bps in the royalty rate decreases the excess of recoverable amount to €10.8 million and therefore an additional impairment of €5.4million will be required.
- Cabovisao: a decrease of 50 bps in the royalty rate decreases the excess of recoverable amount to €26.6 million and therefore an impairment of €3.0 million will be required.
- Green: a decrease of 50 bps in the royalty rate decreases the excess of recoverable amount to €21.4 million and therefore no impairment would be required.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Intangible assets**

	December 31, 2013	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale or discontinued operations	Other	December 31, 2014
	(In millions €)							
Software .....	91.2	22.9	—	12.4	6.6	—	5.7	138.9
Brand name <sup>(3)</sup> .....	129.9	—	—	10.9	1.6	(3.4)	—	139.0
Customer relations <sup>(1)</sup> .....	386.7	7.4	—	107.9	14.5	(15.5)	—	501.0
Licences .....	56.8	2.3	(5.8)	132.8	14.4	(2.4)	30.4	228.3
R&D costs acquisitions .....	3.8	0.8	—	—	—	(3.6)	3.3	4.4
Subscriber acquisition costs <sup>(2)</sup> .....	200.3	29.6	(0.1)	—	2.6	—	—	235.5
Intangible assets under construction .....	6.5	39.6	—	7.4	0.5	(0.1)	(44.1)	9.9
Other intangible assets .....	186.3	77.5	(3.4)	11.8	4.9	(4.0)	5.2	278.3
<b>Total Gross Value .....</b>	<b>1,061.5</b>	<b>180.2</b>	<b>(9.4)</b>	<b>283.2</b>	<b>45.1</b>	<b>(29.0)</b>	<b>0.5</b>	<b>1,532.5</b>
Software .....	(55.5)	(28.4)	—	—	(5.1)	—	—	(89.0)
Brand name <sup>(3)</sup> .....	(5.0)	(17.1)	0.4	—	(0.4)	2.3	—	(19.8)
Customer relations <sup>(1)</sup> .....	(91.5)	(61.5)	—	—	(2.8)	2.1	—	(153.7)
Licenses .....	(17.2)	(23.5)	0.9	—	(1.9)	1.3	—	(40.4)
R&D costs .....	(0.7)	(1.7)	—	—	—	3.1	—	0.7
Subscriber acquisition costs <sup>(2)</sup> .....	(194.1)	(29.6)	—	—	(2.6)	—	—	(226.2)
Intangible assets under construction .....	—	—	0.1	—	—	—	—	—
Other intangible assets .....	(118.3)	(47.8)	2.1	—	(3.3)	0.7	(0.4)	(166.9)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(482.3)</b>	<b>(209.9)</b>	<b>3.5</b>	<b>—</b>	<b>(16.0)</b>	<b>9.5</b>	<b>(0.4)</b>	<b>(695.3)</b>
Software .....	35.7	(5.5)	—	12.4	1.5	—	5.7	50.3
Brand name <sup>(3)</sup> .....	124.9	(17.1)	0.4	10.9	1.2	(1.1)	—	119.0
Customer relations <sup>(1)</sup> .....	295.2	(54.1)	—	107.9	11.7	(13.5)	—	347.3
Licenses .....	39.6	(21.2)	(5.0)	132.8	12.5	(1.1)	30.3	188.0
R&D costs .....	3.1	(0.9)	—	—	—	(0.5)	3.3	4.9
Subscriber acquisition costs <sup>(2)</sup> .....	6.2	0.1	(0.1)	—	0.1	—	—	6.3
Intangible assets under construction .....	6.5	39.6	0.1	7.4	0.5	(0.1)	(44.1)	10.0
Other intangible assets .....	68.0	29.7	(1.3)	11.8	1.6	(3.2)	4.8	111.5
<b>Total Net book value .....</b>	<b>579.6</b>	<b>(29.4)</b>	<b>(5.9)</b>	<b>283.2</b>	<b>29.1</b>	<b>(19.5)</b>	<b>0.1</b>	<b>837.1</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**5. Intangible assets (Continued)**

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
	(In millions €)						
Software .....	64.9	23.5	—	—	3.0	0.1	91.2
Brand name <sup>(3)</sup> .....	79.8	0.3	—	49.1	0.7	—	129.9
Customer relations <sup>(1)</sup> .....	325.6	—	—	52.9	8.2	—	386.7
Licenses .....	31.9	6.2	—	14.7	0.5	3.6	56.8
R&D costs acquisitions .....	—	—	—	1.8	—	2.1	3.8
Subscriber acquisition costs <sup>(2)</sup> .....	173.9	20.2	—	—	6.2	—	200.3
Intangible assets under construction .....	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets .....	118.9	37.1	(0.7)	28.0	2.5	0.5	186.3
<b>Total Gross Value .....</b>	<b>795.0</b>	<b>92.5</b>	<b>(1.2)</b>	<b>154.1</b>	<b>21.1</b>	<b>0.5</b>	<b>1,061.9</b>
Software .....	(28.1)	(25.4)	—	—	(1.9)	(0.1)	(55.5)
Brand name <sup>(3)</sup> .....	(2.6)	(2.2)	—	—	(0.2)	—	(5.0)
Customer relations <sup>(1)</sup> .....	(52.9)	(36.1)	—	—	(2.5)	—	(91.5)
Licenses .....	(9.9)	(7.3)	—	—	(0.1)	0.1	(17.2)
R&D costs .....	—	(0.7)	—	—	—	—	(0.7)
Subscriber acquisition costs <sup>(2)</sup> .....	(166.3)	(21.8)	—	—	(6.0)	—	(194.1)
Intangible assets under construction .....	—	—	—	—	—	—	—
Other intangible assets .....	(76.7)	(40.7)	0.7	—	(1.6)	—	(118.3)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(336.5)</b>	<b>(134.1)</b>	<b>0.7</b>	<b>—</b>	<b>(12.3)</b>	<b>—</b>	<b>(482.3)</b>
Software .....	36.8	(1.9)	—	—	1.1	—	36.0
Brand name <sup>(3)</sup> .....	77.2	(1.9)	—	49.1	0.5	—	124.9
Customer relations <sup>(1)</sup> .....	272.7	(36.1)	—	52.9	5.8	—	295.3
Licenses .....	22.0	(1.1)	—	14.7	0.4	3.8	39.7
R&D costs .....	—	(0.7)	—	1.8	—	2.1	3.1
Subscriber acquisition costs <sup>(2)</sup> .....	7.6	(1.6)	—	—	0.2	—	6.2
Intangible assets under construction .....	—	5.2	(0.5)	7.7	—	(5.9)	6.5
Other intangible assets .....	42.2	(3.6)	—	28.0	0.9	0.5	68.0
<b>Total Net book value .....</b>	<b>458.5</b>	<b>(41.7)</b>	<b>(0.5)</b>	<b>154.1</b>	<b>8.7</b>	<b>0.5</b>	<b>579.6</b>

(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. The carrying amount of customer relations by segment was: (i) Israel: €169.9 million, (ii) DR: €103.9 million, (iii) Other segments (Portugal, FOT, Belgium Luxembourg and Others): € 82.2 million.

(2) Subscriber acquisition 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.

(3) This caption includes the carrying amount of different brands owned by the Group and recognized as part of different purchase price allocations. The brands recognized as part of acquisitions during the year 2014 are disclosed in note 3. The carrying amount of brands with a definite useful life was € 29.9 million (allocated to the segments (i) Israel: €20.5 million and (ii) Dominican Republic: €9.4 million) and that of brands with an indefinite useful life was €89.5 million (allocated to the segments (i) Portugal: €45.8 million, (ii) FOT: €24.3 million, (iii) Green.ch: €17.1 million and (iv) Belux: €2.2 million).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**6. Property, Plant & Equipment**

	December 31, 2013	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Held for sale	Other	December 31, 2014
	(In millions €)							
Land .....	3.3	—	—	23.9	2.2	—	0.6	30.0
Buildings <sup>(1)</sup> .....	86.8	1.7	(2.0)	26.5	5.1	(7.6)	3.5	114.0
Technical equipment and other equipment <sup>(2)</sup> .....	1,831.1	181.8	(19.1)	307.4	93.3	(40.0)	60.1	2,414.6
Tangible assets under construction .....	25.2	72.7	(0.4)	44.6	4.2	(0.3)	(66.1)	79.8
Prepayments on tangible assets ...	—	1.4	(0.2)	0.9	0.1	(0.1)	—	2.1
Other tangible assets .....	15.5	2.3	(0.2)	9.8	1.5	—	0.7	29.6
<b>Total Gross Value .....</b>	<b><u>1,961.9</u></b>	<b><u>259.9</u></b>	<b><u>(22.0)</u></b>	<b><u>413.0</u></b>	<b><u>106.4</u></b>	<b><u>(48.0)</u></b>	<b><u>(1.2)</u></b>	<b><u>2,670.0</u></b>
Buildings <sup>(1)</sup> .....	(22.6)	(11.8)	1.6	—	(2.5)	4.6	—	(30.7)
Technical equipment and other equipment <sup>(2)</sup> .....	(790.2)	(335.6)	17.0	—	(57.6)	28.1	(0.3)	(1,138.6)
Tangible assets under construction .....	(0.1)	—	—	—	(0.1)	—	(0.1)	(0.3)
Other tangible assets .....	(14.8)	(28.0)	0.2	—	(0.7)	—	(0.5)	(43.8)
<b>Total Cumulative amortization and depreciation .....</b>	<b><u>(827.7)</u></b>	<b><u>(375.4)</u></b>	<b><u>18.8</u></b>	<b><u>—</u></b>	<b><u>(61.0)</u></b>	<b><u>32.7</u></b>	<b><u>(0.8)</u></b>	<b><u>(1,213.3)</u></b>
Land .....	3.3	—	—	23.9	2.2	—	0.6	30.0
Buildings <sup>(1)</sup> .....	64.2	(10.2)	(0.4)	26.5	2.6	(3.0)	3.5	83.3
Technical equipment and other equipment <sup>(2)</sup> .....	1,040.9	(153.7)	(2.1)	307.4	35.7	(11.9)	59.8	1,276.0
Tangible assets under construction .....	25.1	72.7	(0.4)	44.6	4.1	(0.3)	(66.2)	79.6
Prepayments on tangible assets ...	0.0	1.4	(0.2)	0.9	0.1	(0.1)	—	2.1
Other tangible assets .....	0.7	(25.6)	—	9.8	0.7	—	0.3	(14.2)
<b>Total Net book value .....</b>	<b><u>1,134.2</u></b>	<b><u>(115.5)</u></b>	<b><u>(3.1)</u></b>	<b><u>413.0</u></b>	<b><u>45.4</u></b>	<b><u>(15.3)</u></b>	<b><u>(2.0)</u></b>	<b><u>1,456.7</u></b>



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**6. Property, Plant & Equipment (Continued)**

	December 31, 2012	Additions and related depreciation and amortization	Disposals	Business Combinations	Changes in foreign currency translation adjustment	Other	December 31, 2013
	(In millions €)						
Land .....	2.9	0.2	—	0.2	—	—	3.3
Buildings .....	68.6	8.7	—	5.6	1.4	2.5	86.8
Technical equipment and other equipment <sup>(2)</sup> .....	1,501.1	163.6	(24.5)	95.6	65.3	30.1	1,831.1
Tangible assets under construction .....	17.0	19.9	—	19.9	0.0	(31.6)	25.2
Prepayments on tangible assets .....	3.1	0.3	—	0.7	(0.0)	(4.1)	—
Other tangible assets .....	9.5	4.0	(0.1)	1.0	0.5	0.6	15.5
<b>Total Gross Value .....</b>	<b>1,602.1</b>	<b>196.7</b>	<b>(24.6)</b>	<b>123.0</b>	<b>67.2</b>	<b>(4.3)</b>	<b>1,961.9</b>
Buildings .....	(12.9)	(9.0)	—	—	(0.7)	—	(22.6)
Technical equipment and other equipment <sup>(2)</sup> .....	(514.6)	(254.1)	19.7	—	(40.9)	(0.3)	(790.2)
Tangible assets under construction .....	(0.3)	—	—	—	—	0.3	(0.1)
Other tangible assets .....	(6.4)	(8.0)	—	—	(0.5)	0.1	(14.8)
<b>Total Cumulative amortization and depreciation .....</b>	<b>(534.3)</b>	<b>(271.1)</b>	<b>19.7</b>	<b>—</b>	<b>(42.1)</b>	<b>0.1</b>	<b>(827.7)</b>
Land .....	2.9	0.2	—	0.2	—	—	3.3
Buildings .....	55.7	(0.3)	—	5.6	0.7	2.5	64.2
Technical equipment and other equipment <sup>(2)</sup> .....	986.4	(90.4)	(4.8)	95.6	24.4	29.8	1,040.9
Tangible assets under construction .....	16.6	19.9	—	19.9	—	(31.3)	25.1
Prepayments on tangible assets .....	3.1	0.3	—	0.7	—	(4.1)	0.0
Other tangible assets .....	3.1	(4.0)	(0.1)	1.0	—	0.7	0.7
<b>Total Net book value .....</b>	<b>1,067.8</b>	<b>(74.4)</b>	<b>(4.9)</b>	<b>123.0</b>	<b>25.1</b>	<b>(2.4)</b>	<b>1,134.2</b>

(1) The caption is mostly 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.

(2) This caption includes:

Cable network: the Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable based pay television, broadband internet and fixed line telephony services to its subscribers;

Call centers that represent centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone;

Office furniture and equipment that refer to furnishings and IT equipment; and

Communication network infrastructure that include the digital technologies for the transmission of multi-channel television services.

As part of the various debt issuances done by the Group, the assets of certain subsidiaries have been pledged as collateral. This includes all material assets of HOT Telecom including the cable network, all material assets of ODO (other than licenses and real estate assets valued at less than €5 million), all assets of Cabovisao, ONI, OMT and Tricom (Including network and PPE).

The increase in the property, plant and equipment of the Company can mainly be attributed to the acquisitions of ODO and Tricom during the course of the year.

In addition to this, property plant and equipment also increased as a result of continued capital expenditure by other group companies, as part of their efforts to drive customer acquisition and growth.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**7. Other financial assets**

	December 31, 2014	December 31, 2013
	(In millions €)	
Investments held as available for sale <sup>(1)</sup> .....	42.0	40.3
Loans and receivables <sup>(2)</sup> .....	12.8	3.0
Other financial assets .....	2.0	5.5
Restricted cash .....	0.6	1.8
<b>Total</b> .....	<b>57.4</b>	<b>50.6</b>

(1) Investment in available for sale financial assets are composed of:

- Partner Communications LTD: The Group holds 1,459,926 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 (hereinafter Wananchi): The Group, through an indirect subsidiary, holds a 17.4% equity interest and three board seats in Wananchi Group Holdings Ltd, a cable, DTH and B2B operator based out of Kenya and providing services in Kenya and other neighboring East African countries. The Board of Managers has classified this investment as an available for sale asset. The Company holds less than 20% of Wananchi and has no significant influence over the operational or financial decision making in Wananchi. The investment in Wananchi is carried at its fair value, which was calculated by the Board of Managers based on a discounted cash flow model, which was modeled on a business plan prepared by Wananchi's management. A re-evaluation gain of €4.6 million has been recognized in the consolidated financial statements. The discounted cash flow valuation was performed using the following parameters:

Weighted average cost of capital: 13.6%

Evaluation period: 10 years

Terminal revenue growth rate: 5%

(2) Loans and receivables

As of December 31, 2014, 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 €12.8 million (\$14 million equivalent) and bears interest at a rate of 15% per annum payable in kind and a maturity of 3 years starting December 2013 (12.5% if the loan is not converted into equity by December 31, 2015).

**8. Inventories**

	December 31, 2014	December 31, 2013
	(In millions €)	
Raw materials and consumables .....	0.2	—
Work in progress .....	—	0.1
Finished/semi-finished goods .....	23.9	12.4
<b>Total Gross Value</b> .....	<b>24.0</b>	<b>12.5</b>
Raw materials and consumables .....	—	—
Work in progress .....	—	—
Finished/semi-finished goods .....	(2.4)	(1.5)
<b>Total Depreciation</b> .....	<b>(2.4)</b>	<b>(1.5)</b>
Raw materials and consumables .....	0.2	0.1
Work in progress .....	—	—
Finished/semi-finished goods .....	21.4	10.9
<b>Total Net book value</b> .....	<b>21.6</b>	<b>11.0</b>

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**8. Inventories (Continued)**

The cost of inventories recognized as an expense during the year was €4.6 million (€4.4 million in 2013).

The increase in inventory for the year ended December 31, 2014 mainly relates to the acquisitions of ODO and Tricom. Inventories of ODO and Tricom mainly concern mobile phones that are sold as part of their commercial offerings. Movement for allowance for obsolescence of inventory or slow moving inventory is made as follows:

	December 31, 2013	Variation	Held for sale or discontinued operations (In millions €)	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014
Raw materials and consumables . . . .	—	—	—	—	—
Work in progress (goods) . . . . .	—	—	—	—	—
Finished/semi-finished goods . . . . .	<u>(1.5)</u>	<u>(1,3)</u>	<u>0.6</u>	<u>(0.2)</u>	<u>(2.4)</u>
<b>Total Cumulative amortization and depreciation . . . . .</b>	<b><u>(1.5)</u></b>	<b><u>(1.3)</u></b>	<b><u>0.6</u></b>	<b><u>(0.2)</u></b>	<b><u>(2.4)</u></b>

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

**9. Current trade and other receivables**

	December 31, 2014	December 31, 2013
	(In millions €)	
Trade receivables . . . . .	203.8	194.0
Other receivables . . . . .	64.9	36.9
<b>Total current trade and other receivables . . . . .</b>	<b><u>268.7</u></b>	<b><u>230.9</u></b>

**9.1 Trade receivables**

	December 31, 2013	Business Combinations	Net decrease	Reversal	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014
	(In millions €)						
Trade receivables . . .	224.3	69.1	(57.3)	—	(5.8)	4.4	234.6
Allowance for doubtful debts . . . .	<u>(30.3)</u>	<u>(9.7)</u>	<u>(17.3)</u>	<u>25.1</u>	<u>0.8</u>	<u>0.6</u>	<u>(30.8)</u>
<b>Trade receivable, net . . . . .</b>	<b><u>194.0</u></b>	<b><u>59.3</u></b>	<b><u>(74.6)</u></b>	<b><u>25.1</u></b>	<b><u>(5.0)</u></b>	<b><u>5.0</u></b>	<b><u>203.8</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**9. Current trade and other receivables (Continued)**

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

The increase in trade receivables is explained mainly by the acquisition of ODO and Tricom during the year ended December 31, 2014.

**9.2 Age of trade receivables**

	December 31, 2014	December 31, 2013
	(In millions €)	
Not yet due . . . . .	133.5	137.1
30-90 days . . . . .	58.9	22.1
91-121 days . . . . .	11.4	34.8
<b>Total . . . . .</b>	<b><u>203.8</u></b>	<b><u>194.0</u></b>

**9.3 Other current receivables**

	December 31, 2014	December 31, 2013
	(In millions €)	
Loans to related parties . . . . .	0.1	0.1
Prepaid expenses <sup>(1)</sup> . . . . .	29.4	20.9
Other current assets <sup>(2)</sup> . . . . .	35.4	15.9
<b>Total . . . . .</b>	<b><u>64.9</u></b>	<b><u>36.9</u></b>

(1) The increase in prepaid expenses is mainly explained by the acquisition of ODO and Tricom during 2014.

(2) Other current assets are mainly composed of receivables due from social security and other state run organisms that manage employee benefits. The increase is mainly due to the acquisition of ODO and Tricom during the course of 2014.

The Group routinely evaluates the credit that is provided to its customers, while checking their financial situations; however it does not demand collateral for those debts. The Group records a provision for doubtful debts, based on the factors that affect the credit risks of certain customers, past experience and other information. The Group is of the opinion that there is no risk of concentration of counterparties given the much diversified customer basis, especially on the B2C side.

For the B2B business, the top 20 clients of the Group represent less than 5% of total Group revenues.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**10. Cash and cash equivalents and current restricted cash**

	December 31, 2014	December 31, 2013
	(In millions €)	
Term deposits .....	—	1.4
Bank overdraft .....	—	(0.3)
Bank balances .....	188.1	60.1
<b>Cash and cash equivalents .....</b>	<b>188.1</b>	<b>61.3</b>
Restricted cash <sup>(1)</sup> .....	—	1,242.8
<b>Restricted cash .....</b>	<b>—</b>	<b>1,242.8</b>

(1) Restricted cash held on the statement of financial position as of December 31, 2013 was used to close the transactions of ODO and Tricom, in April and March 2014, respectively.

**11. Issued capital and additional paid in capital**

**11.1 Issued capital**

As of December 31, 2014, total issued capital of the Company amounted to € 309.3 million, and was composed of 30,925,700,000 outstanding ordinary shares, with a nominal value of € 0.01 each.

As part of its initial public offering, the Company's sole partner, Altice S.A. performed a restructuring of the equity structure of the Company.

As part of this restructuring, all convertible preferred equity certificates (CPECs) and other shareholder debts held by Altice S.A. were contributed in exchange for shares in the Company. Details are given below:

	December 31, 2014	December 31, 2013
	(in € millions)	
<b>Opening balance .....</b>	<b>7.4</b>	<b>7.4</b>
Conversion of convertible instruments ("CPECs") .....	290.5	—
Conversion of Valemi Corp S.A. vendor note .....	0.7	—
Capital increase relating to Tricom S.A. closing .....	1.1	—
Capital increase relating to Orange Dominicana S.A. closing .....	8.6	—
Capital increase relating to transaction with non-controlling interests .....	0.9	—
<b>Closing balance .....</b>	<b>309.3</b>	<b>7.4</b>

**11.2 Additional paid in capital**

Total additional paid in capital of the Group increased by € 309.4 million to reach € 318.4 million as of December 31, 2014 (€ 5.4 million as of December 31, 2013). This variation is explained below:

	December 31, 2014	December 31, 2013
	(in € millions)	
<b>Opening balance .....</b>	<b>5.4</b>	<b>—</b>
Share premium issuance .....	—	5.4
Conversion of shareholder debts .....	137.3	—
Conversion of Altice IV S.A. vendor note .....	13.9	—
Conversion of Valemi Corp S.A. vendor note .....	6.1	—
Share premium relating to Tricom S.A. closing .....	10.2	—
Share premium relating to the Orange Dominicana S.A. closing .....	77.8	—
Share premium relating to the Altice Blue Two S.A.S. contribution .....	59.7	—
Share premium relating to transaction with non-controlling interests .....	8.0	—
<b>Closing balance .....</b>	<b>318.4</b>	<b>5.4</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**11. Issued capital and additional paid in capital (Continued)**

A restructuring of the shareholder debts held by Altice S.A. against Altice International was carried out at the beginning of 2014. As a result of this restructuring, the shareholder debts were contributed by Next L.P. to Altice S.A. in exchange for newly issued shares of Altice S.A.. All outstanding Yield Free Preferred Equity Certificates (€ 38.3 million), Asset Linked Preferred Equity Certificates (including accrued interests, € 95.0 million) and interest free loans (€ 3.9 million) were then contributed to the Company at their nominal value.

Altice IV S.A. and Valemi Corp S.A., the holders of vendor notes against the Company (pertaining to the acquisition of Ma Chaine Sports S.A. and SportV S.A. in Q4 2013), contributed these assets to Altice S.A. at their nominal values of € 13.9 million and € 6.1 million respectively, in exchange for new shares issued by Altice S.A., who further contributed these instruments to Altice International, in exchange for new shares issued by the Company.

On March 12, 2014 and April 9, 2014, Altice S.A. subscribed to a capital issuance of the Company for amounts that included €10.2 million and €77.8 million of share premium, related to the closing of the Tricom S.A. and Orange Dominicana S.A. acquisitions respectively.

As mentioned in note 3.4 on June 27, 2014, Altice S.A. contributed its stake in Altice Blue Two to Altice International and €59.7 million was recognised as share premium.

On July 1, 2014, the Group acquired non-controlling interests in Green and Green Data Center. These businesses are located in Switzerland and were already under the control of the Group as at acquisition date. The transaction have been financed by a cash contribution from the shareholder amounting to € 8.9 million corresponding to a capital increase of 0.9 million (see note 11.1) and € 8.0 million allocated to share premium.

**12 Provisions**

	December 31, 2013	Business Combinations	Addition	Utilization	Held for sale or discontinued operations	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2014
	(In millions €)						
Litigations <sup>(1)</sup> . . . . .	18.0	4.6	15.3	(9.2)	(0.3)	0.3	28.7
Other risks <sup>(2)</sup> . . . . .	7.9	0.1	7.1	(0.9)	—	(1.7)	12.4
Provisions for other expenses . . . . .	5.3	2.7	0.1	(0.3)	(1.6)	0.7	6.9
<b>TOTAL . . . . .</b>	<b><u>31.1</u></b>	<b><u>7.5</u></b>	<b><u>22.4</u></b>	<b><u>(10.4)</u></b>	<b><u>(1.9)</u></b>	<b><u>(0.8)</u></b>	<b><u>47.9</u></b>

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
	(In millions €)					
Litigations <sup>(1)</sup> . . . . .	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks <sup>(2)</sup> . . . . .	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses . . . . .	1.8	4.7	0.5	(0.7)	(1.0)	5.3
<b>TOTAL . . . . .</b>	<b><u>25.7</u></b>	<b><u>8.2</u></b>	<b><u>5.5</u></b>	<b><u>(7.7)</u></b>	<b><u>(0.4)</u></b>	<b><u>31.1</u></b>

(1) Provisions for litigations are mainly relating to litigations that have been brought against the group for which the Board of Managers believes that a significant risk of cash out is probable.

The increase in provisions is related mainly to the acquisition of ODO and Tricom during 2014.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**12 Provisions (Continued)**

- (2) Provisions for other risks/litigations: These provisions include amounts for which the nature and amounts cannot be disclosed on a case by case basis as this might expose the group to further litigation. Such cases are outlined in note 28, contingent liabilities, commitments and guarantees. All litigation pending against the Group is either being heard or appealed at the date of this report.

The Board of Managers considers that all potential risks of cash outflows on such litigations and claims are properly evaluated and represented correctly in the consolidated financial statements for the year ended December 31, 2014. The current portion of provisions totalled €1.0 million for the year ended December 31, 2014.

Provisions for retirement obligations and employee benefits are detailed in note 13.

**13 Employee benefits**

Depending on the laws and practices in force in the countries where it operates, the Group has obligations in terms of employee benefits, among others:

- In Switzerland, the Group has defined contributions plans, in accordance with which the Group makes regular payments without it having a legal or implicit commitment to pay additional payments even if sufficient funds have not accumulated in the funds to pay all of the benefits to an employee that relate to the employee's current and previous employment. The portion of severance payments that is not covered by deposits, is treated as a defined benefit plan in accordance with which a liability is recorded in respect of employee benefits and the group deposits amount in central severance pay funds and in appropriate insurance policies in respect of it.
- In Israel, the plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans. The Group has defined contribution plans pursuant to Section 14 of the Severance Pay Law under which the Group pays regular contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. In addition, the Group has a defined benefit plan in respect of severance pay pursuant to the Severance Pay Law. According to the Law, employees are entitled to receive severance pay upon dismissal or retirement. In respect of its severance pay obligation to certain of its employees, the Group makes current deposits in pension funds and insurance companies ("the plan assets"). Plan assets comprise assets held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the Group's own creditors and cannot be returned directly to the Group.

The amount included in the consolidated statement of financial position in respect of defined benefit plans is as follows:

	December 31, 2014	December 31, 2013
	(In millions €)	
Present value of defined benefit obligation .....	34.1	29.3
Fair value of plan assets .....	(23.0)	(21.1)
<b>Funded status</b> .....	<b>11.1</b>	<b>8.2</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**13 Employee benefits (Continued)**

Movements in the present value of defined benefit obligation were as follows:

**PRESENT VALUE OF DEFINED BENEFIT OBLIGATION**

	December 31, 2014	December 31, 2013
	(In millions €)	
<b>Balance at the start of the year</b> .....	<b>29.3</b>	<b>34.9</b>
Business combinations .....	—	2.2
Interest expense .....	0.9	0.9
Current service cost .....	3.1	4.0
Participant contribution .....	0.3	0.3
Benefit paid .....	(2.8)	(10.4)
Transfer of employee to section 14—Israel .....	—	(2.1)
Curtailment .....	(0.2)	—
Net actuarial loss/gain in net income .....	3.0	—
Net actuarial loss/gain in other comprehensive income .....	6.0	(0.4)
Other .....	0.3	(0.4)
<b>Balance at the end of the year</b> .....	<b>34.1</b>	<b>29.3</b>
<i>including commitments not financed</i> .....	3.1	2.7
<i>including commitments totally financed or partially financed</i> .....	31.0	26.7

**PRESENT VALUE OF PLAN ASSETS**

	December 31, 2014	December 31, 2013
	(In millions €)	
<b>Balance at the start of the year</b> .....	<b>21.1</b>	<b>25.4</b>
Interest income .....	0.6	0.7
Deposits paid by the employer into the plan .....	2.2	4.1
Participant contributions .....	0.3	0.3
Benefits paid .....	(1.8)	(7.9)
Transfer of employees to section 14—Israel .....	—	(2.1)
Net actuarial loss/gain in other comprehensive income .....	0.3	0.6
Other (including currency translation adjustment) .....	0.3	(0.1)
<b>Balance at the end of the year</b> .....	<b>23.0</b>	<b>21.1</b>
<b>Total net liabilities</b> .....	<b>11.1</b>	<b>8.2</b>

	December 31, 2014	December 31, 2013
	(In millions €)	
Current service cost .....	3.1	4.0
Net Interest expense .....	0.3	0.2
Net actuarial loss/gain .....	0.1	—
<b>Total expenses in respect of employee benefits in profit and loss</b> .....	<b>3.4</b>	<b>4.2</b>
Net actuarial loss/gain .....	2.7	(0.1)
Other OCI (including currency translation adjustment) .....	0.1	—
<b>Total expenses in respect of employee benefits in Other comprehensive income</b> .....	<b>2.8</b>	<b>(0.1)</b>



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**13 Employee benefits (Continued)**

	December 31, 2014	December 31, 2013
<b>Net actuarial (loss)/gain</b>		
—actuarial differences from experience—Defined benefit obligation . . . . .	0.2	—
—actuarial differences from change in assumptions—Defined benefit obligation . . . . .	3.0	0.6
—actuarial return on plan assets (excluding interests income) . . . . .	(0.3)	—
<b>Total</b> . . . . .	<b>2.8</b>	<b>0.6</b>

The principal actuarial assumptions used for the purposes of the actuarial valuations were as follows:

**PRINCIPAL ASSUMPTIONS**

	December 31, 2014	December 31, 2013
Discount rate . . . . .	2.4%	3.3%
Expected rate of salary increases . . . . .	2.3%	2.4%

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

**ALLOCATION OF PENSION PLAN ASSETS—in %**

Shares . . . . .	6.7%
Bonds . . . . .	10.9%
Real estate . . . . .	7.2%
Other(*) . . . . .	75.2%
<b>Total</b> . . . . .	<b>100%</b>

(\*) The plan assets in Israel include assets that are held by a long term employee benefit fund as well as in appropriate insurance policies. They are presented in the line Other and consist of various financial assets.

**14 Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

	December 31, 2014	December 31, 2013
	(In millions €)	
Borrowings . . . . .	3,575.9	3,421.3
Loans from related parties . . . . .	—	99.2
Other financial liabilities: . . . . .	153.5	271.6
—Finance leases . . . . .	16.8	23.4
—Other financial liabilities . . . . .	109.0	105.9
—Financial instruments . . . . .	27.7	142.3
<b>Non-current liabilities</b> . . . . .	<b>3,729.4</b>	<b>3,792.1</b>
Borrowings: . . . . .	225.7	57.6
—Loans from financial institutions and bonds . . . . .	166.6	26.4
—Bank overdraft . . . . .	0.1	—
—Accrued interest . . . . .	58.9	31.2
Other financial liabilities: . . . . .	36.4	15.9
—Other financial liabilities . . . . .	27.9	4.5
—Finance leases . . . . .	8.6	11.4
<b>Current liabilities</b> . . . . .	<b>262.2</b>	<b>73.5</b>
<b>Total</b> . . . . .	<b>3,991.6</b>	<b>3,865.6</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

**14.1 Loans from financial institutions and bonds**

As at December 31, 2014, the details of the loans from financial institutions and bonds are given in the sections that follow.

The maturities of borrowings are given below:

	December 31, 2014	< 1 year	One year or more	December 31, 2013
		(In millions €)		
Bonds . . . . .	2,756.5	26.7	2,729.8	2,553.4
Loans from financial institutions . . . . .	986.0	139.9	846.1	894.3
<b>Total . . . . .</b>	<b><u>3,742.5</u></b>	<b><u>166.6</u></b>	<b><u>3,575.9</u></b>	<b><u>3,447.7</u></b>

**14.2 Bonds**

No new bonds were issued by the Company or its subsidiaries for the year ended December 31, 2014.

Instrument	Issuer	Fair value in millions of euros December 31, 2014	Coupon	Year of maturity	Carrying amount December 31, 2014	Carrying amount December 31, 2013
—Debentures . . . . .	HOT Telecom Ltd.	266.1	Between 3.9% and 6.9% + Consumer Price Index	2018	257.0	280.1
—Senior Secured Notes USD 460 M . . . . .	Altice Financing S.A.	391.2	7.875%	2019	368.7	305.1
—Senior Secured Notes EUR 210M . . . . .	Altice Financing S.A.	221.8	8.00%	2019	200.8	201.7
—Senior Secured Notes EUR 300M . . . . .	Altice Financing S.A.	307.1	6.5%	2022	292.6	292.8
—Senior Secured Notes USD 900M . . . . .	Altice Financing S.A.	720.9	6.5%	2022	729.3	637.2
—Senior Notes USD 425M . . . . .	Altice Finco S.A.	376.4	9.875%	2020	339.9	309.0
—Senior Notes EUR 250M . . . . .	Altice Finco S.A.	273.8	9.00%	2023	245.7	245.2
—Senior Notes USD 400M . . . . .	Altice Finco S.A.	315.4	8.125%	2024	322.7	282.5
<b>Total value of bonds . . . . .</b>		<b>2,872.7</b>			<b>2,756.5</b>	<b>2,553.4</b>
<i>Of which due within one year . . . . .</i>		26.7			26.7	26.8
<i>Of which due after one year . . . . .</i>		2,846.0			2,729.8	2,527.0

All instruments listed above are level 1 financial instruments.

Depending on its type, each instrument has a different credit rating. All Senior Secured Notes at Altice Financing are rated B1/BB-, while the Senior Notes issued by Altice Finco are rated B3/B-.

The Senior Notes 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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

In accordance with the Group financing strategy, other than the following debt that has been issued locally by HOT, all of the bonds described above have been issued either by Altice Financing S.A. or by Altice Finco S.A.:

- HOT's Series A' debentures-€167 million, linked to the Consumer Prices Index for Tel Aviv. Series A' debentures which are repayable in 13 semi-annual payments commencing on September 30, 2012 and up to September 30, 2018. They bear yearly interest at a fixed rate of 3.9%.
- HOT's Series B' debentures-€137 million which 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.

Except for the amortising bond issued by HOT, no other bonds have any current portions. The bonds issued by Hot Telecom Ltd. are listed on Tel Aviv Stock Exchange and rated A1 with a stable outlook by the Midroog rating agency.

**14.3 Covenants**

The debts issued by the Group are subject to certain restrictive covenants, which apply in the case of debts issued by Altice Financing S.A. and Altice Finco S.A., to Altice International S.à r.l. and its restricted subsidiaries.

Other than the HOT Debentures and the revolving credit facilities described below, such debt issued by the Company and its subsidiaries is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted group's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

In order to be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

<u>Debt</u>	<u>Applicable Restricted Group</u>	<u>Ratio Test for Additional Debt Incurrence</u>	<u>General Debt Basket</u>
Senior Secured Notes USD 460M due 2019; Senior Secured Notes EUR 210M due 2019; and Senior Notes USD 425M due 2020	Altice International and its restricted subsidiaries	Secured debt, if Consolidated Senior Secured Leverage Ratio of Altice International $\leq 3:1^{**}$	Greater of \$75million and 4% of Total Assets of Altice International
		Unsecured debt, if Consolidated Leverage Ratio of Altice International $\leq 4:1^{**}$	
Senior Notes EUR 250M due 2023 and Altice Financing Term Loan	Altice International and its restricted subsidiaries	Secured debt, if Consolidated Senior Secured Leverage Ratio of Altice International $\leq 3:1^{**}$	Greater of €100 million and 4% of Total Assets of Altice International
		Unsecured debt, if Consolidated Leverage Ratio of Altice International $\leq 4:1^{**}$	

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

<u>Debt</u>	<u>Applicable Restricted Group</u>	<u>Ratio Test for Additional Debt Incurrence</u>	<u>General Debt Basket</u>
Senior Secured Notes EUR 300M due 2022; Senior Secured Notes USD 900M due 2022 and Senior Notes USD 400M due 2024	Altice International and its restricted subsidiaries	Secured debt, if Consolidated Senior Secured Leverage Ratio of Altice International $\leq 3:1^{**}$	Greater of €100 million and 4% of Total Assets of Altice International
		Unsecured debt, if Consolidated Leverage Ratio of Altice International $\leq 4:1^{**}$	
Senior Secured Notes EUR 500M due 2023; Senior Secured Notes USD 2,060M due 2023 and Senior Notes USD 385M due 2025*	Altice International and its restricted subsidiaries	Secured debt, if Consolidated Net Senior Secured Leverage Ratio of Altice International $\leq 3:1$	Greater of €500 million and 4% of Total Assets of Altice International
		Unsecured debt, if Consolidated Net Leverage Ratio of Altice International $\leq 4:1$	

\* Debt issued post December 31, 2014

\*\* Tested on a gross debt basis

The Group is allowed to fully consolidate the EBITDA from any subsidiaries in which they have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments. If the ratio test is exceeded and there is no additional capacity to incur debt under general debt basket, subject to certain additional exceptions to the limitation on debt covenant contained in the debt instruments, the relevant restricted group cannot incur any additional debt until the ratio test can be complied with.

The Group also has access to the following revolving credit facilities and guarantee facility which provides additional liquidity to the Group. The terms of these facilities include certain incurrence based covenants that are no more restrictive than the incurrence covenants contained in our other debt instruments. In addition, these facilities also include financial covenants at the levels described below.

<u>Facility</u>	<u>Applicable Restricted Group</u>	<u>Financial Covenant</u>	<u>Testing</u>
Altice International Super Senior RCF EUR 80M, Super Senior RCF USD 80M and Pari Passu Guarantee Facility EUR 15M	Altice International and its restricted subsidiaries	Consolidated Net Leverage Ratio of Altice International $\leq 5.25:1$	Quarterly
Altice International Pari Passu RCF EUR 501M(*)	Altice International and its restricted subsidiaries	Consolidated Net Leverage Ratio of Altice International $\leq 5.25:1$	If there are utilisations outstanding at the end of each relevant period
Altice International Super Senior RCF EUR 330M(*)	Altice International and its restricted subsidiaries	Consolidated Net Leverage Ratio of Altice International $\leq 5.25:1$	If there are utilisations outstanding at the end of each relevant period

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

\* RCF entered into post December 31, 2014

As of December 31, 2014, the Group was in compliance with all covenants listed above.

Unsecured debentures issued by HOT and listed on the Tel Aviv Stock Exchange include the following financial covenants measured on HOT's 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 exceeds a debt to EBITDA ratio of 5.5.

As of December 31, 2014, HOT was in compliance with all of the required financial covenants.

**14.4 Loans from financial institutions**

Compared to the year ended December 31, 2013, the increase in the loans from financial institutions mainly increased due to movements in the foreign exchange rate (impact of the appreciation of the USD vs. the Euro).

The following movements occurred in the loans from financial institutions for the year ended December 31, 2014.

- On December 2, 2014, the Coditel mezzanine facility was repaid in its entirety at its first call date (at a call price of 106.875%). A total of €125.2 million was repaid (including accrued PIK interest of €2.7 million and the call premium of €8.0 million), which was raised by drawing on both the \$80 million and the €80 million senior secured revolving credit facilities, which are classified under the current portion of the borrowings.

As of December 31, 2014, the loans from financial institutions are composed of the following:

	December 31, 2014	< 1 year	One year or more	December 31, 2013
	(In millions €)			
Coditel mezzanine facility	—	—	—	100.0
Altice Financing Term Loan USD	820.1	8.5	811.6	793.7
Altice Financing RCF	126.2	126.2	—	—
Others	39.8	5.3	34.5	0.6
<b>Total</b>	<b>986.0</b>	<b>139.9</b>	<b>846.1</b>	<b>894.3</b>

*Available credit facilities:*

As of December 31, 2014, the Group had access to the following credit and guarantee facilities, for a total amount of euro equivalent amount of €221.1 million:

Revolving credit facilities:

- Altice Financing S.A.: € 80 million
- Altice Financing S.A.: € 66.1 million equivalent (\$80 million)

Guarantee facilities:

- Altice Financing S.A.: € 75 million

As of December 31, 2014, the Group had fully drawn on the €80 million RCF and partially drawn on the \$ 80 million RCF (\$56 million/€46.2 million).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

**14.5 Loans from related party**

As part of the initial public offering of Altice S.A., a restructuring of loans from related parties was carried out, following which all existing related party loans held by Next L.P. and issued by Altice International S.à r.l. were contributed by Next L.P. in exchange for shares of Altice S.A.

**14.6 Other financial liabilities**

Other financial liabilities mainly consist of:

- (i) Preferred Equity Certificates (“PECs”) for €31.8 million at the level of Deficom Telecom S.à r.l. classified in non-current financial liabilities.
- (ii) A shareholder loan from Altice S.A. to the Company for a total amount of €46.0 million, bearing no interest and maturing on December 31, 2014; which maturity has been extended to December 31, 2017 post year end.

The following significant movements also occurred during the year:

- (i) Variation in other financial liabilities is explained mainly by the 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.
- (i) Altice IV S.A. and Valemi Corp S.A., the holders of vendor notes against Altice International (pertaining to the acquisition of MCS and SportV S.A. in Q4 2013), contributed these assets to Altice S.A. at their nominal values of € 13.9 million and € 6.8 million respectively, in exchange for new shares issued by Altice S.A., who further contributed these instruments to Altice International, in exchange for new shares issued by the Company.
- (ii) In the third quarter of 2014, the Company received a loan from its sole parent, Altice S.A. for a total amount of €46.0 million.

**14.7 Maturity of financial liabilities**

	December 31, 2014	< 1 year	Between 1 and 5 years	> 5 years
		(In millions €)		
Borrowings	3,742.7	166.6	1,630.2	1,945.6
Finance leases	25.4	8.6	16.8	—
Accrued interest	58.9	58.9	—	—
Bank overdraft	0.1	0.1	—	—
Other financial liabilities	136.9	27.9	109.0	—
Financial instruments	27.7	—	27.7	—
<b>Nominal value of borrowings</b>	<b>3,991.6</b>	<b>262.2</b>	<b>1,783.7</b>	<b>1,945.6</b>
		(In millions €)		
		< 1 year	Between 1 and 5 years	> 5 years
Borrowings	3,447.7	26.4	253.7	3,167.6
Related party bonds	99.2	—	—	99.2
Finance leases	34.8	11.4	23.4	—
Accrued interest	31.2	31.2	—	—
Other financial liabilities	110.4	2.0	59.3	49.1
Financial instruments	142.3	—	142.3	—
<b>Nominal value of borrowings</b>	<b>3,865.6</b>	<b>71.4</b>	<b>478.7</b>	<b>3,315.6</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

**14.8 Currency of borrowings**

	December 31, 2014	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc	Dominican Pesos
			(In millions €)			
Borrowings . . . . .	3,742.5	820.8	2,626.1	256.9	38.8	—
Finance leases . . . . .	25.4	7.1	—	16.8	1.5	—
Bank overdraft . . . . .	0.1	0.1	—	—	—	—
Accrued interest . . . . .	58.9	19.9	35.6	3.4	—	—
Other financial liabilities . . . . .	136.9	102.4	0	23.8	0.6	10.1
Financial instruments . . . . .	27.7	27.7	—	—	—	—
<b>TOTAL . . . . .</b>	<b><u>3,991.6</u></b>	<b><u>978.1</u></b>	<b><u>2,662.1</u></b>	<b><u>300.6</u></b>	<b><u>40.7</u></b>	<b><u>10.1</u></b>

	December 31, 2013	Euro (EUR)	US Dollar (USD)	Israeli Shekel	Swiss Franc
			(In millions €)		
Borrowings . . . . .	3,447.7	1,609.4	1534.0	280.6	23.4
Related party bonds . . . . .	99.2	—	—	99.2	—
Finance leases . . . . .	34.8	5.8	—	26.5	2.5
Accrued interest . . . . .	31.2	25.8	5.4	—	—
Other financial liabilities . . . . .	110.4	107.1	—	3.0	0.2
Financial instruments . . . . .	142.3	142.3	—	—	—
<b>TOTAL . . . . .</b>	<b><u>3,865.6</u></b>	<b><u>1,989.6</u></b>	<b><u>1,539.4</u></b>	<b><u>310.1</u></b>	<b><u>26.4</u></b>

**14.9 Nature of interest rate**

	December 31, 2014	Fixed interest rate	Floating interest rate
		(In millions €)	
Borrowings . . . . .	3,742.5	2,756.5	986.0
Finance leases . . . . .	25.4	25.4	—
Bank overdraft . . . . .	0.1	0.1	—
Accrued interest . . . . .	58.9	57.0	1.9
Other financial liabilities . . . . .	136.9	136.9	—
Financial instruments . . . . .	27.7	—	27.7
<b>TOTAL . . . . .</b>	<b><u>3,991.6</u></b>	<b><u>2,975.9</u></b>	<b><u>1,015.6</u></b>

	December 31, 2013	Fixed interest rate	Floating interest rate
		(In millions €)	
Borrowings . . . . .	3,447.7	2,683.1	764.3
Related party bonds . . . . .	99.2	5.0	94.2
Finance leases . . . . .	34.8	34.8	—
Accrued interest . . . . .	31.2	15.4	15.8
Other financial liabilities . . . . .	110.4	103.3	7.1
Financial instruments . . . . .	142.3	—	142.3
<b>TOTAL . . . . .</b>	<b><u>3,865.6</u></b>	<b><u>2,841.8</u></b>	<b><u>1,023.8</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

**14.10 Derivatives**

As part of its financial risk management strategy, the Group has entered into certain hedging operations. These are split mainly into either fixed to fixed or fixed to floating cross-currency swaps that cover against interest rate risk, or forward swaps that cover against foreign exchange risk. A summary is provided below:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 425 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 9.7%
- A coupon only cross-currency swap transaction covering USD 225 million of the USD 460 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 €186 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 5.9% and 7.6%
- A coupon only cross-currency swap transaction covering €100 million of the €210 million principal of Altice Financing's Senior Secured Euro Notes (of which €10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to €100 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 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 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 €446 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate and a fixed spread between 4.5% and 4.8%

As of December 31, 2014, the Company has entered into the following forward transactions:

- A forward transaction covering USD 550 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 of which USD 95.5 million is unhedged) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate ranging from 4.127-4.317 ILS/USD.
- A forward transaction covering USD 239.5 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 of which USD 95.5 million is unhedged) based on which Altice pays Israeli Shekels and receives US Dollars, with a hedged rate of 3.678 ILS/USD.
- A forward transaction to cover the repayment of a part of the nominal of the USD 1,034 million Term loan (of which USD 200 is unhedged) 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 €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 425 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 4.127 ILS/USD.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**14 Borrowings and other financial liabilities (Continued)**

- A coupon only forward transaction covering USD 225 million of the USD 460 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 4.127 ILS/USD.
- A coupon only forward transaction covering €100 million of the €210 million Senior Secured Notes issued by Altice Financing (of which €10 million are unhedged), in which Altice pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5.164 ILS/EUR.

The fair value of the derivatives instruments as at December 31, 2014 is € 27.7 million compared to € 142.3 million, the movement was recognized in the statement of income.

**15 Obligations under finance leases**

The Group leased certain of its office facilities and data-centers under financial leases. The average lease term is 5 years (2013: 5 years). The Group has options to purchase the assets 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.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.5% to 5.5% (2013: 3.75% to 6%) per annum.

An overview of the maturity of the leasing obligations of the Group is given below.

	Minimum lease payments (In € millions)	
	December 31, 2014	December 31, 2013
Less than one year . . . . .	8.6	12.6
Between one and two years . . . . .	9.7	7.3
Between two and three years . . . . .	4.2	5.0
Between three and five years . . . . .	2.7	2.8
More than five years . . . . .	2.8	7.6
Less: future finance expenses . . . . .	(2.7)	(3.4)
Present value of minimum lease payments . . . . .	<b>25.4</b>	<b>32.4</b>
	<b>31 December, 2014</b>	<b>31 December, 2013</b>
Included in the consolidated financial statements as: . . . . .		
Current borrowings (note 14) . . . . .	8.6	11.4
Non-current borrowings (note 14) . . . . .	16.8	23.4
<b>Total</b> . . . . .	<b>25.4</b>	<b>34.8</b>

**16 Financial risk factors**

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

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

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

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16 Financial risk factors (Continued)**

**16.1 Credit risk**

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

The Group's income mainly derives from customers in Israel, in the French Overseas Territories and in Europe (Belgium, Luxembourg, Portugal and Switzerland). The Group regularly monitors its customers' debts and provisions for doubtful debts are recorded in the consolidated financial statements, which provide a fair value of the loss that is inherent to debts whose collection lies in doubt. Additionally, our retail customers represent a major portion of our revenues and these clients generally pay in advance for the services they buy for us, or in our more significant regions, such as Israel, our retail customers generally pay using direct debit, a practice that reduces our credit risk.

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

**16.2 Liquidity risk**

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

The Group has a strong track record of driving operating free cash flow generation and specializes in turning around struggling businesses and optimizing the cash generation of existing businesses. As all our external debt is issued and managed centrally, Managers of the Group have a significant amount of control and visibility over the payments required to satisfy our obligations under the different external debts.

Additionally, the Group has access to undrawn revolving credit facilities for an aggregate amount of €94.9 million (notwithstanding an additional €501 million facility which can be activated as and when required) to cover any liquidity needs not met by operating cash flow generation.

**16.3 Market risks**

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

**16.3.1 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 Company 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:

	December 31, 2014	December 31, 2013
	(In millions €)	
Financial debt at fixed rates .....	2,975.9	2,841.8
Financial debt at variable rates .....	1,015.6	1,023.8
<b>TOTAL</b> .....	<b>3,991.6</b>	<b>3,865.6</b>

The Group's proportion of variable rate debt remained stable between 2013 and 2014 at 26.5%.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16 Financial risk factors (Continued)**

The Group has entered into different hedging contracts to manage interest rate risk related to debt instruments with variable interest rates. See note 14.10 for more information.

**16.3.2 Israeli CPI risk**

The Group has borrowed from banks and issued debentures that are linked to the changes in the Israeli CPI. Also, the Group has deposits and gave loans that are linked to the changes in the Israeli CPI. The net amount of the financial instruments that are linked to the Israeli CPI and for which the Company is exposed to changes in the Israeli CPI amounted to approximately €180.5 million (NIS 853 million) as of December 31, 2014 (€187.0 million/NIS 895 million as of December 31, 2013).

**16.3.3 Foreign currency management**

1. Foreign currency sensitivity analysis

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

	December 31, 2014			Total
	Israeli Shekel	Swiss Franc	Dominican Pesos	
(In millions €)				
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....	3.4	0.3	(0.7)	<b>2.9</b>
Decrease of 10% in exchange rate .....	(3.4)	(0.3)	0.7	<b>(2.9)</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....	113.3	1.4	147.8	<b>262.5</b>
Decrease of 10% in exchange rate .....	(113.3)	(1.4)	(147.8)	<b>(262.5)</b>
	December 31, 2013			Total
	Israeli Shekel	Swiss Franc		
(In millions €)				
<b>Profit for the year</b>				
Increase of 10% in exchange rate .....		(12.8)	(0.2)	<b>(12.9)</b>
Decrease of 10% in exchange rate .....		12.8	0.2	<b>12.9</b>
<b>Equity</b>				
Increase of 10% in exchange rate .....		5.6	2.1	<b>7.6</b>
Decrease of 10% in exchange rate .....		(5.6)	(2.1)	<b>(7.6)</b>

On the basis of the analysis provided above, the Board of Managers believes that the Group's exposure to FX rate risks is limited. Exchange differences recorded in the income statement represented a loss of €143.5 million in 2014 (2013: profit of €66.5 million).

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

**16.3.4 Price risk**

The Group has investments in listed financial instruments, shares and debentures that are classified as available-for-sale financial assets and financial assets at fair value through profit or loss in respect of which the Group is exposed to risk of fluctuations in the security price that is determined by

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**16 Financial risk factors (Continued)**

reference to the quoted market price. As of December 31, 2014, the carrying amount of these investments was €5.5 million (€8.4 million as of December 31, 2013).

**16.4 Fair value of financial assets and liabilities**

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

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

Financial assets/ Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input (s)	Significant unobservable differences	Relationship of unobservable differences
	31/12/2014	31/12/2013				
(In millions €)						
<b>Financial Liabilities</b>						
Foreign currency forward contracts (see note 14.10) . . . . .	(89.5)	(104.9)	Level 2	Zero curve	N/A	N/A
Interest rate swaps (see note 14.10) . . . . .	61.8	(37.9)	Level 2	Zero curve	N/A	N/A
<b>Financial Assets</b>						
<b>AFS</b>						
—Wananchi <sup>(1)</sup> . . . . .	36.5	31.9	Level 3	Discounted cash flows	N/A	N/A
—Partner and Co. . . . .	5.5	8.4	Level 1	Quoted price in an active market	N/A	N/A

(1) A gain of €4.6 million was recognized in the statement of comprehensive income related to this investment.

**16.4.2 Reconciliation of Level 3 fair value measurements**

	Available for sale (unlisted shares)	Others	Total
December 31, 2014			
Opening balance . . . . .	31.9	—	31.9
Total gains or losses:			
—in profit or loss . . . . .	—	—	—
—in other comprehensive income . . . . .	4.6	—	4.6
Closing balance . . . . .	<u>36.5</u>	<u>—</u>	<u>36.5</u>
December 31, 2013			
Opening balance . . . . .	—	—	—
Purchases . . . . .	31.9	—	31.9
Closing balance . . . . .	<u>31.9</u>	<u>—</u>	<u>31.9</u>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**17 Trade and other payables**

	December 31, 2014	December 31, 2013
	(In millions €)	
Trade payables	470.5	392.2
Corporate and social security contributions	35.0	29.8
Other payables	46.8	94.3
Amounts due to related parties	0.1	0.1
Deposit and guarantee received	—	0.4
<b>Total current payables</b>	<b>552.4</b>	<b>516.6</b>
Trade payables	4.8	13.0
Other payables	21.1	16.0
<b>Total non-current payables</b>	<b>25.9</b>	<b>29.0</b>

The increase in trade and other payables is mainly attributable to the acquisitions of ODO and Tricom.

**18 Deferred revenues**

	December 31, 2014	December 31, 2013
	(In millions €)	
Current deferred revenue	104.4	55.9
Non-current deferred revenue	8.3	10.6
<b>Total deferred revenues</b>	<b>112.7</b>	<b>66.5</b>

Current deferred revenues refer to revenues recognized from customers billed in advance of the monthly cut-off. Non-current deferred revenues result from multi-year contracts with business customers. Current deferred revenues are also generated by sales of prepaid mobile contracts at ODO, Tricom and Outremer Telecom.

The increase in deferred revenues for the year ended December 31, 2014 was mainly due to the acquisition of ODO and Tricom.

**19 Classification and fair value of financial assets and liabilities**

On December 31, 2014 and 2013, the principles for measuring financial instruments and their market value break down as follows:

	December 31, 2014			
	Book value	Amortized cost	Fair Value	
			Derivative instruments	Assets available for sale
	(In millions €)			
<b>Current assets</b>				
Cash and cash equivalents	188.1	188.1	—	—
Restricted cash	—	—	—	—
Trade receivables	203.8	203.8	—	—
Other receivables	64.9	64.9	—	—
<b>Non-current assets</b>				
Restricted cash	0.6	0.6	—	—
Loans and receivables	12.8	12.8	—	—
Available for Sale	42.0	—	—	42.0
Other Financial assets	2.1	2.1	—	—
Other long-term trade receivables	27.8	27.8	—	—
	<b>541.8</b>	<b>500.7</b>	<b>—</b>	<b>42.0</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**19 Classification and fair value of financial assets and liabilities (Continued)**

	<u>Book value</u>	<u>Amortized cost</u>	<u>Fair value</u>
<b>Current liabilities</b>			
Borrowings .....	225.6	225.6	—
Trade payables .....	470.5	470.5	—
Others payables .....	81.8	81.8	—
Other current liabilities .....	36.4	36.4	—
<b>Non-current liabilities</b>			
Borrowings .....	3,575.9	3,575.9	—
Other financial liabilities .....	118.7	109.0	—
Other non-current liabilities .....	44.6	16.8	27.7
	<u>4,553.5</u>	<u>4,516.0</u>	<u>27.7</u>

December 31, 2013

	<u>Book value</u>	<u>Amortized cost</u>	<u>Fair Value</u>	
			<u>Derivative instruments</u>	<u>Assets available for sale</u>
(In millions €)				
<b>Current assets</b>				
Cash and cash equivalents .....	61.3	61.3	—	—
Restricted cash .....	1,242.7	1,242.7	—	—
Trade receivables .....	194.0	194.0	—	—
Other receivables .....	37.1	37.1	—	—
<b>Non-current assets</b>				
Restricted cash .....	1.8	1.8	—	—
Loans and receivables .....	3.0	3.0	—	—
Available for Sale .....	40.3	—	—	40.3
Long-term trade receivables .....	5.5	5.5	—	—
Other long-term trade receivables .....	22.8	22.8	—	—
	<u>1,608.5</u>	<u>1,568.3</u>	<u>0.0</u>	<u>40.3</u>

	<u>Book value</u>	<u>Amortized cost</u>	<u>Fair value</u>
<b>Current liabilities</b>			
Credit from banking corporations and debentures .....	57.6	57.6	—
Loans from related parties .....	—	—	—
Trade payables .....	383.4	383.4	—
Others payables .....	246.0	246.0	—
Other current liabilities .....	15.9	15.9	—
<b>Non-current liabilities</b>			
Loans from banking corporations and debentures .....	3,520.5	3,520.5	—
Other financial liabilities .....	271.6	129.3	142.3
Other non-current liabilities .....	39.6	39.6	—
	<u>4,534.6</u>	<u>4,392.3</u>	<u>142.3</u>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**20 Taxation**

**20.1 Income tax benefit/(expense)**

	December 31, 2014	December 31, 2013
	(In millions €)	
Current income tax .....	(34.2)	(38.0)
Deferred taxes on deductible temporary differences .....	21.8	30.6
<b>TOTAL .....</b>	<b><u>(12.4)</u></b>	<b><u>(7.4)</u></b>

	December 31, 2014	December 31, 2013
	(In millions €)	
Current tax assets .....	29.9	14.6
Current tax liabilities .....	(87.8)	(57.1)
<b>TOTAL .....</b>	<b><u>(57.9)</u></b>	<b><u>(42.5)</u></b>

**20.2 Deferred tax assets and liabilities**

	December 31, 2013	Business combination	Movements in comprehensive income	Movements in profit and loss	December 31, 2014
	(In millions €)				
Property Plant & Equipment .....	0.4	44.4	—	(3.8)	40.9
Employee Benefits .....	0.8	—	0.4	—	1.3
Financial Instruments .....	43.7	(80.6)	78.8	(0.6)	41.4
Intangible assets .....	1.4	(39.7)		2.1	(36.2)
Provisions .....	—	(0.1)	—	(0.1)	(0.2)
Tax losses .....	—	1.4	—	6.7	8.2
Other .....	1.1	84.9	(51.7)	8.3	42.6
<b>Total deferred tax assets .....</b>	<b><u>47.4</u></b>	<b><u>50.0</u></b>	<b><u>27.5</u></b>	<b><u>10.5</u></b>	<b><u>98.0</u></b>

	December 31, 2013	Business combination	Movements in comprehensive income	Movements in profit and loss	December 31, 2014
	(In millions €)				
Customer relationships .....	62.0	9.5	0.9	(11.6)	60.8
Brand .....	30.8	1.0	—	(3.8)	27.9
Intangible assets .....	57.3	15.3	1.9	(3.8)	70.7
Borrowing Costs .....	10.9	—	—	(1.5)	9.4
Tangible assets .....	35.2	8.3	0.2	(5.5)	38.3
Present value of yield free financial instrument .....	10.8	—	(10.8)	—	—
Other .....	(23.8)	0.6	28.0	9.4	14.2
<b>Total deferred tax liabilities .....</b>	<b><u>183.2</u></b>	<b><u>34.7</u></b>	<b><u>20.2</u></b>	<b><u>(16.8)</u></b>	<b><u>221.3</u></b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**20 Taxation (Continued)**

	December 31, 2012	Reclassi- fications	Business combination	From equity	From profit and loss	December 31, 2013
	(In millions €)					
Other .....	0.4	0.2	—	—	—	0/4
Employee Benefits .....	—	(0.2)	—	0.7	0.3	0.8
Tangible assets .....	(0.6)	0.6	—	—	—	—
Intangible assets .....	—	—	1.3	—	0.1	1.4
Financial Instruments .....	19.0	—	—	(1.5)	26.2	43.7
Other .....	0.4	(6.2)	—	4.9	2.1	1.1
<b>Total deferred tax assets .....</b>	<b>19.3</b>	<b>(6.1)</b>	<b>1.3</b>	<b>4.1</b>	<b>28.7</b>	<b>47.4</b>

	December 31, 2012	Reclassi- fication	Business combination	From equity	From profit and loss	December 31, 2013
	(In millions €)					
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
Borrowing Costs .....	3.1	—	—	—	—	3.1
Depreciable fixed assets .....	(8.8)	(4.9)	—	(.4)	32.0	17.8
Present value of yield free financial instrument .....	9.3	—	—	1.1	0.4	10.8
Capitalisation of transaction costs .....	—	—	—	—	7.8	7.8
Temporary differences .....	22.3	(22.3)	—	—	—	—
Other .....	3.1	15.9	—	6.6	(49.4)	(23.8)
<b>Total deferred tax liabilities .....</b>	<b>148.2</b>	<b>(6.0)</b>	<b>31.0</b>	<b>9.6</b>	<b>0.2</b>	<b>183.2</b>

**20.3 Reconciliation between the effective tax rate and the theoretical tax rate**

	December 31, 2014	December 31, 2013
	(In millions €)	
<b>Net income .....</b>	<b>(194.8)</b>	<b>(208.4)</b>
Tax charge (expenses)/income .....	(12.4)	(7.4)
<b>Earnings/(Loss) before tax .....</b>	<b>(182.4)</b>	<b>(201.0)</b>
Theoretical tax rate .....	29.22%	29.22%
Income tax calculated on theoretical tax .....	53.3	58.7
<b>Impact of:</b>		
Effect of different tax rates of subsidiaries depending in other jurisdictions .....	10.7	(6.5)
Effect of permanent differences .....	(58.9)	(9.5)
Restatements without tax impact .....	12.5	(2.9)
Utilization of previously non capitalized tax credits .....	12.8	13.9
Other movements .....	—	0.0
Effect of tax loss carry forwards of the period .....	(42.9)	(61.2)
<b>Effective Tax .....</b>	<b>(12.4)</b>	<b>(7.4)</b>
<b>Effective tax rate .....</b>	<b>6.8%</b>	<b>4%</b>



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**20 Taxation (Continued)**

Permanent differences present are summarized below:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Permanent differences .....	(46.0)	13.6
Tax adjustments .....	(12.8)	(6.9)
Earn out adjustment .....	—	(13.5)
Others .....	<u>(0.1)</u>	<u>(2.7)</u>
<b>Total</b> .....	<b><u>(58.9)</u></b>	<b><u>(9.5)</u></b>

Permanent differences mainly arise from the recognition of deferred tax on unrealised FX loss/gain on foreign currency transactions at Altice Financing S.A..

**20.4 Tax assessments**

**20.4.1 Hot Telecom**

On December 29, 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 resulted in the Group having chargeable income in the years 2012 to 2014.

HOT's management, based on the assessment of its professional advisors has recorded an appropriate provision in connection with the assessments in its financial statements in the past.

The impact of the assessment agreement on the Companies' financial statements in the year 2013, including in respect of the updating of the Companies' deferred tax balances was the recording of net income of €5.1 million (NIS 24 million).

The Companies, except for HOT Mobile, 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.

**20.4.2 Cabovisao**

For the year 2014, Cabovisão was subject to corporate income at a rate of 23%, increased (i) up to a maximum of 1.5% of taxable income through a municipal tax; and (ii) by a 3% to 7% state tax applicable on taxable income over €1,5 million, 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<sup>o</sup> 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.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

## **20 Taxation (Continued)**

As at December 31, 2014, the Company's tax returns, for the fiscal periods of 2009 and 2010, are being reviewed by Portuguese tax authorities. During the year ended December 31, 2014, the Company already received a tax notification, adjusting the Company's tax losses obtained in the fiscal year ended in 2008, for an amount of approximately €5.8 million. However, as of December 31, 2014, any carrying forward tax losses obtained in the fiscal year ended in 2008 will expire in December 31, 2014, and therefore cannot be used to reduce future taxable profits.

### **20.4.3 Other entities**

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

## **20.5 Unrecognized deferred tax assets**

As at December 31, 2014, unrecognized deferred tax assets amounted to €226.2 million (€253.0 million in 2013). Such unrecognized deferred tax assets mainly exist at HOT, Altice Financing and the Company. The Group doesn't believe that the unrecognized deferred tax losses can be used in the actual structuring but will continue exploring opportunities to use these in the future and offset against any future profits that the Group may generate.

## **21 Segment analysis**

### **21.1 Definitions of segments**

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

- Israel,
- Dominican Republic,
- French Overseas Territories (Antilles and Indian Ocean),
- Portugal,
- Belgium and Luxembourg,
- Others (Switzerland, Africa, content, corporate and financing entities).

Similarly, activities have been split as follows:

- Fixed (includes services provided to B2C and B2B clients using either cable or ADSL networks)
- Mobile
- Others (Includes revenues from our content or data-center businesses).

Following the acquisition and full integration of ODO, Tricom and GLX, a new geographic segment, Dominican Republic, corresponding to the sole geographic zones of operation of these new entities, was added to the segmental analysis.

In addition, in the context of the acquisition and integration of the French mobile operator SFR into the Altice S.A. group, the senior management has decided to amend the presentation of its operational segments, by regrouping Cable and B2B into a single line called 'Fixed', and by maintaining the mobile segment (a significant portion of SFR's activity is mobile based). Other activities such as content, datacenters and holding company operations are classified under others. Such presentation is consistent with the presentation used by the Board of Managers of the Group.

The presentation was amended for comparative purposes for the year ended December 31, 2013.

There are few operational transactions between the different segments defined by the Board of Managers above. Intersegment revenues are considered to be non-material by the Board of Managers

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21 Segment analysis (Continued)**

and, hence, not in the scope of regular operational reviews. Intersegment revenues represented less than 0.5% of total revenues for the years ended December 31, 2014 and 2013, respectively.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

**21.1.1 Operational KPIs**

It has also been decided by the Board of Managers that operating subsidiaries shall report operational KPIs every week, using a standard reporting format.

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.

**21.1.2 Financial KPIs**

The Board of Managers has defined certain financial KPIs that are tracked and reported by each operating segment every month to the senior executives of the company. The Board of Managers believes that these indicators offer them the best view of the operational and financial efficiency of each segment and this follows best practices in the rest of the industry, thus providing investors and other analysts a suitable base to perform their analysis of the group's results. The KPIs tracked by the Board of Managers are:

Revenues (by segment and also in terms of activity)

Operating profit before depreciation, amortization restructuring costs and other expenses (by segment), Capital expenditure (capex) (by segment and also in terms of activity).

***Operating profit before depreciation, amortization and restructuring costs***

The Group has included the subtotal "Operating profit before depreciation, amortization and restructuring costs" on the face of the consolidated statement of income. The Board of Managers believes that this subtotal is useful to users of the consolidated 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 financial statements and providing information regarding the results of the Group's ongoing trading activities and cash-flow generation that allows investors to better identify trends in the Group's financial performance.

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

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

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

The fixed 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).

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

## **21 Segment analysis (Continued)**

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

The Board of Managers believes that neither the operations in Switzerland nor in the Content industry are currently substantial enough to require a separate reporting segment, and will be reported under 'Other'. 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.

### **21.2 Regional specificities**

#### **21.2.1 Israel**

Israel is currently an important contributor to the Group revenues and operating profit before depreciation, amortization and restructuring costs (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-savvy population. Segments within the Israeli telecom market show different level of maturity and competition, with relatively frequent interventions from the regulator. The Board of Managers is factoring expectations for price pressure and increasing competition in its strategic plan.

The regulatory environment does not yet allow for quadruple play packages (coupling fixed and mobile services), which the Board of Managers 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.

#### **21.2.2 Dominican Republic**

The Dominican market is a high growth segment for the group, where it has a presence in both the fixed and mobile markets, through the acquisition of Tricom and ODO in 2014. Tricom is the leading cable operator in the Dominican Republic and also has licenses to provide mobile services. Tricom operates a Docsis 3.0 compliant network. ODO is the second largest mobile operator in the country and has a good market presence and brand recognition.

Growth in the Dominican market is expected to come mainly from the increase in cable based services customers, which represent a higher ARPU base compared to ADSL customers. Synergies are also expected from the mutualisation of the sales and operational network of the two companies, which has already allowed the Board of Managers to make significant improvements in the operating profit before depreciation, amortization and restructuring costs EBITDA margins.

#### **21.2.3 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.

#### **21.2.4 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 currently marked by high subscriber attrition and downward migration from high to low ARPU offers, notably due to a difficult economic environment.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21 Segment analysis (Continued)**

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

**21.2.5 Belgium and Luxembourg**

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 limited overlapping network. 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 in Belgium.

**21.3 Segment information**

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

	December 31, 2014						
	Israel	Dominican Republic	French Overseas Territories	Portugal	Belgium & Luxembourg	Others	Total
	(In millions €)						
Total Revenues . . . . .	857.4	464.5	236.0	182.9	75.6	76.7	1,893.2
Total Purchasing and subcontracting costs . . . . .	(173.5)	(100.9)	(56.2)	(77.9)	(12.1)	(28.0)	(448.7)
Other operating expenses <sup>(1)</sup> . . . . .	(272.6)	(138.0)	(77.8)	(47.3)	(12.9)	(27.2)	(575.7)
<b>Operating profit before depreciation, amortization and restructuring costs . . . . .</b>	<u>411.4</u>	<u>225.7</u>	<u>102.1</u>	<u>57.8</u>	<u>50.3</u>	<u>21.6</u>	<u>868.8</u>
Depreciation and amortization <sup>(2)</sup> . . . . .							(596.5)
Restructuring costs and other expenses . . . . .							(109.6)
<b>Operating profit . . . . .</b>							<b>162.7</b>
Net finance costs . . . . .							(345.2)
<b>Loss before income tax . . . . .</b>							<b>(182.4)</b>

(1) This caption is the sum of the line items 'other operating expenses, other sales and marketing expenses, general and administrative expenses and staff costs and employee benefits expenses as reported in the consolidated statement of income.

(2) Includes impairment expenses of €8.3 and €5.4 million recorded on the brands at Portugal and Belgium & Luxembourg level as mentioned in note 4

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21 Segment analysis (Continued)**

	December 31, 2013					
	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others	Total
	(In millions €)					
Total Revenues .....	<u>71.9</u>	<u>881.8</u>	<u>126.9</u>	<u>150.5</u>	<u>55.7</u>	<u>1,286.8</u>
Total Purchasing and subcontracting costs .....	<u>(12.9)</u>	<u>(237.4)</u>	<u>(36.9)</u>	<u>(58.4)</u>	<u>(22.1)</u>	<u>(367.8)</u>
Operating expenses .....	<u>(12.9)</u>	<u>(281.7)</u>	<u>(40.5)</u>	<u>(43.0)</u>	<u>(22.0)</u>	<u>(400.2)</u>
<b>Operating profit before depreciation, amortization and restructuring costs .....</b>	<u>46.1</u>	<u>362.7</u>	<u>49.5</u>	<u>49.1</u>	<u>11.6</u>	<u>518.8</u>
Depreciation and amortization .....						<u>(399.6)</u>
Restructuring costs and other expenses .....						<u>(76.9)</u>
<b>Operating profit .....</b>						<u>42.3</u>
Net finance costs .....						<u>(243.3)</u>
<b>Profit before income tax .....</b>						<u>(201.0)</u>

**21.4 Revenues split by activity**

	December 31, 2014						
	Israel	Dominican Republic	French Overseas Territories	Portugal	Belgium & Luxembourg	Others	Total
	(In millions €)						
Fixed .....	<u>680.4</u>	<u>110.5</u>	<u>105.8</u>	<u>182.9</u>	<u>74.2</u>	<u>31.6</u>	<u>1,185.5</u>
Mobile .....	<u>177.0</u>	<u>354.0</u>	<u>130.2</u>	<u>—</u>	<u>1.3</u>	<u>—</u>	<u>662.5</u>
Other .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>45.1</u>	<u>45.1</u>
<b>Total .....</b>	<u>857.4</u>	<u>464.5</u>	<u>236.0</u>	<u>182.9</u>	<u>75.6</u>	<u>76.7</u>	<u>1,893.2</u>

	December 31, 2013					
	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others	Total
	(In millions €)					
Fixed .....	<u>70.7</u>	<u>694.2</u>	<u>59.6</u>	<u>150.5</u>	<u>33.6</u>	<u>1,008.6</u>
Mobile .....	<u>1.2</u>	<u>187.6</u>	<u>67.3</u>	<u>—</u>	<u>—</u>	<u>256.1</u>
Other .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22.1</u>	<u>22.1</u>
<b>Total .....</b>	<u>71.9</u>	<u>881.8</u>	<u>126.9</u>	<u>150.5</u>	<u>55.7</u>	<u>1,286.8</u>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21 Segment analysis (Continued)**

**21.5 Assets and liabilities by reporting segment**

	Israel	Dominican Republic	French Overseas Territories	Portugal	Belgium & Luxembourg	Others	December 31, 2014
	(In millions €)						
Total Non-current assets	1,747.3	1,567.3	472.7	111.1	389.2	54.8	4,333.3
Total Current assets	118.1	169.4	47.8	37.7	23.1	112.0	508.2
<i>Total non-current assets classified as held for sale</i>	—	—	77.3	—	—	—	77.3
<b>Total assets</b>	<b>1,865.4</b>	<b>1,736.7</b>	<b>588.7</b>	<b>148.8</b>	<b>412.2</b>	<b>166.8</b>	<b>4,918.6</b>
Total Non-current liabilities	375.6	99.2	29.7	33.3	16.9	3,502.4	4,052.7
Total Current liabilities	356.5	159.3	89.4	64.7	(26.7)	354.8	998.0
<i>Total Liabilities of assets classified as held for sale</i>	—	—	22.5	—	—	—	22.5
<b>Total liabilities</b>	<b>732.1</b>	<b>258.5</b>	<b>137.2</b>	<b>98.0</b>	<b>(9.8)</b>	<b>3,857.1</b>	<b>5,073.2</b>
<b>Total equity</b>	<b>1,133.4</b>	<b>1,478.2</b>	<b>451.5</b>	<b>50.9</b>	<b>422.1</b>	<b>(3,690.3)</b>	<b>(154.3)</b>

**21.6 Assets held for sale**

In April 2014, Numericable Group S.A. an entity controlled by Altice S.A., entered into a share purchase agreement regarding Société Française du Radiotéléphone S.A. (“SFR”), the second largest mobile operator in France. The French Competition Authority approved this acquisition in October 2014, subject to several conditions including the disposal by OMT of its mobile business in the Reunion Islands and Mayotte. OMT’s Indian Ocean assets are included in the reporting segment French Overseas Territories (FOT) in note 21—Segment analysis. The Group is currently in negotiation with a potential buyer as disclosed in the note 30 and the Board of Managers expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore no impairment loss was recognized on reclassification of the assets and liabilities as held for sale as at December 31, 2014.

These assets were considered as assets held for sale as per the requirements of IFRS 5, Non-current assets held for sale and discontinued operations as at December 31, 2014. As at December 31, 2014, OMT’s mobile business are accounted for under two separate lines in the statement of financial position which are “Assets classified as held for sale” and “Liabilities directly associated with assets classified as assets held for sale”.

The Board of Managers has considered that the Group’s operations in Reunion and Mayotte form a disposal group as defined by IFRS 5. This disposal group is made up of operations forming part of the French Overseas Territories Group of Cash Generating Unit.

Given the overall materiality of the revenue and net profit attributable to the assets held for sale for the period since the assets were classified as held for sale and the year end, no restatements have been made to the consolidated statements of income neither for the year ended December 31, 2014 nor for the year ended December 31, 2013 as this transaction doesn’t qualify as a discontinued operation.

This asset is reported in the ‘French Overseas Territories’ segment.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**21 Segment analysis (Continued)**

The financial data related to OMT's Indian Ocean mobile business are set out below:

**Statement of financial position**

	<u>December 31, 2014</u>
	(In € millions)
Goodwill <sup>(1)</sup> .....	35.3
Other intangible assets <sup>(2)</sup> .....	19.5
Property, Plant and equipment <sup>(2)</sup> .....	15.3
Other non-current assets <sup>(2)</sup> .....	7.2
<b>Total assets held for sale</b> .....	<b><u>77.3</u></b>
Other non-current liabilities <sup>(2)</sup> .....	2.4
Current trade payables <sup>(2)</sup> .....	11.1
Other current liabilities <sup>(2)</sup> .....	<u>9.0</u>
<b>Total liabilities related to asset held for sale</b> .....	<b><u>22.5</u></b>

(1) The allocation of goodwill to the available for sale assets was done based on the pro-rata contribution of these assets to the operating cash flows of the French Overseas Territories segment. The EBITDA-Capex number was used as a proxy for determining the operating cash flow.

(2) All other assets and liabilities were allocated based on audited carve out accounts prepared by local Management for the purpose of the sale of the assets.

**Statement of financial income**

	<u>December 31, 2014</u>
	(In € millions)
Revenues	
Operating income .....	6.1
Finance costs, nets .....	—
Income tax .....	<u>(2.4)</u>
<b>Net income attributed to asset held for sale</b> .....	<b>3.8</b>

**Statement of cash flows**

	<u>December 31, 2014</u>
	(In € millions)
Net cash provided by operating activities .....	13.7
Net cash used in investing activities .....	(3.6)
Net cash used in financing activities .....	—
<b>Net change in cash and cash equivalents</b> .....	<b><u>10.1</u></b>

**22 Other operating expenses**

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	(In millions €)	
Technical and maintenance costs .....	(198.0)	(149.0)
Customer services .....	(50.8)	(32.9)
Taxes .....	<u>(6.9)</u>	<u>(3.6)</u>
<b>Total</b> .....	<b><u>(255.7)</u></b>	<b><u>(185.5)</u></b>



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**23 Depreciation, amortization and impairment**

It consists in (i) amortization of intangible assets for a total of €209.6 million (2013: €134.1 million), including impairments on the ONI's brand for a total of €8.3 million in the Portugal segment and Numericable brand recognized in the Belgium and Luxembourg segment for a total of €5.4 million, (ii) depreciation of tangible assets for a total of €375.4 (2013: €251.4 million) and (iii) other additions and reversals for a total of €11.4 million (2013: €14.8 million) mainly related to additional depreciation on inventories and trade receivables.

**24 Restructuring costs and other expenses**

Restructuring, non-recurring costs and other expenses incurred in the years ended December 31, 2014 and 2013 pertain mainly to one-off payments and transaction costs relating to acquisitions or other similar operations. Details are given below:

	December 31, 2014	December 31, 2013
	(In millions €)	
HOT Mobile restructuring costs (related to network sharing deal) . . . . .	16.9	31.6
Restructuring costs (employee provisions, contract negotiations) . . . . .	40.6	2.9
<b>Restructuring costs</b> . . . . .	<b>57.5</b>	<b>34.5</b>
Fees related to the closing of the ODO & Tricom transaction . . . . .	7.0	—
Other deal fees* . . . . .	24.8	26.7
Capital loss on the disposal of assets . . . . .	3.2	—
Other expenses . . . . .	16.1	15.1
<b>Deal fees and related expenses</b> . . . . .	<b>51.1</b>	<b>41.8</b>
<b>Total Restructuring costs and other expenses</b> . . . . .	<b>108.7</b>	<b>76.2</b>

\* Deal fees incurred in the year ended December 31, 2013 mainly relate to fees paid for the HOT take private transaction (December 2012) and the Cabovisao minority stake buyout (April 2013) and the acquisitions of ONI and OMT (July 2013).

Deal fees do not include any financing costs, as these are capitalised and amortised as per the requirements of IAS 23, borrowing costs. Thus the deal fees shown above only include discretionary fees paid to legal counsel, M&A counsel and any other consultants whose services the Group might have employed in order to facilitate various acquisitions performed during the course of the year.

**25 Net finance costs**

	December 31, 2014	December 31, 2013
	(In millions €)	
Gain arising on fair value of financial instruments <sup>(1)</sup> . . . . .	128.5	0.1
Net foreign exchange gains . . . . .	—	91.0
Other financial income . . . . .	3.3	2.5
<b>Finance income</b> . . . . .	<b>131.8</b>	<b>93.6</b>
Interest charges on borrowings and overdrafts <sup>(2)</sup> . . . . .	(295.9)	(199.2)
Loss arising on fair value of financial instruments . . . . .	—	(99.4)
Interest on subordinated debt . . . . .	—	(37.6)
Foreign exchange losses . . . . .	(143.5)	(24.5)
Cost of extinguishment of financial instruments . . . . .	(37.5)	(13.6)
<b>Finance costs</b> . . . . .	<b>(477.0)</b>	<b>(336.9)</b>
<b>Total</b> . . . . .	<b>(345.2)</b>	<b>(243.3)</b>

(1) The increase in the gain arising on fair value of financial instruments related to the Mark-to-Market of the various hedging instruments held by the Group.

(2) The increase in interest expense for the year ended December 31, 2014 was primarily due to (i) the issuance of new debts to finance the acquisition of the Dominican entities (€88.0 M for the year ended December 31, 2014) and full year impact of the debts issued in July 2013.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**25 Net finance costs (Continued)**

As of December 31, 2014, pro-forma for the acquisition of Portugal Telecom, the pre-tax weighted average cost of debt of the Group was 5.9%.

**26 Average workforce**

The workforce employed by the Group, expressed in the form of full-time-equivalent employees, is presented below. The full time equivalence of each employee is calculated based on the number of hours worked by the employee in a given period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation.

	December 31, 2014	December 31, 2013
Managers .....	470	352
Technicians .....	1,782	857
Employees .....	3,762	3,011
	<u>6,014<sup>(1)</sup></u>	<u>4,220</u>

(1) The increase in personnel was mainly due to the acquisition of the Dominican entities.

**27 Transaction with related parties**

**27.1 Trading and financial transaction**

Transactions with related parties are mainly related to transactions with Altice S.A., Next L.P, i24 News, the Numericable-SFR group and certain executives of the Company. Such transactions are limited to (i) debt and equity transactions between the Group, and certain managers and executives and the sole equity holder, (ii) exchange of services between different group companies, Numericable-SFR S.A. and i24 News, (iii) consulting services invoiced by certain executives of the Company.

Transactions between i24 News, Numericable-SFR and companies of the Group are limited to certain exchange of goods and services.

Transactions with related parties are not subject to any guarantees. All such transactions are at arm's length and settled in cash.

Consolidated Income and expenses	Revenue		Operating expenses		Financial expenses	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In millions €)					
Equity holders .....	0.2	0.1	2.6	0.2	0.8	0.6
Executive managers .....	—	—	2.4	—	—	—
Associate companies .....	8.5	0.1	9.8	0.7	0.3	—
<b>TOTAL</b> .....	<u>8.7</u>	<u>0.2</u>	<u>14.8</u>	<u>0.9</u>	<u>1.1</u>	<u>0.6</u>

Assets	Loans and receivables		Trade accounts receivable and other		Current accounts	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In millions €)					
Equity holders .....	2.8	—	0.4	0.2	—	—
Executive managers .....	—	—	—	—	—	—
Associate companies .....	0.7	—	7.6	0.8	0.3	—
<b>TOTAL</b> .....	<u>3.5</u>	<u>—</u>	<u>8.0</u>	<u>1.0</u>	<u>0.3</u>	<u>—</u>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**27 Transaction with related parties (Continued)**

Liabilities	Other financial liabilities		Trade accounts payable and other		Current accounts	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In millions €)					
Equity holders . . . . .	46.2	100.7	0.1	—	—	—
Executive managers . . . .	—	—	—	—	—	—
Associate companies . . .	0.9	—	20.3	6.6	—	—
<b>TOTAL . . . . .</b>	<b>47.1</b>	<b>100.7</b>	<b>20.4</b>	<b>6.6</b>	<b>—</b>	<b>—</b>

**27.2 Compensation of key management personnel**

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

	December 31, 2014	December 31, 2013
Short-term benefits . . . . .	0.5	2.3
Post-employment benefits . . . . .	—	—
Other long-term benefits . . . . .	—	—
Share-based payments . . . . .	—	—
Termination benefits . . . . .	—	—
<b>TOTAL . . . . .</b>	<b>0.5</b>	<b>2.3</b>

Following the Group restructuring, compensation of key management personnel has been shifted to Altice S.A., the parent entity of the Group.

**28 Contractual obligations and commercial commitments**

The Group has contractual obligations to various suppliers, customers and financial institutions that are summarized below. A detailed breakdown by operating entity is provided below. These contractual obligations listed below do not contain operating leases (detailed in note 28.3).

Unrecognised contractual commitments	December 31, 2014					Total
	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	
Goods and service purchase commitments . . . . .	65.3	36.9	2.6	—	—	104.9
Investment commitments . . . . .	119.8	40.4	68.1	—	—	228.3
Guarantees given to suppliers/customers . . . . .	12.7	2.0	2.0	1.9	2.0	20.6
Guarantees given to financial institutions . . . . .	9.0	—	—	—	—	9.0
Guarantees given to government agencies . . . . .	9.4	2.6	4.5	18.2	5.6	40.3
Other commitments . . . . .	51.9	—	—	—	—	51.9
<b>Total contingent liabilities . . . . .</b>	<b>268.1</b>	<b>82.0</b>	<b>77.3</b>	<b>20.1</b>	<b>7.6</b>	<b>455</b>

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**28 Contractual obligations and commercial commitments (Continued)**

Unrecognised contractual commitments	December 31, 2013					Total
	< 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Five years or more	
Goods and service purchase commitments . . . . .	103.4	70.0	36.0	1.4	21.9	232.7
Investment commitments . . . . .	38.9	1.2	0.6	—	—	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	0.5	4.0	22.3	48.3
Other commitments . . . . .	(2.1)	51.5	—	—	—	49.4
<b>Total . . . . .</b>	<b><u>160.1</u></b>	<b><u>132.9</u></b>	<b><u>39.3</u></b>	<b><u>7.7</u></b>	<b><u>45.4</u></b>	<b><u>385.3</u></b>

**28.1.1 Commitment to purchase goods and services**

Commitments to purchase goods and services mainly refer to long term contracts that different operating entities have entered into with suppliers of goods and services that are used to provide services to end customers:

- (1) HOT Telecom and HOT Mobile have commitments to purchase goods and services for a total of €51.9 million over the next three years. Such commitments include commitments to purchase inventory and engineering and IT related services.
- (2) Cabovisao has commitments to purchase customer premises equipment and other services for a total of €47.0 million.

**28.1.2 Investment commitments**

Investment commitments mainly refer to commitments made by different Group companies to suppliers of tangible and intangible assets (capex suppliers). It also includes commitments made to government or local bodies to make certain investments in the context of Public-Private Partnerships (“PPP”) entered into by some subsidiaries of the Group.

- (1) At HOT, a total of €217.1 million has been committed to suppliers of capex and content (€100.9 million and €116.2 million respectively) over the next three years.
- (2) At ODO, commitments to purchase mobile handsets for a total amount of €9.5 million.

**28.1.3 Guarantees given to suppliers/customers**

This caption includes €9.7 million and €9.0 million in bank guarantees provided by ONI and Cabovisao respectively.

**28.1.4 Guarantees given to financial institutions**

This caption consists of bank guarantees given by Cabovisao in the course of its business.

**28.1.5 Guarantees given to government agencies**

The entire amount of this caption corresponds to guarantees given by the HOT group (consisting of HOT Telecom and HOT Mobile) to government agencies as part of its regular operations. Some of these are listed below:

- (1) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to €6.9 million, in force until December 2017 and December 2025.
- (2) Guarantees in an amount of €7.2 million to the Council in respect of the broadcasting license, which are in force until May 2015.

## **28 Contractual obligations and commercial commitments (Continued)**

- (3) Up to November 21, 2013, a bank guarantee in an amount of €147.1 million (NIS 695 million), which was made available by HOT Mobile within the context 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. On November 21, 2013, HOT Mobile achieved the target market share that is requires under the terms of the guarantee and accordingly the amount of the guarantee has been reduced to €16.9 million (NIS 80 million), which represents the commitment to achieve a target for the deployment of the network. 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 indemnification vis-à-vis the bank, in accordance with which the company 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/or legal proceedings in connection with the said issues. HOT Mobile has reduced the irrevocable letter of commitment vis-à-vis the bank, accordingly. The letter of undertaking was signed as a condition for the making available of a guarantee as collateral for the Company's commitments vis-à-vis the Ministry of Communications within the context of the Company's win in a frequencies tender for the setting up of a third generation cellular network (UMTS).

### **28.1.6 Other commitments and guarantees**

These consist of €51.9 million at HOT, relating to €12.4 million provided as guarantees to certain equipment suppliers, €25.7 million provided as guarantees to financial partners in the context of reverse factoring agreements and €12.9 million of guarantees provided to other agencies at HOT Telecom.

### **28.2 Litigation**

In the normal course of its activities, the Group is accused in a certain number of governmental, arbitration and administrative law suits.

Provisions are booked by the Group when it is more likely than not that such lawsuits shall incur expenses to the Group and also if the magnitude of these expenses can either be quantified or estimated within a reasonable range. In this case, the provisions corresponds to our best estimate of the risks. The magnitude of the provisions retained is based on the estimate of the level of risk on a case-by-case basis, it being taken into account that the occurrence of events in the course of the legal action can involve a constant a re-estimation of this risk.

The Group is not aware of other dispute, arbitration, governmental or legal action or exceptional fact (including any legal action of which the issuer is aware, which is outstanding or by which it is threatened) that may have been or is in progress during the last twelve months and that has a significant effect on the financial position, the earnings, the activity and the assets of the company and the group, other than those described below.

This note lists below all significant Group ongoing legal and fiscal disputes as at December 31, 2014.

## **28 Contractual obligations and commercial commitments (Continued)**

### **28.2.1 Tax audits and litigation**

#### *Tax litigation pending in Portugal*

As a result of the inspections from the Portuguese tax authorities (refer to note 20) for the fiscal years 2003 to 2008, the following judicial processes are pending:

- An assessment of the Portuguese Tax Authorities related to 2005, requested an adjustment of tax losses in the amount of €17.2 million, as well as an additional tax payment in the amount of €4.1 million for withholding tax and stamp tax. The Group paid €2.9 million and contested this decision through an appeal, but has not received the final decision yet. The unpaid amount of, approximately, €1.0 million (excluding related late payment interests) was contested on appeal. In the year ended August 31, 2012, the Corporate Tax Authority accepted the claim. As of today, there were not any subsequent deliberations after that decision. The Board of Managers believes that the final outcome of this matter will be favorable to the Group.
- An assessment of the tax payable concluded that there was withholding tax due in the amount of approximately €5.2 million (excluding related late payment interests). The Group does not agree with this assessment, having filed a gracious complaint and subsequently a judicial appeal and submitted a bank guarantee in the amount of approximately €6.8 million. As of December 31, 2014, the administrative and tax court of Almada didn't pronounce itself on that claim. The Board of Managers believes that the final outcome of this matter will be favorable to the Group.

### **28.2.2 Commercial disputes**

#### **Litigations and claims against the HOT group**

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

In the opinion of the Board of Managers of the Group, based, inter alia, on legal opinions in respect of the chances of the lawsuits, a fair provision of €14.6 million has been recorded in the consolidated financial statements as of December 31, 2014, where provisions are required, in order to cover the exposure as the result of the lawsuits.

In the opinion of the Board of Managers of the Group, the amount of the additional exposure, in an amount of approximately €547.8 (over and above the provisions that have been recorded in these consolidated financial statements), as of December 31, 2014, as a result of lawsuits that have been filed against companies in the HOT group on various matters, is as follows:

- An amount of approximately €357.3 million to cover claims which the Board of Managers and legal team estimate to have less than a 50% chance of succeeding.
- An amount of approximately €63.5 million towards claims for which no assessment is possible, or towards those class action lawsuits that were presented very close to the date of the financial statements.
- An amount of approximately €127.0 million to cover claims which the Board of Managers and legal team estimate to have more than a 50% chance of succeeding.

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**28 Contractual obligations and commercial commitments (Continued)**

The following is an abbreviated summary of the Hot group's contingent liabilities effective as of December 31, 2014, in accordance with groupings having similar characteristics:

<u>The nature of the lawsuit</u>	<u>The amount of the additional exposure in excess of the provision recorded as of December 31, 2014</u>	<u>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)</u>	<u>Provisions recorded in the financial statements as of December 31, 2014</u>	<u>Provisions recorded in the financial statements as of December 31, 2013</u>	<u>Updating of the expense (income), net in the reporting period</u>
	(In millions €)				
Customers .....	533.8	68.6	7.6	4.2	3.6
Copyrights .....	—	—	2.8	6.3	(1.1)
Suppliers .....	12.7	—	0.8	0.4	0.4
Employees .....	1.3	—	0.2	0.2	—
Others .....	—	—	3.2	—	3.2
<b>Total .....</b>	<b><u>547.8</u></b>	<b><u>68.6</u></b>	<b><u>14.6</u></b>	<b><u>11.2</u></b>	<b><u>6.1</u></b>

**28.3 Commitments to lease assets (operational leases)**

Certain subsidiaries of the Group have obligations to lease assets which are under operational lease contracts. Such operating leases exist at the level of HOT and ODO. These companies rent out building space and other commodities such as automobiles under long term contracts that generate an obligation to pay rent for these companies.

In some cases, the rental space under contract maybe be sublet, which generates revenues and hence reduce the obligation under such leasing contracts.

Such obligations are listed below:

	<u>Minimal future leasing fees</u> (In € millions)
One year or less .....	48.0
Between two and five years .....	70.3
Greater than five years .....	<u>15.2</u>
<b>Total operating leases .....</b>	<b><u>133.5</u></b>

**28.4 Other commitments**

*Provision regarding the contribution of Cabovisão and ONI for the Universal Service*

Provisions of, approximately, €2.6 million and €2.2 million were recorded for the contribution of respectively Cabovisão and Oni for the Universal Service, under the terms determined by ANACOM (Portuguese telecommunications regulator). Those provisions related to the period 2007-2011. The contribution for the period 2012-2014 has not yet been determined, and there is no information available to estimate it reliably.

**29 Going concern**

As at December 31, 2014, the Group had net current liabilities position of €499.5 million (mainly due to current trade and other payables of €552.4 million) and a negative working capital of €262.1 million. During the year ended December 31, 2014, the Group registered a net loss of €194.8 million (loss of €208.4 million in financial year 2013) and generated cash flows from operations of €759.6 million. The

**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**29 Going concern (Continued)**

positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net loss recorded in the financial year was mainly driven by the increased finance costs on the issuance of new debt to finance the acquisition of the Dominican entities. 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 under standard commercial terms, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (€268.7 million vs. €552.4 million). Payables due the following month are covered by revenues and cash flows from operations (if needed).

As of December 31, 2014, the Group's short term borrowings mainly comprised of the accrued interests (€58.9 million) on the bonds and loans from financial institutions which are repaid on a semi-annual basis and some local bonds (€26.7 million). Those short term obligations are expected to be covered by the cash flows from operations of the operating subsidiaries.

The long term debt of the Group commences to mature in 2019 (see note 14).

In determining the appropriateness of the use of the going concern assumption, the Board of Managers has considered the following elements:

- The Group has a strong track record of generating positive EBITDA and generated strong positive operating cash flows in 2014 (€742.4 million). EBITDA amounted to €868.8 million, an increase of 67.5% compared to financial year 2013. This increase in EBITDA is mainly due to the integration of newly acquired entities (see note 3) which contributed to this increase compared to prior year. The Board of Managers is of the view that such EBITDA and the consequent cash flows are sufficient to service the working capital of the Group.
- The Group had healthy unrestricted cash reserves at the end of 2014 (€188.1 million vs. €61.3 million in 2013), which would allow it to cover any urgent cash needs. Additionally, as of December 31, 2014, the Group had access to Revolving Credit Facilities ("RCF") and guarantee facilities of up to €221.1 million (out of which €126.2 million has been drawn as at December 31, 2014). In addition, the Group repaid its USD RCF for a total amount of €46.2 million (\$56 million) (see note 30 on the events after the reporting period) confirming the Group's capacity to meet its repayment obligations. Additionally, Group may access another Revolving Credit Facility for a total aggregate amount of €501 million which can be drawn upon the satisfaction of certain customary conditions precedent.
- As of December 31, 2014, the Group had improved its equity position to €(154.2) million (resulting from an improvement in the net profit of the group, as well as the conversion of certain shareholder loans into equity during 2014), from €(261.2) million as of December 31, 2013. Additionally, the Group has access to equity markets via its direct and unique shareholder, Altice S.A. to meet any financing needs that it may have.

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.

The Board of Managers also tracks operational key performance indicators (KPIs) on a weekly basis, thus closely tracking top line trends very closely. This allows the Board of Managers 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.

On the basis of the above, the Board of Managers is of the view that the Group will continue to act as a going concern for 12 months from the date of approval of these consolidated financial statements and has hence deemed it appropriate to prepare these consolidated financial statements using the going concern assumption.



**ALTICE International S.à r.l.**  
**Notes to the consolidated financial statements (Continued)**

**30 Events after the reporting period**

***Acquisition of Portugal Telecom***

On December 9, 2014, the Company announced that it has signed a definitive agreement with Oi to purchase the Portuguese assets of Portugal Telecom (or “P.T.”). These assets comprise the existing business of Portugal Telecom outside of Africa and excludes Portugal Telecom’s Rio Forte debt securities, Oi treasury shares and Portugal Telecom financing vehicles. The transaction values Portugal Telecom at an enterprise value of €7.4bn on a cash and debt-free free basis which includes €500 million consideration related to the future revenue generation of Portugal Telecom. The transaction, net of financial debt, accrued post-retirement liabilities and other purchase price adjustments will be financed by new debt and existing cash from Altice.

On January 22, the board of PT S.G.P.S unanimously approved the sale of P.T. to Altice and the Company subsequently completed the issuance of the debt on February 4, 2015 and it will be used to finance this acquisition.

EU Competition authorities approved the acquisition on April 20, 2015 subject to the disposal by the Group of its current operations in Portugal, namely Cabovisao and ONI. The closing of the transaction is expected by the end of May 2015.

***Issuance of debt to finance the acquisition of Portugal Telecom and additional RCF***

On January 31, 2015, Altice announced the pricing of an offering of (i) €750 million in aggregate principal amount of its 6¼% Senior Notes due 2025 and \$1,480 million aggregate principal amount of its 7⅝% Senior Notes due 2025 (the “Senior Notes”), (ii) \$2,060 million aggregate principal amount of Altice Financing S.A.’s 6⅝% Senior Secured Notes due 2023 and €500 million aggregate principal amount of Altice Financing S.A.’s 5¼% Senior Secured Notes due 2023 (the “Altice Financing Senior Secured Notes”) and (iii) \$385 million aggregate principal amount of Altice Finco S.A.’s 7⅝% Senior Notes due 2025 (the “Altice Finco Senior Notes”, and together with the Altice Financing Senior Secured Notes and the Senior Notes, the “Notes”). The offering of the Senior Notes has closed on February 4, 2015, 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 Portugal Telecom acquisition).

In addition, Altice Financing entered into a new term loan with several banks and divided into a €400 million tranche and a \$500 million, both having a variable interests and maturing in 2023.

In addition, upon condition of the completion of the acquisition, the Group would have access to an additional Revolving Credit Facility agreement for a total aggregated amount of €330 million.

***Altice enters into exclusivity for the sale of mobile activities in La Reunion and Mayotte***

On March 6, 2015, Altice announced that it has entered into exclusivity with the Hiridjee Group, controlling shareholder of Telma, the leading telecom operator in Madagascar, for the sale of its mobile activities in La Reunion and Mayotte, pursuant to the requirement and subject to the approval of the French antitrust authority.

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



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

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## REPORT OF THE REVISEUR D'ENTREPRISES AGREÉ

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

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

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

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

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

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

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

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

### *Opinion*

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

For Deloitte Audit, *Cabinet de révision agréé*

John Psaila, *Réviseur d'entreprises agréé*  
Partner

March 14, 2014

**ALTICE VII S.à r.l.**  
**Consolidated statement of income**  
**For the year ended December 31, 2013**

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

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

(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.

ALTICE VII S.à r.l.

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

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

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

ALTICE VII S.à r.l.

Consolidated statement of financial position  
December 31, 2013

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

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

**ALTICE International S.à r.l.**  
**Consolidated statement of changes in equity**  
**Year ended December 31, 2013**

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

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



**ALTICE VII S.à r.l.**  
**Consolidated statement of cash flows**  
**For the year ended December 31, 2013**

	Notes	Year ended December 31, 2013	Year ended December 31, 2012
(in millions of euros)			
<b>Net loss, including non-controlling interests</b> .....		<b>(208.3)</b>	<b>(189.8)</b>
Adjustments for:			
Depreciation and amortization .....		399.6	388.2
Gains and losses on disposals .....	27	(1.0)	4.8
Other non-cash operating gains and losses .....		(13.0)	59.9
<b>Net cash provided by operating activities before changes in working capital, finance costs and income tax</b> .....		<b>177.3</b>	<b>259.9</b>
Finance costs recognized in profit and loss .....		232.1	174.0
Income tax (benefit)/expense recognized in the statement of income .....	23	7.4	(26.0)
Income tax (paid)/received .....		(2.3)	1.6
Changes in working capital .....		24.6	51.8
<b>Net cash provided by operating activities</b> .....		<b>439.2</b>	<b>464.5</b>
Purchases of tangible and intangible assets .....	5,6	(288.8)	(347.0)
Acquisitions of financial assets .....		(18.1)	(35.8)
Proceeds from disposal of tangible, intangible and financial assets .....		1.5	0.1
Increase/(decrease) in non-current financial assets .....		0.8	(16.1)
(Increase)/ use of restricted cash .....	11	(1,234.9)	32.6
Net cash (outflow)/inflow on acquisition of subsidiaries .....	3,3	(253.1)	(35.1)
Transactions with non-controlling interests .....	28	(120.9)	(172.9)
<b>Net cash provided used by investing activities</b> .....		<b>(1,913.6)</b>	<b>(574.2)</b>
Proceeds from issue of equity instruments .....	12	1.8	—
Dividends paid to non-controlling-interests .....	28	—	(26.0)
Proceeds from issuance of debts(*) .....	18	2452.0	891.5
Repayment of debt .....	17	(657.1)	(528.3)
Distribution to CPEC holders .....	13	(212.5)	—
Interest paid .....		(178.6)	(117.8)
<b>Net cash provided in financing activities</b> .....		<b>1,405.6</b>	<b>219.3</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies .....		0.1	0.2
<b>Net increase in cash and cash equivalents</b> .....		<b>(68.7)</b>	<b>109.9</b>
Cash and cash equivalents at beginning of year .....	11	129.7	19.8
Net (decrease) / increase in cash and cash equivalents .....		(68.7)	109.9
<b>Cash and cash equivalents at end of year</b> .....	11	<b>61.3</b>	<b>129.7</b>

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**1 Notes to the consolidated financial statements (Continued)**

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

**Impact of the application of IFRS 10**

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

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

**Impact of the application of IFRS 11**

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

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

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

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

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

**Impact of the application of IFRS 12**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**1 Notes to the consolidated financial statements (Continued)**

**IFRS 13 Fair Value Measurement**

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

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

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

**Amendment to IFRS 7 disclosure—Offsetting Financial Assets and Financial Liabilities**

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

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

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

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

- Amendments to IAS 16 Property Plant and Equipment; and
- Amendments to IAS 32 Financial Instruments: Presentation.

**Amendments to IAS 16**

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

**Amendments to IAS 32**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**1 Notes to the consolidated financial statements (Continued)**

**Standards issued but not yet effective**

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

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

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

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

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

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

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

**2 Significant accounting policies**

**2.1 Significant accounting policies**

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

**2.2 Basis of preparation**

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

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

## **2 Significant accounting policies (Continued)**

The principal accounting policies are set out below.

### **2.3 Basis of consolidation**

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

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

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

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

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

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

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

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

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

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

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

### **2.4 Functional currency**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

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

**2.5 Foreign currency translation**

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

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

**2.6 Subsidiaries and associates**

**2.6.1 Subsidiaries**

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

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

**2.6.2 Associates**

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

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

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

**2.8 Revenue recognition**

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

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

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

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

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

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

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



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**2 Significant accounting policies (Continued)**

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

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**2 Significant accounting policies (Continued)**

unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and that, at the transaction date, does not impact earnings, nor income tax profit or loss.

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

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

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

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

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

**2.11 Goodwill and business combinations**

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

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

*a) The aggregate of:*

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

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

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

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**2 Significant accounting policies (Continued)**

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

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

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

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

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

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

**2.12 Other intangible assets**

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

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

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

The useful lives of the intangible assets are as follows:

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

**2.13 Impairment of tangible and intangible assets**

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

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

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

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

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

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

**2.14 Property, plant and equipment**

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

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

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

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

**2.15 Leasing**

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

**2.15.1 The Group as lessor**

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

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

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

**2.15.2 The Group as lessee**

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

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

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

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

**2.16 Borrowing costs**

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

**2.17 Government grants**

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

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

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

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

**2.18 Financial assets**

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

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

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

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

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

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

**2.18.2 Loans and receivables**

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

This category mainly includes trade receivables.

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

## **2 Significant accounting policies (Continued)**

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

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

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

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

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

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

This category mainly includes:

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

### **2.19 Inventories**

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

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

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

### **2.20 Cash and cash equivalents**

Cash consists of cash in banks and deposits.

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

### **2.21 Restricted cash**

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

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

### **2.22 Derivatives**

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

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

**2.23 Share based payment arrangements**

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

**2.24 Financial liabilities**

Financial liabilities other than derivative instruments include:

**2.24.1 Financial liabilities at amortized cost**

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

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

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

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

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

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

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

**2.24.3 Classification as debt or equity**

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



## **2 Significant accounting policies (Continued)**

### **2.24.4 Equity instruments**

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

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

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

### **2.25 Other liabilities**

#### **2.25.1 Provisions**

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

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

#### **2.25.2 Legal claims**

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

#### **2.25.3 Warranty**

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

#### **2.25.4 Onerous contracts**

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

#### **2.25.5 Restructuring**

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

## **2 Significant accounting policies (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

## **2 Significant accounting policies (Continued)**

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

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

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

### **2.27.1 Judgments**

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

### **2.27.2 Estimates and assumptions**

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

### **2.27.3 Impairment of goodwill**

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

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

### **2.27.4 Legal claims**

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**2 Significant accounting policies (Continued)**

**2.27.6 Deferred tax asset**

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

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

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

**3-Scope of consolidation**

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

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice VII S.à r.l. ....	Luxembourg	Parent company	Parent company	—	—
Cool Holding LTD .....	Israel	FC(*)	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 VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

Name of subsidiary	Place of incorporation and operation	Method of consolidation		Proportion of ownership interest and voting power held by the group	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Altice 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%	—
Onitelem-					
Infomunicações, S.A., ....	Portugal	FC(*)	—	100%	—
Knewon S.A. ....	Portugal	FC(*)	—	100%	—
Onitelem Açores S.A. ....	Portugal	FC(*)	—	100%	—
Onitelem 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%	—

(\*) FC stands for "Full Consolidation"

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

**3.1.1 Composition of the Group**

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

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

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

**3.2 Modification of the scope of consolidation**

**3.2.1 Main acquisitions in 2013**

**3.2.1.1 Acquisition of OMT**

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

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

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

**Brand:**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

**Clients:**

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

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

**3.2.1.2 Acquisition of ONI Communication**

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

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

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

**Brand:**

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

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

**Clients:**

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

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

**3.2.1.3 Integration of content channels**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

**3.2.2 Change in the Group's ownership interest in 2013**

**3.2.2.1 Acquisition of minority interests in Cabovisao**

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

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

**3.2.2.2 Disposal of Valvision**

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

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

**3.2.2.3 Acquisition of minority interests in Coditel**

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

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



**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

**3.3 Acquisitions of businesses**

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**3-Scope of consolidation (Continued)**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**4-Goodwill**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**4-Goodwill (Continued)**

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**4-Goodwill (Continued)**

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.

	<u>Green. ch</u>	<u>Coditel</u>	<u>Hot Telecom</u>
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.

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

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

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

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

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

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

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the weighted average cost of capital (WACC), all other assumptions being stable and the impact would be :
  - Green.ch: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 90.2 million and therefore no impairment is required.
  - Coditel: an increase of 50 bps in the WACC decreases the excess of recoverable amount to EUR 103.9 million and therefore no impairment would be required.
  - HOT Mobile: an increase of 50 bps in the WACC decreases the recoverable amount to EUR 807.2 million and therefore no impairment would be required.

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**4-Goodwill (Continued)**

- Sensitivity of the recoverable amount was tested for a movement of 50 bps in the perpetuity growth rates, all other assumptions being stable and the impact would be :
  - Green.ch: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 93 million and therefore no impairment would be required.
  - Coditel: an increase of 50 bps in the perpetuity growth rate decreases the excess of recoverable amount to EUR 66.1 million and therefore no impairment would be required.
  - HOT Mobile: an increase of 50 bps in the perpetuity growth rate decreases the recoverable amount to EUR 825.1 million and therefore no impairment would be required.

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**5-Intangible assets**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**5-Intangible assets (Continued)**

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

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

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



**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**6-Property, Plant & Equipment (Continued)**

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

(1) Cable network: the Group owns, directly and indirectly through its subsidiaries, cable or fibre network which allow it to supply cable-based pay television, broadband internet and fixed-line telephony services to its subscribers.

(2) Call center represents centralized offices used for the purpose of receiving or transmitting a large volume of administrative, technical or commercial requests by telephone.

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**6-Property, Plant & Equipment (Continued)**

- (3) Office furniture and equipment refers to furnishings and IT equipment.
- (4) The Communication network infrastructure includes the digital technologies for the transmission of multi-channel television services.

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

**7-Financial assets**

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

- (1) Investment in available for sale financial asset:s are composed of:

Partner Communications LTD: A subsidiary company, operating through Hot Net Internet Services LTD. (formerly Hot Properties) and Finance LTD. (hereinafter-Hot Net) holds 1 454 663 regular shares in Partner Communications LTD, (hereinafter-Partner), constituting approximately 0,9% of Partner's share capital which is engaged in the provision of mobile communications services and whose shares are traded on stock exchanges in the United States of America, in the United Kingdom and in Israel.

Wananchi Group Holdings Ltd. In February 2013, the Company exercised its right to convert loans and receivables held against Wananchi Group Holdings Ltd. into shares. These notes were initially recorded as a long term trade receivable for the year ended December 31, 2012 and subsequently converted into equity in February 2013. The Board of Managers considers the investment in Wananchi to be available for sale investment and has injected further funds in Wananchi during the course of the year ended December 31, 2013. Wananchi operates in the fast developing East-African market and given the evolving nature of the business in this region, the Board of Managers considers that the nominal value of its investment in Wananchi represents the fair value of the investment. As of December 31, 2013, Altice VII held 17.05% of the capital of Wananchi and the Board of Managers is of the opinion that it has no significant influence on the Board of Wananchi.

- (2) As of December 31, 2013, this caption includes an additional investment made by the company in Wananchi, in return for which it was issued convertible notes, convertible at the discretion of the holder. The investment amounted to € 3.0 million (\$4 million equivalent). The decrease compared to December 31, 2012 is explained by the partial conversion of the notes from Wananchi to equity.
- (3) Restricted cash (see Note 2.21)

As of December 31, 2013 the restricted cash caption contained cash accounts pledged at Cabovisao, HOT and Green.ch held as guarantees to various financial institutions. The decrease in the amount of restricted cash compared to the year ended December 31, 2012, was mainly due to substitution of a guarantee given to Banco Espirito Santo by Cabovisao by an amount of EUR 8.4 million drawn from the Company's guarantee facility.

**8-Non current Trade and other receivables**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**9-Inventories**

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

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**10-Trade and other receivables**

**10.1 Trade receivables**

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

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

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

**10.2 Age of trade receivables**

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

**10.3 Other receivables**

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

(1) Bank guarantees were provided to the Israeli regulator by HOT mobile in relation with the acquisition of the UMTS mobile license and then subsequently released after the occurrence of certain events. Please see note 22 for details on guarantees given by HOT and HOT mobile.

(2) The increase in prepaid expenses is mainly explained by the acquisition of ONI and the entry of MCS in the Group scope during the year ended December 31, 2013. The new entities contributed EUR 4.7 million and EUR 2.6 million to prepaid expenses and mainly concerned prepayments made on long term contracts.

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**10-Trade and other receivables (Continued)**

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

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

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

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

**12-Issued capital and share premium**

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**12-Issued capital and share premium (Continued)**

Different classes of shares are summarized below:

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

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

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

**13-Other reserves**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**13-Other reserves (Continued)**

**13.1 CPEC Reserves**

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

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

**13.2 Discounting Reserves**

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

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



**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**13-Other reserves (Continued)**

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

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

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

<b>IFL</b> .....	26/04/2061	—		<u>—</u>	<u>2.6</u>
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**13.3 Employee benefits reserve**

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

**13.4 Currency translation reserve**

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

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

**13.5 Impact of changes in ownership structure**

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

**13.6 Integration of entities under common control**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**13-Other reserves (Continued)**

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

**13.7 Legal reserve**

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

**14-Provisions**

	December 31, 2012	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2013
	(in millions of euros)					
Litigations <sup>(1)</sup> . . . . .	15.8	3.2	3.7	(6.9)	2.2	18.0
Other risks . . . . .	8.0	0.2	1.3	(0.1)	(1.6)	7.9
Provisions for other expenses . . . . .	1.8	4.7	0.5	(0.7)	(1.0)	5.3
<b>TOTAL . . . . .</b>	<b><u>25.6</u></b>	<b><u>8.2</u></b>	<b><u>5.5</u></b>	<b><u>(7.7)</u></b>	<b><u>(0.4)</u></b>	<b><u>31.2</u></b>
	December 31, 2011	Business Combinations	Addition	Utilization	Divestitures, changes in foreign currency translation adjustments and other	December 31, 2012
	(in millions of euros)					
Litigations(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
<b>TOTAL . . . . .</b>	<b><u>40.5</u></b>	<b><u>5.0</u></b>	<b><u>5.1</u></b>	<b><u>(24.1)</u></b>	<b><u>(1.0)</u></b>	<b><u>25.6</u></b>

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits**

Breakdown of the employee benefits by entity :

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

**15.1 Description of employee benefits by entity**

**15.1.1 HOT Telecom**

(a) *Defined Benefit Plans*

Employee benefit liabilities

HOT Telecom has several employee benefit plans:

– Short-term employee benefits

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

– Post-employment benefits

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits (Continued)**

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

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

Actuarial gains and losses are reflected in other comprehensive income.

– Other long-term employee benefits

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

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

– Termination benefits:

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits (Continued)**

*(c) The plan assets (liabilities)*

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

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

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

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

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

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

*(f) The principal assumptions:*

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

**15.1.2 Green.ch**

*(a) Defined Benefit Plans*

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits (Continued)**

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

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

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

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

*(c) The plan assets (liabilities)*

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

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits (Continued)**

(f) *The principal assumptions:*

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

**15.1.3 OMT Invest**

(a) *Defined Benefit Plans*

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

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

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

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

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

(c) *The plan assets (liabilities)*

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**15-Employee benefits (Continued)**

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

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

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

*(j) The principal assumptions:*

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

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

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



**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities**

Total financial liabilities are broken down as follows:

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

**17.1 Bonds**

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

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

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

**The Hot Telecom Debentures:**

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

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

**Altice Financing Senior Secured Notes:**

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

- \$ 460.0 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7.875% and maturing on December 15, 2019.
- € 210.0 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8.0% and maturing on June 15, 2023.

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

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

**Altice Finco Senior Notes:**

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

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

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

**17.2 Covenants**

**17.2.1 Hot Telecom**

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

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

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

**17.2.2 Altice Blue One**

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

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

**17.2.3 Coditel Holding**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

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

**17.2.4 Altice Finco and Altice Financing**

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

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

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

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

**17.3 Borrowings from financial institutions**

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

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

**17.4 Related party bonds**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

(a) *Altice VII*

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

YFPECs: Yield Free Preferred Equity Certificates;

ALPECs: Asset Linked Preferred Equity Certificate;

IFL: Interest Free Loans.

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

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

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

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

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

**17.5 Other financial liabilities**

Other financial liabilities mainly consist of:

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

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

**17.5 Maturity of financial liabilities**

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

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

**17.6 Currency of borrowings**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

**17.7 Nature of interest rate**

	December 31, 2013	Fixed interest rate	Floating interest rate
	(in millions of euros)		
Bonds .....	2,554.0	2,554.0	—
Related party bonds .....	99.2	5.0	94.2
Borrowings from financial institutions .....	892.4	129.1	764.3
Finance leases .....	34.8	34.8	—
Accrued interest .....	31.2	15.4	15.8
Other financial liabilities .....	110.4	103.3	7.1
Financial instruments .....	142.3	—	142.3
<b>TOTAL .....</b>	<b>3,865.2</b>	<b>2,841.6</b>	<b>1,023.7</b>
	(in millions of euros)		
	December 31, 2012	Fixed interest rate	Floating interest rate
Bonds .....	1,133.9	969.7	164.2
Related party bonds .....	109.0	109.0	—
Borrowings from financial institutions .....	343.7	229.9	113.8
Finance leases .....	34.9	2.6	32.3
Accrued interest .....	3.0	3.0	—
Other financial liabilities .....	84.9	82.0	2.9
Financial instruments .....	62.5	62.5	—
<b>TOTAL .....</b>	<b>1,771.9</b>	<b>1,484.8</b>	<b>287.1</b>

**17.8 Derivatives**

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

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 400 million principal of Altice Finco's Senior Notes (of which USD 25 million is unhedged), based on which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of 145 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate and a fixed spread of between 8.0% and 8.25%
- A coupon only cross-currency swap transaction covering USD 225 million of the USD 450 million principal of Altice Financing's Senior Secured USD Notes (of which USD 10 million is unhedged), on the basis of which Altice pays Israeli Shekels and receives US Dollars, amounting to a Euro equivalent of EUR 163 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of between 5.9% and 6.2%
- A coupon only cross-currency swap transaction covering EUR 100 million of the EUR 200 million principal of Altice Financing's Senior Secured Euro Notes (of which EUR 10 million is unhedged), based on which Altice pays Israeli Shekels and receives Euros, amounting to EUR 100 million with a maturity date on December 15, 2017 and an interest rate composed of an ILS TELBOR 3M floating rate of 1.819% and a fixed spread of 5.775%
- A coupon only cross-currency swap transaction covering a part of the USD 1,034 million Term loan notional (USD 292.8 million), in which Altice pays Israeli Shekels and receives US Dollars, amounting to USD 212 million with a maturity date on October 31, 2018 and an interest rate composed of an ILS TELBOR 3M floating rate of between 1.18 and 1.2% and a fixed spread of between 5.0% and 5.6%
- A coupon only cross-currency swap transaction covering part of the USD 1,034 million Term loan notional (USD 540.5 million), in which Altice pays Euros and receives US Dollars, amounting to

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**17-Borrowings and other financial liabilities (Continued)**

EUR 392 million with a maturity date on October 31, 2018 and an interest rate composed of an EURIBOR 3M floating rate of between 0.22% and 0.26% and a fixed spread of between 4.5% and 4.8%

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

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

**17.9 Non-cash transactions**

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

The details of non-cash transactions are given below:

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

**18-Obligations under finance leases**

**18.1 Leasing arrangements**

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

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



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**Consolidated financial statements as of December 31, 2013 (Continued)**

**18-Obligations under finance leases (Continued)**

**18.1.1. Leasing arrangements**

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

Current leasing obligations for HOT are listed below:

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

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

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

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

**19-Financial risk factors**

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**19-Financial risk factors (Continued)**

**19.1 Credit risk**

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

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

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

**19.2 Liquidity risk**

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

**19.3 Market risks**

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

**19.3.1 Interest rate risk**

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

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

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

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

	Weighted average effective interest rate	< 1 year	1-5 years	5+ years	Total	Carrying amount
<b>31 December 2013</b>						
Non-interest bearing .....	—	—	—	4.9	4.9	4.9
Variable interest rate instruments <sup>(1)</sup> .....	5.9%	58.7	989.89	481.1	1,529.7	1,023.7
Fixed interest rate instruments ...	7.7%	272.62	1,942.42	1,712.64	3,927.68	2,841.6

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**19-Financial risk factors (Continued)**

	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	287.1
Fixed interest rate instruments . . .	7.4%	—	—	839.4	839.4	1,484.8

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

**19.3.2 Israeli CPI risk**

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

**19.3.3 Foreign currency management**

1. Foreign currency sensitivity analysis

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

	December 31, 2013		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate .....	(12.8)	(0.2)	(12.9)
Decrease of 10% in exchange rate .....	12.8	0.2	12.9
<b>Equity</b>			
Increase of 10% in exchange rate .....	5.6	2.1	7.6
Decrease of 10% in exchange rate .....	(5.6)	(2.1)	(7.6)
	December 31, 2012		
	Israeli Shekel	Swiss Franc	Total
	(in millions of euros)		
<b>Profit for the year</b>			
Increase of 10% in exchange rate .....	(12.9)	(0.1)	(13.1)
Decrease of 10% in exchange rate .....	12.9	0.1	13.1
<b>Equity</b>			
Increase of 10% in exchange rate .....	23.3	3.0	26.3
Decrease of 10% in exchange rate .....	(23.3)	(3.0)	(26.3)

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**19-Financial risk factors (Continued)**

2. Foreign currency hedging

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

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

Outstanding swap contracts

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

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

**19.3.4 Price risk**

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

**19.4 Gearing computation**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**19-Financial risk factors (Continued)**

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

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

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

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

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

**19.5.2 Reconciliation of Level 3 fair value measurements**

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**20-Trade and other payables**

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

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

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

**21-Deferred revenues**

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

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

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

	December 31, 2013			
	Book value	Amortized cost	Fair Value	
			Fair value through profit/loss	Assets available for sale
	(in millions of euros)			
<b>Current assets</b>				
Cash and cash equivalents	61.3	61.3	—	—
Restricted cash	1,242.7	1,242.7	—	—
Trade receivables	194.0	194.0	—	—
Other receivables	37.1	37.1	—	—
<b>Non-current assets</b>				
Restricted cash	1.8	1.8	—	—
Loans and receivables	3.0	3.0	—	—
Available for Sale	40.3	—	—	40.3
Long term trade receivables	5.5	5.5	—	—
Other long-term trade receivables	22.8	22.8	—	—
	<u>1,608.5</u>	<u>1,568.3</u>	<u>0.0</u>	<u>40.3</u>

	Book value	Amortized cost	Fair value
<b>Current liabilities</b>			
Credit from banking corporations and debentures	57.6	57.6	—
Loans from related parties	—	—	—
Trade payables	383.4	383.4	—
Others payables	246.0	246.0	—
Other current liabilities	15.9	15.9	—
<b>Non-current liabilities</b>			
Loans from banking corporations and debentures	3,520.5	3,520.5	—
Other financial liabilities	271.6	129.3	142.3
Other non-current liabilities	39.6	39.6	—
	<u>4,534.6</u>	<u>4,392.3</u>	<u>142.3</u>

	December 31, 2012			
	Book value	Amortized cost	Fair value through profit/loss	Assets available for sale
<b>Current assets</b>				
Cash and cash equivalents	129.7	129.7	—	—
Trade receivables	150.8	150.8	—	—
Other receivables	37.9	37.9	—	—
<b>Non-current assets</b>				
Restricted cash	9.6	9.6	—	—
Investments in financial assets available for sale	—	—	—	—
Available for Sale	6.1	—	—	6.1
Long term trade receivables	18.7	18.7	—	—
Other long-term trade receivables	24.6	24.6	—	—
	<u>377.4</u>	<u>371.3</u>	<u>—</u>	<u>6.1</u>

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**22-Classification and fair value of financial assets and liabilities (Continued)**

	Book value	Amortized cost	Fair value
<b>Current liabilities</b>			
Credit from banking corporations and debentures .....	113.2	113.2	—
Trade payables .....	311.3	311.3	—
Others payables .....	118.8	118.8	—
Short-term loans from related parties .....	2.7	2.7	—
<b>Non-current liabilities</b>			
Loans from banking corporations and debentures .....	1,365.7	1,365.7	—
Long-term loans from related parties .....	109.0	109.0	—
Other financial liabilities .....	174.5	112.0	62.5
Other non-current liabilities .....	49.5	49.5	—
	<u>2,244.7</u>	<u>2,182.2</u>	<u>—</u>

**23-Taxes on income**

**23.1 Income tax (expense)/benefit**

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

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

**23.2 Deferred tax assets and liabilities**

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



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**Consolidated financial statements as of December 31, 2013 (Continued)**

**23-Taxes on income (Continued)**

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**23-Taxes on income (Continued)**

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

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

Permanent differences present in different Group companies are summarized below:

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

**23.4 Tax assessments**

**23.4.1 Hot Telecom**

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**23-Taxes on income (Continued)**

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<sup>o</sup> of the Portuguese Corporate Income Tax code, the Company is subject to an autonomous taxation over some expenses at the rates defined in that article.

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

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

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

**23.4.3 Other entities**

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**23-Taxes on income (Continued)**

**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)	—
Cabovisao .....	(56.0)	(51.3)
Altice Finco .....	(1.8)	—
Altice Holdings .....	(36.9)	—
Altice Caribbean .....	(1.5)	—
Altice Blue Two .....	(6.4)	—
ONI .....	(11.8)	—
Others .....	(2.0)	—
<b>Total .....</b>	<b><u>(253.0)</u></b>	<b><u>(62.2)</u></b>

**24-Segment analysis**

**24.1 Definitions of segments**

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

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

Activities have been split as follows:

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

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

**24.1.1 Operational KPIs**

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

The main operational KPIs include:

The main operational KPIs that will be tracked will be:

- Subscriber base evolution (both cable and mobile),
- ARPU (Average Revenue per Unit) (cable and mobile),
- Other relevant cost drivers.

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**24-Segment analysis (Continued)**

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

**24.1.2 Financial KPIs**

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

- Revenues (Cable/Mobile/B2B and Others),
- Cost of Sales (Cable/Mobile/B2B and Others),
- Capex (Cable/Mobile/B2B and Others).

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

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

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

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

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

**24.2 Regional specificities**

**24.2.1 Israel**

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

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

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

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

**24.2.2 Belgium and Luxembourg**

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**24-Segment analysis (Continued)**

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

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

**24.2.3 Portugal**

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

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

**24.2.4 French Overseas Territories**

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

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

**24.3 Segment information**

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**24-Segment analysis (Continued)**

	December 31, 2012					
	Total	Belgium & Luxembourg	Israel	French Overseas Territories	Portugal	Others
	(in millions of euros)					
<b>Cable</b>						
Revenue .....	873.3	70.3	677.9	24.4	98.2	2.5
Costs of sales .....	<u>(212.9)</u>	<u>(10.3)</u>	<u>(159.0)</u>	<u>(4.1)</u>	<u>(39.1)</u>	<u>(0.5)</u>
<b>Gross Profit</b> .....	<b>660.4</b>	<b>60.0</b>	<b>518.9</b>	<b>20.4</b>	<b>59.1</b>	<b>2.0</b>
<b>Mobile</b>						
Revenue .....	172.7	0.2	172.5	—	—	—
Costs of sales .....	<u>(69.9)</u>	<u>(0.1)</u>	<u>(69.8)</u>	—	—	—
<b>Gross Profit</b> .....	<b>102.8</b>	<b>0.1</b>	<b>102.7</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>B2B and others</b>						
Revenue .....	46.4	0.8	—	—	—	45.6
Costs of sales .....	<u>(19.3)</u>	<u>(0.6)</u>	—	—	—	<u>(18.7)</u>
<b>Gross Profit</b> .....	<b>27.1</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>26.9</b>
<b>Total</b>						
<b>Total Revenue</b> .....	<b>1.092.4</b>	<b>71.3</b>	<b>850.4</b>	<b>24.4</b>	<b>98.2</b>	<b>48.1</b>
<b>Total Costs of sales</b> .....	<b>(302.1)</b>	<b>(11.0)</b>	<b>(228.8)</b>	<b>(4.1)</b>	<b>(39.1)</b>	<b>(19.2)</b>
<b>Total Gross Profit</b> .....	<b>790.3</b>	<b>60.3</b>	<b>621.7</b>	<b>20.4</b>	<b>59.1</b>	<b>28.9</b>

**25-Operating expenses**

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

**26-Depreciation, amortization and goodwill impairment**

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

**27-Other operating incomes and expenses**

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

(1) The increase of non-recurring costs is mainly explained by a one-off EUR 31.6 million charge booked at HOT Mobile concerning the entering into a new network sharing agreement with Partner Telecommunication and the termination of the

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**27-Other operating incomes and expenses (Continued)**

existing agreement with Pelephone. The provision relates to any cost overlap resulting from the use of Pelephone's network during the transition phase. In addition, Altice financing incurred costs related to consultants' fees and other outlays related to the acquisition of OMT Invest S.A.S and Winreason S.A.

- (2) Restructuring costs decreased in the year ended December 31, 2013 as a result of the completion of restructuring at Cabovisao. The charge of EUR 2.9 million refers to the restructuring costs engaged at ONI telecom since its acquisition in august 2012.

**28-Net finance costs**

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

(1) Gains arising on fair value variations of financial and subordinated financial instruments issued by the Company for a total amount of EUR 1.4 million and a gain on interest rate swaps recorded at Altice financing for a total amount of EUR 1.3 million.

(2) The increase in interest expense for the year ended December 31, 2013 was primarily due to (i) the issuance of new debt to finance the Outremer Telecom and ONI transactions (€12.9 million impact in 2013) and (ii) the full year impact of the debt incurred to finance the HOT take private in 2012 (€47.45 million in 2013).

**29-Transactions with non-controlling interests**

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

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

**30-Average workforce**

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



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**31-Transaction with related parties**

**31.1 Trading and financial transaction**

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

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

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

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

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

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

**31.2 Compensation of key management personnel**

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**31-Transaction with related parties (Continued)**

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

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

**32-Contractual obligations and commercial commitments**

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

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

**32.1 Hot Telecom Commitments**

**32.1.1 Commitments**

A. Contingent liabilities

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

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

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

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

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

(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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

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

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

**2. Other royalties**

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

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

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

**3. A commitment to invest in original productions**

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

It should be noted in this connection that the Communications Law has empowered the Council to determine the rate of investment that is required, and solely that it may not exceed 12% and may not

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

4. Agreement to deploy and maintain a cables network

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

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

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

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

5. Commitments to lease assets

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

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

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

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

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

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

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

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

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

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

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

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

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

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

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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.



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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

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

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

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

C. Guarantees and liens

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

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

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

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

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

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

- a) Bank guarantees to the Ministry of Communications, in respect of the national operator license that was granted to HOT Telecom amounting to 8.4 million Dollars, in force until December 2017 and December 2025.
- b) Guarantees in an amount of EUR 7.1 million (index-linked) to the Council in respect of the broadcasting license, which are in force until May 2015.

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

6. Guarantees for HOT Telecom and HOT Mobile

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

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**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

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

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

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

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

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

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

**32.2 Cabovisao commitments**

**32.2.1 Contingent assets**

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

**32.2.2 Contingent liabilities**

a) Bank guarantees

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

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

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

c) Real guarantees:

During the year ended December 31, 2013, considering the refinancing and debt restructuring operations performed by Altice Group, headed by Altice VII S.à r.l., Cabovisao has signed a collateral

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**32-Contractual obligations and commercial commitments (Continued)**

agreement which involved the pledge of some Cabovisao's bank accounts, as well as a pledge on the Cabovisao's shares (representing 100% of Cabovisao's share capital and respective voting rights).

d) Other contingent liabilities:

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

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

**32.3 Coditel Holding commitments**

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

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

**32.4 Others**

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

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

**33-Statutory Auditors' fees**

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

**34-Going concern**

During the financial year ended December 31, 2013, the company had a net current asset position of EUR 855.7 million (mainly due to current restricted cash of EUR 1,242.7 million), a net loss of EUR 208.3 million (down from a net loss of EUR 189.8 million in FY12), positive cash flow from operations of EUR 439.2 million and negative working capital of EUR 198.3 million. The positive cash flow from operations balance was mainly due to strong earnings growth and EBITDA generation. The net working capital of EUR 198.3 million is mainly driven by trade receivables and payables. The net loss recorded in FY13 was mainly driven by increased non-recurring expenses as compared to FY12 (+EUR 40.4 million) and increased financial expense, directly related to the issuance of new debt to

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**34-Going concern (Continued)**

finance acquisitions and buy back of minority stakes. The negative working capital position is structural and follows industry norms. Customers generally pay subscription revenues early or mid-month, with short DSOs (Days of Sales Outstanding) and suppliers are paid in the beginning of the following month, thus generating a negative working capital, as evidenced by the difference in the level of receivables and payables (EUR 194.0 million vs. EUR 392.3 million). Payables due the following month are covered by revenues and operating cash (if needed). As of December 31, 2013, the company had few short term loan payments (< 1y), and long term debt was refinanced in June 2013.

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

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

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

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

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

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

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

**35-Events after the reporting period**

***Acquisition of the Mobius Group***

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**35-Events after the reporting period (Continued)**

Managers are in advanced discussions to amend the existing investment agreement in order to provide that the Mobius Managers' reinvestment will be made directly in Altice S.A., through the subscription by the Mobius Managers, at the Offer Price, of Ordinary Shares of Altice S.A..

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

**Conversion of Altice VII subordinated debts**

On January 31, 2014, Next L.P. converted all subordinated debt instruments held against Altice VII S.à.r.l, before the planned initial public offering of Altice S.A., in exchange for common shares in the newly listed entity. All outstanding 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.

**Initial public offering**

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

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

In January 2014, the Company entered into discussion with the management of Outremer Telecom ("OMT Managers"), holders of a 23% stake in Altice Blue Two, the holding company controlling Outremer Telecom, WSG and 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, the OMT Managers will contribute all their shares held in Altice Blue Two and OMT Ocean 3 (an investment vehicle held by certain members of OMT's senior management), for a base value of EUR 55.1 million and two separate earn out clauses that would become applicable only upon the achievement of certain operational and financial targets and the settlement of certain lawsuits.

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

**Acquisition of the Tricom Group**

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

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

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

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

**Altice VII S.à r.l.**  
**Consolidated financial statements as of December 31, 2013 (Continued)**

**35-Events after the reporting period (Continued)**

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	<u>EUR (145.7) million</u>
Goodwill	EUR 145.6 million

**ASSURANCE REPORT OF THE RÉVISEUR D'ENTREPRISES AGREE  
ON THE COMPILATION OF UNAUDITED ILLUSTRATIVE AGGREGATED  
SELECTED FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of the Unaudited Illustrative Aggregated Selected Financial Information of Altice International S.à r.l. (the "Company") by its Board of Managers (the "Board of Managers"). The Unaudited Illustrative Aggregated Selected Financial Information consists of selected statement of income and cash flows for the year ended December 31, 2014 (the "Selected Items") and related notes as set out in the Offering Memorandum to be issued by the Company on or around April 18, 2016. The applicable criteria on the basis of which the Board of Managers has compiled the Unaudited Illustrative Aggregated Selected Financial Information are described in Note 1 thereto.

The Unaudited Illustrative Aggregated Selected Financial Information has been compiled by the Board of Managers 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, 2014. As part of this process, the Selected Items pertaining to the Company have been extracted by the Board of Managers from the Company's consolidated financial statements as of and for the year ended December 31, 2014 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 Managers from the relevant financial statements described in Note 1 to the Unaudited Illustrative Aggregated Selected Financial Information.

*Board of Director's responsibility for the Unaudited Illustrative Aggregated Selected Financial Information*

The Board of Managers is responsible for compiling the Unaudited Illustrative Aggregated Selected 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 Financial Information has been compiled, in all material respects, by the Board of Managers 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 Managers has compiled, in all material respects, the Unaudited Illustrative Aggregated Selected 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 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 Financial Information.

The purpose of the Unaudited Illustrative Aggregated Selected Financial Information included in an Offering Memorandum 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 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 Managers in the compilation of the Unaudited Illustrative Aggregated Selected 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 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'entreprises agréé*'s understanding of the nature of the company, the event or transaction in respect of which the Unaudited Illustrative Aggregated Selected Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Illustrative Aggregated Selected 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 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 Financial Information has been prepared solely for the purposes of inclusion within the Offering Memorandum to be issued by the Company on or around April 18, 2016. As a result, the Unaudited Illustrative Aggregated Selected Financial Information may not be suitable for any other purpose. Our report has been prepared solely for inclusion in the aforementioned Offering Memorandum and may not be suitable for any other purpose.

For Deloitte Audit, Cabinet de révision agréé  
John Psaila, *Réviseur d'entreprises agréé*  
Partner  
April 18, 2016



## ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION OF THE GROUP

The following unaudited illustrative aggregated selected financial information for the year ended December 31, 2014 (collectively, the “Illustrative Aggregated Selected Financial Information”) presents an aggregation of the selected amounts as derived from the audited historical consolidated financial statements of Altice International S.à r.l. (“AInt”) as of and for the year ended December 31, 2014 (the “Historical Financial Statements”), the audited or reviewed financial information (or the unaudited adjusted combined financial information) of each of the business undertakings acquired between January 1, 2014 and March 31, 2016 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 Statement with the measurement and recognition criteria of IFRS and the accounting policies adopted for the Historical Financial Statements. Such adjustments are made where the measurements and recognition criteria and the accounting policy elections used for the Pre-Acquisition Financial Information differ substantially from the corresponding criteria applicable under IFRS and the accounting policies used for the purposes of the Historical Financial Statements. These financial statements have not been audited or reviewed. The Illustrative Aggregated Selected Financial Information does not aggregate the financial information of Group News Participations. For further information regarding the basis of the preparation of the Illustrative Aggregated Selected Financial Information, including certain limitations with respect to such financial information, please refer to “*Presentation of Financial and Other Information—Illustrative Aggregated Selected Financial Information*” and Note 1 below.

The Illustrative Aggregated Selected 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 International included elsewhere in the Offering Memorandum. See “*Presentation of Financial and Other Information—Financial Data*”.

## ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

**For the year ended December 31, 2014**

<u>For the year ended December 31, 2014</u>	<u>Note</u>	<u>Altice International Historical Financial Statements</u>	<u>Pre-Transaction Financial Information</u>	<u>Alnt aggregated</u>
			(in € millions)	
<b>Revenues</b> .....	2a	<b>1,893.2</b>	<b>2,441.7</b>	<b>4,334.9</b>
Purchasing and subcontracting costs .....	2b	(448.7)	(491.1)	(939.8)
Other operating expenses .....	2b	(423.8)	(661.0)	(1,084.8)
Staff costs and employee benefit expenses .....	2b	(152.0)	(368.2)	(520.2)
<b>Adjusted EBITDA</b> .....	<b>2c</b>	<b>868.8</b>	<b>921.3</b>	<b>1,790.1</b>

### 1. BASIS OF PREPARATION

#### (a) Compilation of available financial information for the Company and the Acquired Businesses

The Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014 has been compiled under the responsibility of the Board of Managers of Altice International S.à r.l. (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 consolidated financial statements of the Company as of and for the year ended December 31, 2014 (the “Historical Financial Statements”) drawn up in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”);
- the amounts relating to the selected financial statement items as derived from the audited or reviewed financial information or unaudited combined adjusted financial information of each of the business undertakings acquired between January 1, 2014 and March 31, 2016 (the “Acquired/Disposed Businesses”) for the periods during which such amounts are not included within the Historical Financial Statements (collectively the “the Pre-Transaction Financial Information”).

#### (b) The Pre-Transaction Financial Information

The Pre-Transaction Financial Information has been derived from the following financial information pertaining to the Acquired/Disposed Businesses:

##### **Year ended December 31, 2014**

- the financial information of Cabovisao S.A. as of and for the year ended December 31, 2014 drawn up in accordance with IFRS as included in note 21 to the Historical Financial Statements of Altice International S.à r.l.; and
- the financial information of Telco OIS A.S. as of and for the year ended December 31, 2014 drawn up in accordance with IFRS as included in note 21 to the Historical Financial Statements of Altice International S.à r.l.; and
- the consolidated financial information of Winreason S.A. as of for the year ended December 31, 2014 drawn up in accordance with IFRS as included in note 21 to the Historical Financial Statements of Altice International S.à r.l.; and
- the unaudited financial statements of ODO for the period from January 1, 2014 to April 9, 2014 drawn up in accordance with IFRS; and
- the unaudited financial statements of Tricom for the period from January 1, 2014 to April 9, 2014 drawn up in accordance with IFRS; and
- the unaudited adjusted combined financial information of PT Portugal S.G.P.S. S.A. as of and for the year ended December 31, 2014 drawn up in accordance with Portuguese GAAP. This

## ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION (Continued)

unaudited combined adjusted financial information reflects the aggregation of condensed balance sheet and income statement of Meo S.A., contribution from other entities in PT Portugal's perimeter, consolidation eliminations and adjustments and carve out adjustments as described in the corresponding basis of preparation. The financial statements for Meo S.A. for the year ended December 31, 2014 have been audited by KPMG & Associados SROC, S.A. who have issued a modified audit report thereon on March 26, 2015.

Cabovisao, Winreason and Telco OI represent the Disposed Businesses while the others are the Acquired Buisnesses.

The presentation and classification of the selected financial statement items that have been derived from the historical financial statements of the Acquired/Disposed 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/Disposed Businesses to present the Illustrative Aggregated Selected Financial Information that is aligned with the presentation and classification criteria applied by the Company in the preparation of its Historical Consolidated Financial Information.

#### (c) The Alignment Adjustments

The Alignment Adjustments are primarily composed of the following elements:

- In those instances where the amounts included in the Pre-Transaction 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, no alignment adjustments have been prepared by the Board of Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the measurement and recognition criteria of IFRS given this would not have lead to material adjustments.
- 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 Managers in order to substantially align the contribution of the Acquired Businesses to the Illustrative Aggregated Selected Financial Information with the accounting policies retained by the Company given this would not have lead to material adjustments.

#### (d) Translation of historical financial information denominated in currencies other than the Euro

The historical financial information of Tricom and ODO, from which amounts have been derived in preparing the Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014, have been drawn up in Dominican Pesos ("DOP"). The relevant amounts have been translated into Euro ("EUR"), for the purposes of their inclusion within the Illustrative Aggregated Selected Financial Information, using the average daily exchange rates over the relevant period as described below:

Period from January 1, 2014 to March 17, 2014 .....	1 DOP = 0.017 EUR
Period from January 1, 2014 to April 9, 2014 .....	1 DOP = 0.017 EUR

#### (e) Key limitations to the basis of preparation

The Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014 do not purport to represent the performance, cash flows or financial position that the Company would

## ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION (Continued)

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 Illustrative Aggregated Selected Financial Information do not reflect the effect of any anticipated synergies and efficiencies associated with combining the PT group and the other subsidiaries of the Altice International 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 Illustrative Aggregated Selected 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 certain selected items derived from the Historical Financial Statements and the Pre-Transaction Financial Information.

In preparing the Illustrative Aggregated Selected Financial Information, the Board of Managers 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. SUPPLEMENTS NOTES TO THE ILLUSTRATIVE STATEMENT OF SELECTED AGGREGATED FINANCIAL STATEMENT ITEMS

The Illustrative Aggregated Selected Financial Information for the year ended December 31, 2014 has been compiled, under the responsibility of the Board of Managers of Altice International S.à r.l. (the "Company"), as follows:

#### (a) Selected Aggregated Statement of Income Items

For the year ended December 31, 2014	Alnt	PT Portugal 2014	Telco OI 12m- 2014	Cabovisao 12m- 2014	ONI 12m- 2014	ODO 4m- 2014	Tricom 3m- 2014	Alnt Aggregated Adj.	Alnt aggregated
(in € millions)									
<b>Revenues</b> .....	<b>1,893.2</b>	<b>2,533.0</b>	<b>(50.8)</b>	<b>(98.6)</b>	<b>(84.2)</b>	<b>108.8</b>	<b>33.5</b>	<b>2,441.7</b>	<b>4,334.9</b>
Purchasing and subcontracting costs .....	(448.7)	(546.3)	18.2	31.4	46.5	(32.3)	(8.6)	(491.1)	(939.8)
Other operating expenses .....	(423.8)	(671.1)	11.7	20.8	10.9	(25.2)	(8.2)	(661.0)	(1,084.8)
Staff costs and employee benefit expenses .....	(152.0)	(381.3)	8.2	7.6	8.0	(5.8)	(4.9)	(368.2)	(520.2)
<b>Adjusted EBITDA</b> .....	<b>868.8</b>	<b>934.3</b>	<b>(12.7)</b>	<b>(38.8)</b>	<b>(18.8)</b>	<b>45.5</b>	<b>11.8</b>	<b>921.3</b>	<b>1,790.1</b>

#### (b) Revenue

The revenue account balance per segments is as follows:

For the year ended December 31, 2014	Total Israel	Total PT Portugal	Tricom	ODO	Total Dominican Republic	Total Dominican Republic	Telco OI	Others	Aggregated
	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to March 17, 2014	Jan 1, 2014 to April 9, 2014	March 17, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014
Fixed—B2C .....	614.1	699.2	22.0	—	70.4	92.4	(0.3)	149.4	1,554.9
Fixed—B2B .....	66.4	493.6	8.1	—	34.8	42.9	0.1	30.2	633.1
Wholesale .....	—	326.9	4.6	8.6	20.7	33.9	(0.2)	5.9	366.5
Mobile—B2C .....	128.6	627.5	3.8	85.6	281.3	370.7	(41.3)	119.2	1,204.5
Mobile—B2B .....	48.3	222.9	0.2	9.4	32.4	42.0	(2.1)	6.8	317.8
Content .....	—	—	—	—	—	—	—	77.3	77.3
Others .....	—	163.0	(5.2)	5.2	25.3	25.3	(7.0)	(0.6)	180.7
<b>Total</b> .....	<b>857.3</b>	<b>2,533.0</b>	<b>33.5</b>	<b>108.8</b>	<b>464.9</b>	<b>607.1</b>	<b>(50.8)</b>	<b>388.3</b>	<b>4,334.9</b>

**ILLUSTRATIVE AGGREGATED SELECTED FINANCIAL INFORMATION**

**2. SUPPLEMENTS NOTES TO THE ILLUSTRATIVE STATEMENT OF SELECTED AGGREGATED FINANCIAL STATEMENT ITEMS (Continued)**

**(c) Expenses**

	Total Israel	Total PT Portugal	Tricom	ODO	Total Dominican Republic	Total Dominican Republic	Telco OI	Others	Aggregated
	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to March 17, 2014	Jan 1, 2014 to April 9, 2014	March 17, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014
For the year ended December 31, 2014	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Purchasing and subcontracting costs . . . . .	(173.5)	(546.3)	(8.6)	(32.3)	(100.9)	(141.9)	18.2	(96.3)	(939.8)
Other operating expenses . . . . .	(191.9)	(671.1)	(8.2)	(25.2)	(118.6)	(151.9)	11.7	(81.5)	(1,084.8)
Staff costs and employee benefit expenses . . . . .	(80.7)	(381.3)	(4.9)	(5.8)	(19.3)	(30.0)	8.2	(36.4)	(520.2)
<b>Total . . . . .</b>	<b>(446.1)</b>	<b>(1,598.7)</b>	<b>(21.2)</b>	<b>(63.3)</b>	<b>(238.9)</b>	<b>(323.8)</b>	<b>38.1</b>	<b>(214.2)</b>	<b>(2,544.8)</b>

**(d) Operating income before depreciation & amortisation**

	Total Israel	Total PT Portugal	Tricom	ODO	Total Dominican Republic	Total Dominican Republic	Telco OI	Others	Aggregated
	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to March 17, 2014	Jan 1, 2014 to April 9, 2014	March 17, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014
For the year ended December 31, 2014	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Adjusted EBITDA . . . . .</b>	<b>411.2</b>	<b>934.3</b>	<b>11.8</b>	<b>45.5</b>	<b>226.0</b>	<b>283.3</b>	<b>(12.7)</b>	<b>174.0</b>	<b>1,790.0</b>

**(e) Capital expenditures**

	Total Israel	Total PT Portugal	Total Dominican Republic	Total Others	Aggregated
	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014	Jan 1, 2014 to Dec 31, 2014
	(In million EUR)				
<b>Total Capex . . . . .</b>	<b>224.7</b>	<b>397.8</b>	<b>69.3</b>	<b>103.1</b>	<b>795.0</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**  
**2014 ANNUAL REPORT AND FINANCIAL STATEMENTS**

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# MEO, Serviços de Comunicações e Multimédia, S.A.

## Legal certification of the accounts

KPMG & Associados – Sociedade de Revisores  
Oficiais de Contas, S.A.  
Edifício Monumental  
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## LEGAL CERTIFICATION OF ACCOUNTS

### Introduction

- 1 We reviewed the financial statements of **MEO – Serviços de Comunicações e Multimédia, S.A.** (formerly known as **PT Comunicações, S.A.**), which include the Balance Sheet as at 31 December 2014 (which shows a total of €9,709,867,657 and total equity of €201,857,460, including a net loss of €2,271,393,590), the Statements of income, changes in equity and cash flows for the fiscal year ended on that date, and the corresponding Notes.

### Responsibilities

- 2 It is the responsibility of the Board of Directors to prepare financial statements which accurately and appropriately present the Company's financial position, the result of its operations, changes in equity and cash flows, as well as to adopt suitable accounting policies and criteria and maintain an appropriate internal control system.
- 3 It is our responsibility to express an independent and professional opinion, based on our evaluation of these financial statements.

### Scope

- 4 Our examination was performed in accordance with the Technical Standards and Guidelines on Auditing issued by the Portuguese Certified Auditors' Association, which require that such audits be planned and performed with the aim of obtaining a reasonable degree of assurance that the financial statements are free of material misstatements. Therefore, the aforementioned review included:
  - checking, based on sampling, the evidence for the amounts and disclosures indicated in the financial statements, and evaluation of the estimates, based on judgments and criteria defined by the Board of Directors, that were used to prepare them;
  - assessing whether the accounting policies adopted and their disclosure are appropriate, considering the circumstances;
  - verifying the applicability of the principle of continuity; and
  - assessing whether or not the presentation of the financial statements is suitable in overall terms.
- 5 Our review also included checking whether the financial information given in the management report was consistent with the information in the financial statements.
- 6 It is our understanding that the review carried out provides a reasonable basis for expressing our opinion.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.. a Portuguese firm, member of the KPMG network, comprised of independent firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity

**KPMG & Associados - S.R.O.C. S.A.**  
Share capital: €3,916,000 - Legal  
Entity No. PT 502 161 078 – Registered under  
No. 189 – in the C.M.V.M. [Port. Sec. and  
Exch. Commission ] under No. 9093

**Registered in the Commercial Registry**  
of Lisbon under  
No. PT 502 161 078



## Opinion

- 7 In our opinion, the aforementioned financial statements accurately and appropriately present, in all materially relevant aspects, the financial position of **MEO – Serviços de Comunicações e Multimédia, S.A.** as of 31 December 2014, the result of its operations, changes in equity and cash flows during the fiscal year ended on that date, in conformity with the generally accepted accounting principles in Portugal.

## Emphases

- 8 Without prejudice to the opinion expressed in the previous paragraph, we call attention to the following situations:

**8.1** On 31 December 2014, more than half of the Company's share capital was lost; the Board of Directors carried out the procedures prescribed in Article 25 of the Commercial Companies Code, which are discussed in the Management Report. The financial statements were prepared based on the continuity of operations, which depends on the financial support of its shareholder, the future success of its operations, and its capacity to obtain external financial resources, not including any adjustments in the event that this basis proves to be inappropriate.

**8.2** On 29 December 2014, PT Comunicações, S.A. merged by incorporation with MEO - Serviços de Comunicações e Multimédia, S.A. After this merger, PT Comunicações, S.A. changed its business name to MEO - Serviços de Comunicações e Multimédia, SA ("MEO Comunicações").

Additionally, on 2 May 2014, in the context of completing the PT|Oi business combination, MEO Comunicações, through its subsidiary PT Movéis, SGPS, S.A. ("PT Movéis"), sold to Portugal Telecom, SGPS, S.A. ("PT SGPS") the stake in Bratel BV, a company which indirectly held the investment in Oi, S.A. ("Oi"), and acquired PT Participações, SGPS, S.A. ("PT Participações"), a company that indirectly holds a 75% stake in Africatel Holdings BV, respectively.

Thus, the 2014 financial statements are not entirely comparable to those of the previous year.

**8.3** As disclosed in Note I.b) to the financial statements, on 8 December 2014 the Board of Directors of Oi completed the process of approving the general terms and conditions for selling all the shares of PT Portugal to Altice Portugal, S.A., a subsidiary fully owned by Altice, S.A. ("Altice"). This decision was subsequently approved, on 22 January 2015, at the General Shareholders' Meeting of PT SGPS, although the validity of the contract still depends on obtaining the approval of competing entities. The aforementioned proposal only involves the operations of PT Portugal in Portugal and Hungary, and is not part of the proposal for investments in Africa and Timor or the investments held by PT Portugal in Rio Forte Investments S.A. (which are the object of an exchange with PT SGPS for shares in Oi), as well as all or part of PT Portugal's debt.

As disclosed in Note 3.25.b) of the Annex to the Financial Statements, on 31 December 2014 the recoverable value of the operational activities to be sold to Altice was calculated as having an underlying enterprise value of €7,400 million, from which was deducted (i) the deferred payment of €500 million that depends on PT Portugal's future revenues, and (ii) the net debt (debt minus cash and cash equivalents), liabilities with retirement benefits (net of tax) and other financial liabilities that exist in the companies subject to this transaction. As a result of the aforementioned impairment test, and as disclosed in Note 8 of the Annex to the financial statements, MEO Comunicações recorded in its accounts a loss for the impairment of goodwill in the amount of €1,107 million.

**8.4** As mentioned in Paragraph 8.1 above and disclosed in Note I.b) in the Annex to the financial statements, on 2 May 2014, within the context of the PT|Oi business combination, MEO Comunicações acquired, from PT SGPS the company PT Participações, SGPS, S.A. which, through PT Ventures BV, holds an effective stake of 18.75% in Unitel, S.A. ("Unitel"), an entity which provides mobile telecommunications services in Angola.

The value of the investment in Unitel, of €1,288 million, which includes dividends receivable from this entity, net of the 25% minority stake in Africatel Holdings BV, was determined based on an update of the evaluation made by Banco Santander (Brazil), S.A. for the purposes of the PT|Oi business combination, an amount which the Board of Directors believes to be the best estimate of its fair value. We stress that, given the uncertainties disclosed in Note 10.g of the Annex to the financial statements, and the specific conditions of the Angolan economy, the value of liquidating the aforementioned investment is highly dependent on the assumptions used, as well as on the conditions under which the Unitel stake may come to be sold.

**8.5** As disclosed in Note 1.c) of the Annex to the financial statements, the Company did not prepare consolidated financial statements for the period ended 31 December 2014 since, pursuant to Article 7 (3) of Decree-Law No.158/2009 of 13 July, it is exempt from doing so, given that its financial statements are included in the consolidated financial statements of PT Portugal, SGPS, S.A. (“PT Portugal”).

**8.6** The financial statements for the fiscal year ended 31 December 2013 were reviewed by another Official Audit Firm, which issued a Legal Certification of the Accounts, without caveats and with one emphasis, dated 11 February 2014. Our acceptance as auditors of the Company occurred on 13 November 2014, for us to carry out a legal audit of the individual accounts for the fiscal year ended on 31 December 2014.

#### **Report on other legal requirements**

**9** We are also of the opinion that the information provided in the management report is consistent with the financial statements for the period.

Lisbon, 26 March 2015

**KPMG & Associados–**

**Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)**

represented by

Paulo Alexandre Martins Quintas Paixão (Certified Public Accountant No. 1427)

## **Decision-making bodies**

### ***Shareholders' Meeting***

Chairman  
Secretary

João Alfredo Trindade Leal<sup>(i)</sup>  
João Pedro Reis de Branco Pardal<sup>(i)</sup>

### ***Board of Directors***

Chairman  
Vice-Chairman  
Director  
Director  
Director  
Director  
Director  
Director

Armando Rodrigues Cabral de Almeida<sup>(i)</sup>  
Marco Norci Schroeder<sup>(i)</sup>  
Carlos António Alves Duarte  
Manuel Francisco Rosa da Silva  
Pedro Humberto Monteiro Durão Leitão  
Nuno José Porteiro Cetra  
Eduardo Felipe Michalski<sup>(i)</sup>  
Flavio Nicolay Guimarães<sup>(i)</sup>

### ***Statutory Auditor***

Acting

KPMG & Associados—SROC, SA<sup>(ii)</sup>,  
represented by Paulo Alexandre Martins Quintas  
Paixão

Alternate

Vitor Manuel da Cunha Ribeirinho<sup>(ii)</sup>

### ***Secretary General/Corporate Secretary***

Secretary General  
Corporate Secretary  
Alternate Corporate Secretary  
Deputy Secretary General

João Alfredo Trindade Leal  
João Alfredo Trindade Leal  
João Pedro Reis de Branco Pardal  
João Pedro Reis de Branco Pardal

### ***Remunerations Committee***

Chairman  
Member  
Member

Marco Norci Schroeder<sup>(i)</sup>  
Francisco José Meira Silva Nunes  
Nuno Bernardo Ramires Leiria Fialho Prego

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(i) Appointed on 12 August 2014.

(ii) Appointed on 11 November 2014.

## MEO, Serviços de Comunicações e Multimédia, S.A.

### 01. Business development

In 2014, the telecommunications business in Portugal continued to show growth in the client base, with retail fixed-access customers increasing 2.0% relative to 2013, to 5,261,000 (with net additions of 103,000 in 2014), and mobile customers increasing 1.2% relative to 2013, to 7,989,000 (93,000 net additions in 2014, driven by the performance of the contract customer base, with 963,000 net additions during the year), built on the success of convergent MEO's package offers, namely of M<sub>4</sub>O and M<sub>5</sub>O. This new package also includes mobile internet; MEO started offering this service in the second semester of 2014. Package offers, mainly M<sub>4</sub>O and M<sub>5</sub>O, continued to gain traction in the market, attaining 3.6 million RGUs by the end of 2014. Since the launch of the convergent offers in January 2013, 65% of MEO's customers have one or two SIM cards, 20% have three SIM cards, and nearly 15% have four SIM cards.

<u>Operating data</u>	<u>2014</u>	<u>2013</u>	<u>Δ 14/13</u>
<b>Fixed retail access ('000)</b> .....	<b>5,261</b>	<b>5,158</b>	<b>2.0%</b>
PSTN/RDIS .....	2,475	2,549	(2.9%)
Broadband customers .....	1,373	1,294	6.1%
TV customers .....	1,412	1,315	7.4%
<b>Mobile customers ('000)</b> .....	<b>7,989</b>	<b>7,896</b>	<b>1.2%</b>
Post paid .....	3,888	2,925	32.9%
Pre-paid .....	4,101	4,971	(17.5%)
<b>Net additions ('000)</b>			
<b>Retail fixed access ('000)</b> .....	<b>103</b>	<b>105</b>	<b>(2.1%)</b>
PSTN/RDIS .....	(74)	(55)	(34.3%)
Broadband customers .....	79	69	14.9%
TV customers .....	98	91	7.0%
<b>Mobile customers ('000)</b> .....	<b>93</b>	<b>298</b>	<b>(68.8%)</b>
Post paid .....	963	456	111.0%
Pre-paid .....	(870)	(158)	n.s.
<b>Data as % of service revenues (%)</b> .....	<b>39.9</b>	<b>36.5</b>	<b>3.4%</b>

The increase in fixed-access retail customers was driven by MEO's solid performance, namely in subscription TV customers. The subscription base of television customers increased 7.4% in 2014 relative to 2013, to 1,412,000 (98,000 net additions in 2014), confirming the ongoing success and attractiveness of MEO in the Portuguese market, even in an adverse economic environment and in a market with high subscription television penetration. MEO's triple-play customers (voice, broadband and subscription TV) were responsible for 156,000 net additions in 2014, attaining 1,108,000 customers (growth of 16.4% relative to the prior year), presenting a resilient performance throughout the year.

In 2014, the mobile client base continued to benefit from the performance of the post paid customer base, which increased 32.9% relative to 2013, to 3,888,000 customers (963,000 net additions in 2014), benefiting from the M<sub>4</sub>O and M<sub>5</sub>O Government offers, which continue to drive migration from the mobile pre-paid client base to a post paid basis.

MEO will continue to focus on a convergence strategy for the Consumer segment, based on triple, quadruple and quintuple-play offers, mobile broadband and fixed rates, based on the success of the Government offers. For the Business segment, the focus will continue to be centred on a Cloud strategy, leveraged on its vast network of data centres, and also on the BPO and IT services.

### Residential

In 2014, retail access or retail revenue generating units (RGUs) in the Residential segment increased 3.2% relative to 2013, to 3,953,000, with subscription TV and broadband access representing already 58.8% of total retail access on 31 December 2014. In 2014, fixed retail access recorded 123,000 net additions, reflecting: (1) 19,000 net disconnections of PSTN/RDIS lines; (2) 69,000 net additions of broadband customers; and (3) 73,000 net additions of subscription TV customers.

## MEO, Serviços de Comunicações e Multimédia, S.A.

Operating data—Residential Segment <sup>(1)</sup>	2014	2013	Δ 14/13
<b>Retail fixed access ('000)</b> .....	<b>3,953</b>	<b>3,830</b>	<b>3.2%</b>
PSTN/RDIS .....	1,627	1,646	(1.2%)
Broadband customers .....	1,095	1,027	6.7%
TV customers .....	1,231	1,157	6.3%
<b>Single customers ('000)</b> .....	<b>1,766</b>	<b>1,818</b>	<b>(2.9%)</b>
<b>Net additions ('000)</b>			
<b>Retail fixed access ('000)</b> .....	<b>123</b>	<b>50</b>	<b>147.6%</b>
PSTN/RDIS .....	(19)	(22)	13.7%
Broadband customers .....	69	29	136.4%
TV customers .....	73	43	71.3%
<b>ARPU (euros)</b> .....	<b>32.2</b>	<b>31.6</b>	<b>1.8%</b>
<b>Non-voice revenues as % of revenues (%)</b> .....	<b>68.7</b>	<b>65.7</b>	<b>3.0%</b>

(1) Following the implementation of the converging CRM, PT changed its segmentation criteria for customers who are individual business owners, impacting the Residential, Personal and Business segments. The 2013 values were restated in accordance with this change.

Subscription TV services reached 1,231,000 customers (+6.3% relative to 2013), while fixed broadband reached 1,095,000 customers (+6.7% relative to 2013), driven by MEO's bundle offers and by M<sub>4</sub>O and M<sub>5</sub>O, which continue to gain traction in the market. Single customers in the Residential segment reached 1,766,000. There were 951,000 triple-play customers (+15.4% relative to 2013), representing 53.8% of MEO's residential customers, increasing its leadership in this market. The continued and sustained growth of the bundle offers also underlay the 1.8% growth in ARPU relative to 2013, to 32.2 euros, and the growth of RGUs per single client from 2.11 in 2013 to 2.24 in 2014.

As a result of the increased penetration of triple, quadruple and quintuple-play offers, the weight of non-voice services in revenues in the Residential segment reached 68.7% in 2014 (+3.0% relative to 2013).

### Personal

In 2014, the number of customers in the Personal segment, including voice and mobile broadband customers, decreased slightly relative to 2013, to 6,380,000. The focus is on increasing post paid customers based on convergent offers. In 2014, the contract client base has had an excellent performance, and now represents 37.5% of the mobile client base. This solid performance of the post paid client base (824,000 net additions in 2014) is founded on the strong commercial success of M<sub>4</sub>O and M<sub>5</sub>O offers, which are driving a transformation of the Portuguese mobile market through convergence, which allows an additional differentiation of commercial offers, and at the same time changes the focus from pre-paid to post paid.

Operating data—Personal Segment <sup>(1)</sup>	2014	2013	Δ 14/13
<b>Mobile customers ('000)</b> .....	<b>6,380</b>	<b>6,390</b>	<b>(0.1%)</b>
Post paid .....	2,394	1,570	52.5%
Pre-paid .....	3,987	4,820	(17.3%)
<b>Net additions ('000)</b> .....	<b>(9)</b>	<b>312</b>	<b>(103.0%)</b>
Post paid .....	824	441	86.7%
Pre-paid .....	(833)	(129)	n.s
<b>MOU (minutes)</b> .....	<b>106</b>	<b>98</b>	<b>9.1%</b>
<b>ARPU (euros)</b> .....	<b>7.1</b>	<b>7.6</b>	<b>(6.0%)</b>
Client .....	6.5	7.1	(8.7%)
Interconnection .....	0.6	0.5	35.6%
<b>SARC (euros)</b> .....	<b>23.8</b>	<b>24.6</b>	<b>(3.4%)</b>
<b>Data as % of service revenues (%)</b> .....	<b>39.1</b>	<b>35.8</b>	<b>3.3%</b>

(1) Following the implementation of the converging CRM, PT changed its segmentation criteria for customers who are individual business owners, impacting the Residential, Personal and Business segments. The 2013 values were restated in accordance with this change.

## MEO, Serviços de Comunicações e Multimédia, S.A.

ARPU in the Personal segment decreased 6.0% in 2014 relative to 2013, to 7.1 euros. The weight of non-voice revenues in service revenues was 39.1% in 2014 (+3.3% relative to 2013), reflecting the solid performance of the “internetnotemóvel” (“internetonthemobile”) mobile data services.

### Business

MEO maintains its solid leadership in the large companies segment, as well as in the medium and small companies segment, due to its differentiated products and services in both markets, leveraged on its latest-generation network.

In 2014, the Business segment presented a positive operating performance, with RGUs increasing 3.0% relative to the previous year, to 2,676,000, with subscription TV and broadband access representing 40.1% (+3.3% relative to 2013) of the total for fixed-access retail in the Business segment. At the end of the year, fixed and mobile access had 79,000 net additions, reflecting: (1) 85,000 net additions in mobile; (2) 41,000 net disconnections of PSTN/RDIS lines; (3) 11,000 net additions of fixed broadband; and (4) 24,000 net additions of subscription TV customers.

Operating data—Business Segment <sup>(1)</sup>	2014	2013	Δ14/13
<b>Fixed retail accesses ('000)</b> .....	<b>1,133</b>	<b>1,139</b>	<b>(0.5%)</b>
PSTN/RDIS .....	679	720	(5.7%)
Broadband customers .....	275	264	4.0%
Pay-TV customers .....	179	155	15.7%
<b>Retail RGU per access</b> .....	<b>1.67</b>	<b>1.58</b>	<b>5.6%</b>
<b>Mobile Customers ('000)</b> .....	<b>1,542</b>	<b>1,457</b>	<b>5.9%</b>
<b>Net additions ('000)</b>			
<b>Fixed retail accesses</b> .....	<b>(6)</b>	<b>60</b>	<b>(110.3%)</b>
PSTN/RDIS .....	(41)	(28)	(44.6%)
Broadband customers .....	11	40	(73.2%)
Pay-TV customers .....	24	48	(49.7%)
<b>Mobile Customers</b> .....	<b>85</b>	<b>(4)</b>	<b>n.s.</b>
<b>ARPU (euros)</b> .....	<b>20.2</b>	<b>21.8</b>	<b>(7.4%)</b>
<b>Non-voice revenues as % of revenues (%)</b> .....	<b>59.1</b>	<b>55.0</b>	<b>4.1 pp</b>

(1) Following the implementation of the converging CRM, PT changed its segmentation criteria for customers who are individual business owners, impacting the Residential, Personal and Business segments. The 2013 values were restated in accordance with this change.

In order to improve the share of wallet and the resilience of the business, the focus remains on IT, Data and Cloud, with the objective of leveraging the network and the investments that MEO has made in technology. ARPU in the Business segment decreased 7.4% in 2014 relative to 2013, to 20.2 euros, penalized by initiatives related to high cost-cutting and a significant reduction in investments in new projects by Portuguese companies, and by market competition. In 2014, non-voice services represented 59.1% of retail revenues in the Business segment, increasing 4.1% relative to 2013.

### 02. Analysis of results

The complementary nature of the activities and businesses developed by PT Comunicações and by MEO, S.A.—formerly TMN, which is evidenced by the growing interdependence between fixed and mobile technologies, and the provision of services essentially to the same customer segments, underlined the need to merge the two companies.

The merger was registered on 29 December 2014, with the Company opting for production of effects at the tax and accounting levels on 1 January 2014. Consequently, the Company's financial statements on 31 December 2014 are not fully comparable to the financial statements from the previous year.

## MEO, Serviços de Comunicações e Multimédia, S.A.

### Income Statement

	2014	2013	Δ14/13
	Millions of euros		
<b>Operating income</b> .....	<b>2,454.6</b>	<b>1,765.8</b>	<b>39.0%</b>
Residential .....	707.9	708.8	(0.1%)
Personal .....	622.3	—	n.s
Companies, wholesale and other businesses .....	1,124.4	1,057.0	6.4%
<b>Operating costs</b> .....	<b>1,552.1</b>	<b>1,185.0</b>	<b>31.0%</b>
Personnel costs .....	282.6	231.9	21.9%
Direct costs of services provided .....	476.3	492.2	(3.2%)
Commercial costs .....	249.3	103.8	140.1%
Other operating costs .....	543.9	357.1	52.3%
<b>EBITDA<sup>1</sup></b> .....	<b>902.5</b>	<b>580.9</b>	<b>55.4%</b>
Other expenses/net income .....	2,107.9	(218.9)	(1062.9%)
Costs with retirement benefits (PRBs) .....	42.0	40.3	4.4%
Costs with the staff reduction program .....	(31.9)	112.8	(128.3%)
Amortization .....	791.3	480.9	64.5%
<b>Operating result (before financing expenses and taxes)</b> .....	<b>(2,006.8)</b>	<b>165.8</b>	<b>(1310.5%)</b>
Interests and similar expenses incurred, net .....	353.6	366.1	(3.4%)
<b>Result before taxes</b> .....	<b>(2,360.4)</b>	<b>(200.3)</b>	<b>1078.1%</b>
Income taxes .....	(89.0)	9.9	(1001.0%)
<b>Net income</b> .....	<b>(2,271.4)</b>	<b>(210.2)</b>	<b>980.5%</b>

<sup>1</sup> EBITDA = operating result + other net income + PRBs + costs with staff reduction program + amortization

In 2014, the Company's operating income increased by 689 million euros (+39.0% relative to the previous year), to 2.455 billion euros, essentially due to the merger of the Company with MEO, S.A., formerly TMN.

In 2014, revenues in the Residential segment amounted to 708 million euros, decreasing 0.1% relative to 2013. MEO continued to gain market share with its multiple-play offers. The Personal segment was penalized by competition dynamics that are having an impact on prices. Its revenues amounted to 622 million euros, and at the end of the year this segment represented 25.4% of the total operating income. Revenues in the Business, Wholesale and Other Businesses segment amounted to 1.124 billion euros, with a growth of 6.4% relative to the previous year, despite the heavy cost-cutting initiatives by the business sector and lower revenues in the telephone book business due to the increased popularity of online alternatives.

Operating costs, excluding costs related to retirement benefits and the staff reduction program, other net income and amortizations, increased by 367 million euros (31.0%) to 1.552 billion euros in 2014, in comparison with 1.185 billion euros in 2013, which growth is explained by the impact of the merger of MEO, S.A., formerly TMN. Operating costs increased due mainly to the following factors: (1) increased personnel costs due to incorporation of workers from MEO, S.A., formerly TMN; (2) reduction in direct costs for services provided following the merger of fixed and mobile operations; (3) increased commercial costs that include the cost of goods sold, commissions and marketing expenses, which now also include the provision of mobile telecommunications services; and (4) an increase in other operating costs which, although reflecting the continued efforts to control costs and gain in productivity in developing the activity, also reflected the increase in costs inherent to the merger of the mobile operation in the Company.

In 2014, EBITDA increased by 322 million euros (55.4% relative to 2013), to 903 million euros, compared with 581 million euros in 2013, due to the leverage obtained from merging PT Comunicações and MEO, S.A., formerly TMN.

Other net expenses were 2.108 billion euros in 2014, as they included losses in associated companies of nearly 1.016 billion euros and the impairment of Goodwill of PT Comunicações over MEO, S.A., formerly TMN, in the amount of 1.107 billion euros. Costs with retirement benefits and the staff

## MEO, Serviços de Comunicações e Multimédia, S.A.

reduction program amounted to 10 million euros in 2014, in comparison with 153 million euros in 2013. Amortization amounted to 791 million euros, in comparison with 481 million euros in 2013, essentially due to the incorporation of MEO, S.A., formerly TMN.

The Company's net income was -2.271 billion euros in 2014, in comparison with -210 million euros in 2013.

CAPEX was 315 million euros in 2014, 26 million euros less in comparison with the prior year, due mainly to a lower customer CAPEX and a lower infrastructure and technology CAPEX, as a result of the heavy investment made in recent years in the FTTH and 4G-LTE networks, and to lower investment in IT/IS projects, in the sequence of the transformation of IP and consolidation of all the IT applications.

### Balance Sheet

<u>BALANCE SHEET</u>	<u>2014</u>	<u>2013</u>	<u>_14/13</u>
	Millions of euros		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible and intangible fixed assets . . . . .	5,218.8	2,900.5	79.9%
Goodwill . . . . .	1,885.6	2,982.4	(36.8%)
Financial investments—equity accounting method . . . . .	1,557.7	6,920.7	(77.5%)
Deferred tax assets . . . . .	—	162.9	(100.0%)
Other non-current assets . . . . .	22.6	20.2	11.9%
<b>Total non-current assets . . . . .</b>	<b>8,684.7</b>	<b>12,986.7</b>	<b>(33.1%)</b>
<b>Current assets</b>			
Inventory . . . . .	43.4	30.7	41.4%
Accounts receivable . . . . .	898.3	673.4	33.4%
Shareholders and companies in the Group . . . . .	29.9	—	n.s
Other current assets . . . . .	53.6	48.7	10.1%
<b>Total current assets . . . . .</b>	<b>1,025.2</b>	<b>752.8</b>	<b>36.2%</b>
<b>Total assets . . . . .</b>	<b>9,709.9</b>	<b>13,739.5</b>	<b>(29.3%)</b>
<b>Total shareholders' equity . . . . .</b>	<b>201.9</b>	<b>4,653.5</b>	<b>(95.7%)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financing obtained . . . . .	6,872.7	6,877.4	(0.1%)
Post-employment benefits . . . . .	1,035.0	943.8	9.7%
Deferred tax liabilities . . . . .	186.2	—	n.s
Other non-current liabilities . . . . .	30.1	0.5	5920.0%
<b>Total non-current liabilities . . . . .</b>	<b>8,124.0</b>	<b>7,821.7</b>	<b>3.9%</b>
<b>Current liabilities</b>			
Financing obtained . . . . .	23.5	362.9	(93.5%)
Accounts payable . . . . .	1,007.1	738.6	36.4%
Other current liabilities . . . . .	353.4	162.8	117.1%
<b>Total current liabilities . . . . .</b>	<b>1,384.0</b>	<b>1,264.3</b>	<b>9.5%</b>
<b>Total liabilities . . . . .</b>	<b>9,508.0</b>	<b>9,086.0</b>	<b>4.6%</b>
<b>Total shareholders' equity and liabilities . . . . .</b>	<b>9,709.9</b>	<b>13,739.5</b>	<b>(29.3%)</b>

Total assets decreased from 13.740 billion euros on 31 December 2013 to 9.710 billion euros on 31 December 2014, largely reflecting: (1) decreased financial investments—equity accounting method, which fell by 5.363 billion euros due to dividend distribution and the merger; (2) the Goodwill, which decreased by 1.097 billion euros; and (3) increased tangible and intangible fixed assets in the amount of 2.318 billion euros, due to incorporation of the assets of MEO, S.A., formerly TMN.



## **MEO, Serviços de Comunicações e Multimédia, S.A.**

Total liabilities increased by 422 million euros, from 9.086 billion euros on 31 December 2013 to 9.508 billion euros on 31 December 2014, mainly reflecting the increase in liabilities due to deferred taxes of 186 million euros, accounts payable in the amount of 269 million euros, and other current liabilities in the amount of 191 million euros, which did not offset the decrease in financing obtained in 344 million euros.

On 31 December 2014, share capital amounted to 202 million euros, which is a decrease of 4.452 billion euros (-95.7%) relative to the amount on 31 December 2013. This decrease can be explained mainly by the negative changes in net income and other share capital instruments corresponding to the reimbursement of supplementary capital contributions.

### **03. Human resources**

On 31 December 2014, the number of employees at MEO was 7,859, representing an increase of 1,446 employees due to the merger that took place on 29 December 2014 with MEO S.A., formerly TMN.

MEO developed a structured recruiting process for young talent—Trainees—with the best students from the best Portuguese universities, and vocational institutes for commercial operations and functions, with the objective of rejuvenating the team. These programs last for two years and involve about 38 of the Company's departments. The Trainees program is closely monitored by the Board of Directors.

Focusing on internal talent, MEO implemented the third edition of the Talent Management Program for employees with technical and management careers, maintaining two assessment perspectives:

- Development of future leaders;
- Retention of specific know-how.

This third edition includes more than 500 high-potential employees from different career categories. Development activities will be defined and implemented between 2014 and 2015 for high-potential employees.

### **04. Main events during the year**

**16 January 2014** | In 2013, MEO was the brand most remembered by the Portuguese in all sectors, which proves that it is one of the strongest brands in the Portuguese market.

**27 January 2014** | MEO becomes the only PT brand geared toward the consumer segment, with PT Empresas being geared towards the business segment.

**31 January 2014** | Portugal Telecom was one of the big winners in the 2013 Human Resources Awards, as it was the company in which voters would most like to work.

**7 February 2014** | MEO competed for the annual award “Move The Big M”, promoted by VeliQ, with a Cloud solution for Mobile Device Management (MDM), and was the winner in the “Expansion” category.

**18 February 2014** | In January 2014, the Telex service was used for the last time by one of the 12 companies that still maintained the service active in Portugal. The service was definitively disconnected on 1 February.

**21 February 2014** | MEO launched a new innovative functionality created for visually impaired people. Audio Zapping gives audible indications of actions performed with the remote control.

**24 February 2014** | MEO is the first provider of Cloud services, worldwide, to offer the SAP Business One Cloud solution, on the SAP HANA platform.

**25 February 2014** | MEO customers enabled the donation of 200,000 euros to 15 social institutions, following the programs Mobile Telephone Points and Solidarity Auctions.

**6 March 2014** | PT's Data Center in Covilhã was distinguished by the Uptime Institute with the 2014 Brill Award for Efficient IT, for the best DATA Center Design.

## **MEO, Serviços de Comunicações e Multimédia, S.A.**

- 7 March 2014** | MEO awarded 3,530 study scholarships to the children of nearly 2,100 employees.
- 13 March 2014** | MEO is the first and only national operator to obtain the Cisco Powered certification, which recognizes the services provided to companies, and which proves its ability to sell, implement, manage and operate a Cisco Hosted Collaboration Solution (HCS).
- 17 March 2014** | PT is singled out for its ability to attract and retain talent, and it wins the 2014 Masters of Human Capital award.
- 25 March 2014** | PT and nearly 80 employees join the Health Marathon and RTP in raising donations for biomedical research.
- 26 March 2014** | Portugal Telecom joins Cloud Team Alliance.
- 4 April 2014** | One year after Khan Academy, the success of this project in the area of education, adapted to Portuguese teaching by the PT Foundation, is measured by half a million views and by the availability of 400 mathematics videos. The project will continue with more disciplines, namely physics, chemistry and biology.
- 22 April 2014** | PT and Altran become partners in providing Cloud and Data Center services. Through the partnership, the two companies expand their portfolio of services and optimize offers directed to companies in the European market.
- 24 April 2014** | PT is the first company in the sector worldwide to self-declare the ISO 26000 standard.
- 12 May 2014** | Domestic fixed internet services were evaluated by ECSI, a quality measurement system for goods and services, and it highlighted MEO as the best based on client satisfaction.
- 20 May 2014** | PT's creativity was acknowledged by the Meios & Publicidade newspaper. Portugal Telecom received 11 awards, for MEO campaigns, for the MEO Like Music project, and the PT Contact Awards event.
- 26 May 2014** | PT's Data Center in Covilhã receives Jornadas Transfronteiriças. More than 60 Portuguese and Spanish businesspeople attended presentations made by several specialists from Portugal Telecom on Cloud computing, Machine to Machine (M2M) tools and smart cities.
- 27 May 2014** | PT's Data Center is the only one in the country with Tier III Constructed Facility certification. PT's Data Center facilities in Covilhã were built to guarantee uninterrupted operations, and are certified by the Uptime Institute.
- 29 May 2014** | Starting on 1 June, MEO will cease to be responsible for the universal fixed-line telephone service. This change did not have any impact on customers' services and rates.
- 30 May 2014** | PT's Data Center wins a Design award. PT's Data Center in Covilhã was distinguished by the Uptime Institute with the 2014 Brill Award for Efficient IT, for the best DATA Center Design in the EMEA region (Europe, Middle East and Africa).
- 6 June 2014** | To mark World Environment Day, which is commemorated on 5 June, MEO gathered NGOs, providers and customers together for a debate about environmental issues in the value chain.
- 23 June 2014** | PT's Data Center was the winner in one of the most important international awards for the Cloud and data centre industry.
- 8 July 2014** | PT and Huawei are worldwide leaders in testing MEO IPTV and Ultra High Definition (UHD) TV services, using latest-generation fibre optic technologies. Speeds 16 times higher are guaranteed.
- 17 July 2014** | The inauguration of PT's Data Center in Covilhã was recognised in the APCE awards, in the "External Event" category.
- 21 July 2014** | MEO expands its fibre optic network through an agreement with Vodafone. The agreement allows access to another 450,000 homes using fibre optic technology up to the customer's home, and it increases the penetration potential of MEO's products and services in the various market segments.

## **MEO, Serviços de Comunicações e Multimédia, S.A.**

**30 July 2014** | MEO reinitiates its association with the ECO Movement, and supports the forest fire awareness campaign with customers, employees and the community in general.

**4 August 2014** | MEO launches the new M<sub>5</sub>O package, which includes television, internet, telephone, mobile telephone and mobile internet.

**17 September 2014** | Portugal Telecom is elected company of the year in the M&P Communication Awards.

**22 September 2014** | The cities of Lisbon and Porto have MEO Táxi, an innovative solution that allows the experience of calling a taxi to be simpler and more efficient using an application that is available free in Android and iOS app stores.

**22 September 2014** | With a new multimedia campaign on the air called “One DJ on the TV, PC and Mobile Phone”, MEO Music offers millions of songs without a monthly subscription, without advertising, and without having to pay for mobile traffic, providing customers with a more complete and differentiating musical experience at the content level.

**2 October 2014** | PT Portugal announces a partnership with Cisco, with the objective of integrating Cisco’s Intercloud program. Cisco is a market leader in the provision of Cloud services.

**3 October 2014** | The MEO Go service, which allows one to watch television on any type of screen, is awarded again in the Stevie Awards and the CSI Awards, having already achieved more than 1 million downloads.

**9 October 2014** | MEO Táxi starts operating in four more cities throughout the country, in addition to Lisbon and Porto.

**22 October 2014** | MEO and Canal Cinemundo make the Cinemundo interactive app available, offering MEO IPTV customers with MEOBox easy and quick access to a selection of films recently broadcast on Canais Cinemundo.

**31 October 2014** | PT Portugal receives an award in the ACEPI Navigators XXI Awards. MEO Music, Auto SAPO Venda Já and the Cloud Solutions of PT Empresas are among the best e-commerce and digital marketing projects, highlighted by ACEPI—Associação da Economia Digital [Digital Economy Association].

**20 November 2014** | The 14<sup>th</sup> edition of the Troféu Call Center awarded 18 20, “the number that says everything”, with the award for Service Quality in Telephone Calls, with more than 50 positions.

**1 December 2014** | PT migrates mobile data from the Data Center in the Marconi building in Lisbon to the Data Center in Covilhã. This project involves more than 500 servers, 610 terabytes of information, nearly 160 people assigned, and the virtualization of 82% of the servers.

**9 December 2014** | MEO customers can access automatic recordings using mobile devices, and watch their preferred programs at any time, wherever they are. This functionality is available for iOS and will be extended to other operating systems.

**10 December 2014** | More than 470,000 telephone calls were registered within the scope of the initiative “Toca a Todos”. The solidarity project had the support of MEO, and raised nearly 366,000 euros for the fight against child poverty.

**17 December 2014** | MEO Wallet offers a fast, simple and safe solution for making payments, and through new partnerships it increases the number of points where this service is accessible.

**19 December 2014** | Thirty years on, MEO disconnected the X.25 network. Technological evolution and the reduction in operating costs motivated the migration of customers from the X.25 network to the IP network.

**29 December 2014** | In the context of a restructuring process under way at the heart of PT Portugal, on 29 December 2014 a merger was registered with the incorporation of the company MEO—Serviços de Comunicações e Multimédia, S.A. into PT Comunicações S.A., with the consequent closure of the first company and the transfer of all of its contractual positions to PT Comunicações S.A.

MEO and PT Comunicações become one company: MEO—Serviços de Comunicações e Multimédia, S.A.

## **05. Outlook**

MEO Comunicações will continue to be a company focused on growth, with the objective of exploring to the utmost the potential of its asset portfolio in a manner integrated with the resources used by other companies in the PT Portugal group, taking advantage of future and existing opportunities in the market for telecommunications, multimedia, and Cloud and IT services. The Company intends to continue taking advantage of convergence opportunities in quadruple-play and quintuple-play offers by integrating data and voice services with new and sophisticated multimedia and IT services, leveraging the investments of PT Portugal in latest-generation networks, namely FTTH and 4G-LTE, and in Cloud solutions.

After the restructuring of its business in Portugal into customer segments, the Company will continue to focus its efforts on converging products of IT-telecoms and multimedia and on integrated services offerings, with a view to acquiring new customers, increasing its share-of-wallet, improving customer loyalty and reducing customer retention costs. In the consumer segment, Meo Comunicações will keep its focus on promoting its quadruple-play offering, which is already strong in the market, and its quintuple-play offer, launched in July 2014, concluding the transformation of the residential segment offering from a legacy of land-line telecommunications to a converging customer base and, in the personal segment, changing the focus from prepaid to post paid in the Portuguese mobile market. Convergent offerings are more competitive and more resilient to adverse economic conditions due to their distinct and differentiated characteristics, customised to address customer needs. In addition, in the personal segment, the Company will continue to contribute to increasing smart-phone penetration, developing new services and price plans, and even further differentiating its mobile offering, benefiting from the implementation of 4G-LTE and leading the rollout in the Portuguese market. In the business segment, MEO Comunicações will continue to provide advanced IT/IS one-stop-shop solutions with a focus on PBO and on marketing machine-to-machine solutions, through state-of-the-art solutions for companies, leveraging PT Portugal's new data centre at Covilhã to satisfy the demand for high bandwidth and virtualisation services. These offerings are leveraging the investment made in FTTH and 4G-LTE solutions and cloud computing, allowing for the offering of cloud-based services in partnership with software and hardware suppliers.

The Company will continue to invest in innovation and research and development with a view to improving its services through new and differentiating customisable functionalities, with tailored content to address customer needs. The Company will continue to leverage its partnerships with suppliers to reduce time-to-market and differentiate its value proposal for its customers even further. The Company will continue investing to develop even more platforms and even more efficient core networks, on both the fixed and mobile networks, with a view to offering more bandwidth to its customers and cloud services. The Company will also continue to even out its cost structure through increased productivity and business process engineering.

## **06. Proposed application of results**

As per the legal and statutory terms, the Board of Directors proposes to the Sole Shareholder transferring the net loss for financial year 2014, totalling EUR 2,271,393,590.41, to the category of Retained earnings.

Additionally, having confirmed the loss of half the share capital on 31 December 2014, the Board of Directors will submit for assessment of the General Shareholders' Meeting measures to be adopted by shareholders pursuant to and for purposes of Article 35 of the Portuguese Companies Code [*Código das Sociedades Comerciais*].

Lisbon, 24 March 2015

**MEO, Serviços de Comunicações e Multimédia, S.A.**

The Board of Directors

Chairman	Armando Rodrigues Cabral de Almeida
Vice-Chairman	Marco Norci Schroeder
Director	Carlos António Alves Duarte
Director	Manuel Francisco Rosa da Silva
Director	Pedro Humberto Monteiro Durão Leitão
Director	Nuno José Porteiro Cetra
Director	Eduardo Felipe Michalski
Director	Flavio Nicolay Guimarães

## **Financial Statements**

MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

BALANCE SHEETS  
AS OF 31 DECEMBER 2014 AND 2013

	Notes	2014	2013
euros			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	6	2,951,011,364	2,687,744,235
Investment properties	7	4,922,264	12,987,051
Goodwill	8	1,885,612,058	2,982,442,403
Intangible assets	9	2,267,754,014	212,789,378
Financial investments—equity accounting method	10	1,557,659,071	6,920,678,140
Financial investments—other methods		1,219,919	1,224,907
Post-employment benefits	11	2,026,000	1,834,000
Other financial assets	14	14,440,142	4,077,850
Deferred tax assets	15	—	162,932,113
<b>Total non-current assets</b>		<b>8,684,644,832</b>	<b>12,986,710,077</b>
<b>Current assets</b>			
Inventory	16	43,446,280	30,711,476
Customers	17	641,075,376	461,531,564
Customers by accrued revenue	17	66,999,171	88,412,138
Supplier advances		12,939,529	6,292,151
State and other public entities	18	131,359	—
Shareholders and Group companies	12	29,870,020	—
Other accounts receivable	19	190,214,711	123,456,398
Deferrals	13	15,087,613	16,020,983
Non-current assets held for sale	20	—	4,653,742
Cash and bank deposits	4	25,458,766	21,737,013
<b>Total current assets</b>		<b>1,025,222,825</b>	<b>752,815,465</b>
<b>Total assets</b>		<b>9,709,867,657</b>	<b>13,739,525,542</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	21	1,150,000,000	1,150,000,000
Other net equity instruments	21	1,236,466,191	4,350,466,191
Legal reserve	21	30,000,000	30,000,000
Other reserves	21	(31,823,134)	178,133,162
Adjustments to financial assets	21	32,227,840	(745,613,034)
Revaluation surplus	21	534,948,251	567,494,032
Other changes in net equity	21	1,317,332	3,373,856
Retained earnings		(479,885,430)	(670,079,540)
Net income		(2,271,393,590)	(210,225,304)
<b>Total shareholders' equity</b>		<b>201,857,460</b>	<b>4,653,549,363</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions	22	374,311	400,260
Financing obtained	23	6,872,698,749	6,877,406,946
Post-employment benefits	11	1,035,009,650	943,799,639
Deferred tax liabilities	15	186,154,466	—
Other accounts payable	19	10,319,261	—
Other financial liabilities	14	19,375,796	143,238
<b>Total non-current liabilities</b>		<b>8,123,932,233</b>	<b>7,821,750,083</b>
<b>Current liabilities</b>			
Provisions	22	46,264,206	12,570,313
Financing obtained	23	23,466,665	362,899,051
Deferrals	13	181,043,180	92,590,506
Group shareholders and companies	12	644,464	3,202,808
Suppliers	24	412,111,744	345,121,314
Investment suppliers	24	191,974,709	100,127,368
Creditors by accrued expenses	25	402,983,117	293,304,820
Customer advances		12,687,334	6,645,294
State and other public entities	18	41,370,426	18,982,227
Other accounts payable	19	71,532,119	28,782,395
<b>Total current liabilities</b>		<b>1,384,077,964</b>	<b>1,264,226,096</b>
<b>Total liabilities</b>		<b>9,508,010,197</b>	<b>9,085,976,179</b>
<b>Total shareholders' equity and liabilities</b>		<b>9,709,867,657</b>	<b>13,739,525,542</b>

The notes form an integral part of these financial statements.

The Accountant

The Board of Directors

**MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.**  
**INCOME STATEMENTS**  
**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013**

	Notes	2014	2013
		euros	
Services provided . . . . .	26	2,321,775,431	1,686,252,480
Sales . . . . .	26	95,199,931	21,975,806
Operating subsidies . . . . .		242,492	118,618
Change in production inventories . . . . .	16	1,975,736	1,063,095
Gains (losses) in subsidiaries, net . . . . .	27	(1,016,351,328)	234,395,437
Own works capitalized . . . . .	6	51,899,508	49,637,291
Cost of merchandise sold and materials consumed . . . . .	16	(105,242,698)	(24,946,315)
Direct costs of services provided . . . . .	28	(476,267,697)	(492,172,901)
Marketing and advertising . . . . .		(34,768,723)	(26,221,698)
Supplies and external services . . . . .	29	(662,600,778)	(431,047,234)
Personnel costs . . . . .	30	(282,638,553)	(231,889,909)
Costs with post-employment benefits . . . . .	11	(42,014,296)	(40,254,067)
Costs with the staff reduction programme . . . . .	11	31,923,605	(112,800,916)
Indirect taxes and duties . . . . .	31	(35,210,164)	(14,185,584)
Inventory impairment (losses/reversals) . . . . .	16	7,624,220	752,821
Impairment to debts receivable (losses/reversals) . . . . .	17,19	(19,301,848)	(22,977,273)
Provisions (increases/reductions) . . . . .	22	607,386	6,129,210
Other income and gains . . . . .	32	90,455,037	99,401,707
Other expenses and losses . . . . .	33	(1,142,800,476)	(56,522,263)
<b>INCOME BEFORE DEPRECIATION, FINANCING EXPENSES AND TAXES</b> . . . . .		<b>(1,215,493,215)</b>	<b>646,708,305</b>
Expenses/reversals of depreciation and amortisation . . . . .	34	(791,315,505)	(480,928,166)
<b>OPERATING INCOME (BEFORE FINANCING EXPENSES AND TAXES)</b> . . . . .		<b>(2,006,808,720)</b>	<b>165,780,139</b>
Interest and similar revenue obtained . . . . .	35	3,559,678	6,917,719
Interest and similar expenses incurred . . . . .	35	(357,137,628)	(373,045,707)
<b>LOSS BEFORE TAXES</b> . . . . .		<b>(2,360,386,670)</b>	<b>(200,347,849)</b>
Income tax . . . . .	15	88,993,080	(9,877,455)
<b>NET LOSS</b> . . . . .		<b>(2,271,393,590)</b>	<b>(210,225,304)</b>
Basic Net loss per share . . . . .	36	(1.98)	(0.18)

The notes form an integral part of these financial statements.

The Accountant

The Board of Directors



MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.

	Share capital (Note 21.1)	Other shareholder equity instruments (Note 21.2)	Legal reserve (Note 21.3)	Other reserves (Note 21.4)	Adjustments to financial assets (Note 21.5)	Revaluation suppliers (Note 21.6)
<b>Balance as of 1 January 2013</b> . . . . .	A 1,150,000,000	4,350,466,191	30,000,000	295,771,223	(456,822,242)	589,044,034
<b>Changes:</b>						
Foreign currency conversion adjustments . . . . .	—	—	—	—	(533,678,908)	—
Actuarial losses calculated for the period (Note 11.7) . . . . .	—	—	—	(138,786,000)	—	—
Unpaid dividends . . . . .	—	—	—	—	250,643,469	—
Adjustments for deferred taxes (Note 15.2) . . . . .	—	—	—	21,147,939	182,856	12,879,404
Realisation of revaluation surplus . . . . .	—	—	—	—	—	(34,429,406)
Effect of sale of subsidiaries . . . . .	—	—	—	—	—	—
Recognition of investment subsidies . . . . .	—	—	—	—	—	—
Other changes to shareholders' equity . . . . .	—	—	—	—	(5,938,209)	—
	B	—	—	(117,638,061)	(288,790,792)	(21,550,002)
<b>Net income</b> . . . . .	C	—	—	—	—	—
<b>Comprehensive income</b> . . . . .	B+C	—	—	—	—	—
<b>Transactions with shareholders:</b>						
Application of results . . . . .	D	—	—	—	—	—
		—	—	—	—	—
<b>Balance as of 31 December 2013</b> . . . . . E=A+B+C+D	1,150,000,000	4,350,466,191	30,000,000	178,133,162	(745,613,034)	567,494,032
<b>Changes:</b>						
Foreign currency conversion adjustments . . . . .	—	—	—	—	1,150,781,389	—
Actuarial losses calculated for the period (Note 11.7) . . . . .	—	—	—	(266,425,696)	—	—
Unpaid dividends . . . . .	—	—	—	—	(324,950,462)	—
Adjustments for deferred taxes (Note 15.2) . . . . .	—	—	—	56,469,400	—	847,511
Realisation of revaluation surplus . . . . .	—	—	—	—	—	(33,393,292)
Recognition of investment subsidies . . . . .	—	—	—	—	—	—
Other changes to shareholder equity . . . . .	—	—	—	—	(47,990,053)	—
	F	—	—	(209,956,296)	777,840,874	(32,545,781)
<b>Net income</b> . . . . .	G	—	—	—	—	—
<b>Comprehensive income</b> . . . . .	F+G	—	—	—	—	—
<b>Transactions with shareholders:</b>						
Reimbursement for supplementary capital contributions . . . . .	—	(3,114,000,000)	—	—	—	—
Application of results . . . . .	—	—	—	—	—	—
	H	(3,114,000,000)	—	—	—	—
<b>Balance as of 31 December 2014</b> . . . . . I = E+F+G+H	1,150,000,000	1,236,466,191	30,000,000	(31,823,134)	32,227,840	534,948,251

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The notes form an integral part of the financial statements.

The Accountant

**MEO—SERVIÇOS DE COMUNICAÇÕES E MULTIMÉDIA, S.A.**  
**CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 2013**

	Notes	2014	2013
euros			
<b>OPERATING ACTIVITIES</b>			
Receipts from customers revenue		3,080,486,632	2,234,164,263
Payments to suppliers		(1,635,495,596)	(1,265,720,471)
Payments to personnel		(246,147,338)	(193,067,691)
<b>Cash generated by operations</b>		<b>1,198,843,698</b>	<b>775,376,101</b>
Income tax receipts (payments)	4.(a)	5,577,762	(6,289,893)
Payments related to post-employment benefits	11.5	(193,141,152)	(178,934,112)
Other payments, net		(179,248,704)	(101,352,190)
<b>Cash flow from operating activities (1)</b>		<b>832,031,604</b>	<b>488,799,906</b>
<b>INVESTMENT ACTIVITIES</b>			
Revenue from:			
Tangible fixed assets	4.(g)	57,733,689	6,075,430
Intangible assets		496,437	9,379
Financial investments	4.(b)	174,356	36,475,260
Loans granted	4.(c)	6,396,124	340,000,000
Interest and similar revenue		4,782,692	33,258,253
Dividends	4.(d)	3,600,230,246	2,703,029
		<b>3,669,813,544</b>	<b>418,521,351</b>
Payments corresponding to:			
Tangible fixed assets	4.(h)	(383,326,341)	(399,094,673)
Intangible assets		(30,698,404)	(8,766,661)
Financial investments	4.(e)	(2,983,728)	(35,022,008)
Loans granted		(10,414,000)	(9,015,000)
		<b>(427,422,473)</b>	<b>(451,898,342)</b>
<b>Cash flow from investment activities (2)</b>		<b>3,242,391,071</b>	<b>(33,376,991)</b>
<b>FINANCING ACTIVITIES</b>			
Revenue from:			
Financing obtained	4.(f)	2,577,477,167	476,357,190
Subsidies		345,664	339,730
		<b>2,577,822,831</b>	<b>476,696,920</b>
Payments corresponding to:			
Financing obtained	4.(f)	(3,177,959,372)	(608,647,727)
Interest and similar expenses		(367,573,602)	(321,044,395)
Redemption of other equity instruments	21.2	(3,114,000,000)	—
		<b>(6,659,532,974)</b>	<b>(929,692,122)</b>
<b>Cash flow from financing activities (3)</b>		<b>(4,081,710,143)</b>	<b>(452,995,202)</b>
<b>Change in cash and cash equivalents</b>			
<b>(4) = (1) + (2) + (3)</b>		<b>(7,287,468)</b>	<b>2,427,713</b>
Effect of exchange rate differences		759,124	(1,856,681)
Cash and cash equivalents at start of the year		21,737,013	21,165,981
MEO merger	1.(b)	10,250,097	—
<b>Cash and cash equivalents at year-end</b>	4.(i)	<b>25,458,766</b>	<b>21,737,013</b>

The notes form an integral part of these financial statements.

The Accountant

The Board of Directors

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## **MEO, Serviços de Comunicações e Multimédia, S.A.**

### **Notes to the Financial Statements**

**At of 31 December 2014**

(Amounts expressed in euros)

#### **1. Introductory note**

##### **(a) Company development**

MEO—Serviços de Comunicações e Multimédia, S.A. (“Meo Comunicações” or “Company”), previously known as PT Comunicações, S.A. (“PT Comunicações”), was founded by resolution of the General Shareholders’ Meeting of Portugal Telecom, S.A. on 27 April 2000, as part of the process of company restructuring of the Portugal Telecom Group and through separation relative to Portugal Telecom, S.A. The conditions of the separation were defined in Decree-Law No. 219/00 of 9 September and in Joint Order No. 936-A/2000 of the Ministries of Social Equipment and of Finance, dated 14 September.

On 30 September 2006, as part of the reorganisation process of the Portugal Telecom Group, Portugal Telecom, SGPS, S.A. (“PT SGPS” or “Portugal Telecom”) sold all the share capital of Meo Comunicações to PT Portugal, SGPS, S.A. (“PT Portugal”).

On 5 May 2014, Portugal Telecom subscribed an increase in the share capital of Oi, S.A. (“Oi”), through a contribution in kind of its 100% stake in PT Portugal. After that deal, PT Portugal became a wholly-owned subsidiary of Oi and is now the group’s parent company in Portugal. Meo Comunicações, previously known as PT Comunicações, thus continues to be a wholly-owned subsidiary of PT Portugal, but as of 5 May 2014, indirectly became a wholly-owned subsidiary of Oi.

On 29 December 2014 MEO—Serviços de Comunicações e Multimédia, S.A. (“MEO, S.A.”), previously known as TMN—Telecomunicações Móveis Nacionais, S.A. (“TMN”), was incorporated into PT Comunicações and consequently ceased to exist, its assets and liabilities having been transferred in their entirety to PT Comunicações, for which reason its activities will continue in the future. This merger was effective as of 1 January 2014. After that incorporation, PT Comunicações changed its corporate name to MEO—Serviços de Comunicações e Multimédia, SA.

The Company’s principal activity, now including TMN’s activity, is the design, construction, management and operation of electronic communications networks and infrastructure, the provision of electronic communications services, and the broadcasting of telecommunications signals and television broadcasting and activities. The company is also active in the provision of services in the areas of information technology, information society, multimedia and communications, in the development and marketing of electronic communications products and equipment, information and communications technologies, and also engages in electronic commerce activities, including online auctions, as well as in the provision of training and consulting services in the areas comprising its corporate objective.

On 27 December 2002, PT Comunicações and the Portuguese Government entered into the Agreement for the Purchase and Sale of the Basic Telecommunications Network (“Basic Network”) and the Telex Network, by which the Government transferred to the Company full ownership of the Basic Network and the Telex Network, free of any encumbrances or burdens. Under this agreement, the Company was required: i) to guarantee the functioning of the Basic Network as an open network, serving as support for the transmission of a wide range of services and capable of use by all telecommunications operators and providers, under conditions of equality; and ii) during the term of the concession, to allocate to the latter the infrastructure acquired to the extent necessary to provide the services under concession, notwithstanding the possibility of their transfer, substitution and/or encumbrance, provided it does not affect the provision of those services.

On 17 February 2003, Decree-Law No. 31/2003 was published, approving the Amendment Agreement to the Concession Contract, which altered the basis of the concession of the public telecommunications service approved by Decree-Law No. 40/95 of 15 February. This instrument introduced the following fundamental changes to the previous Concession Contract: i) cessation of payment of rent to the Government; ii) non-reversion to the Government of assets and rights allocated to the concession upon its termination; and iii) mechanisms for the provision of

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**1. Introductory note (Continued)**

compensation by the Government for any losses incurred by the Company as a result of the fulfilment of the obligations inherent to the provision of the fixed telex, telegraph and remote broadcasting services and the mobile maritime service.

Pursuant to the aforementioned Amendment Agreement, the purpose of the Concession was the development and exploitation of infrastructure comprising the basic telecommunications network and of conveying the broadcast signal, the provision of the universal telecommunications service as defined in Decree-Law No. 458-99 of 5 November, the provision of the telex service, the provision of the switched service for data transmission, the service for broadcasting and distribution of broadcast telecommunications and the provision of the telegraph service.

The provision of the universal telecommunications service comprises: i) connection to the fixed telephone network and access to the fixed telephone service; ii) the offering of public telephones on public roads and locations; and iii) the provision of telephone directories and an information service.

On 14 February 2012, following a public consultation on the process of selecting the universal service provider, ANACOM issued a final decision that split the universal service into three functions: (1) connection to a public communications network at a fixed location and provision of a telephone service accessible to the public through that connection (Tender 1); (2) provision of public telephones (Tender 2); and (3) provision of a complete telephone directory and a complete directory information service (Tender 3). In 2012, the Portuguese Government launched a public tender to select universal service providers, approved the concept of cost of the universal service and established a compensation fund for universal service providers, qualifying the Company to receive compensation from that fund to cover costs incurred to date in providing the universal service. In 2013, the results of the public tender offer were announced, with the provision of the universal fixed telephone service (Tender 1) being assigned to Zon and Optimus. This service constituted the main purpose of the Concession Contract, so that the Company and the Government believed it should be revoked and that, for this reason, the Company was entitled to compensation corresponding to investments already made in the universal service and not amortised as of the revocation date.

Thus, the concession that had been granted by the Portuguese Government to PT Comunicações, with an initial term ending in 2025, was formally revoked on 1 June 2014, the date after which Zon and Optimus replaced the Company as universal service provider for connections to the fixed telephone network and access to the fixed telephone service. Pursuant to the agreement entered into with the Portuguese Government in November 2013, the Company was entitled to indemnification for cessation of the concession agreement, which was received in September 2014, in the amount of 32 million euros.

On 11 February 2004, Law No. 5/2004 was published—the Portuguese Electronic Communications Act [*Lei das Comunicações Eletrónicas*] (LCE), which establishes the legal regime applicable to electronic communications networks and services and to related resources and services and defines the responsibilities of the national regulatory authority in that sphere.

On 9 December 2008, ANACOM allocated to Meo Comunicações, previously known as PT Comunicações, the right to use national frequencies to provide the digital land television broadcasting service (TDT), intended for the broadcast of television programmes with unrestricted free access (commonly known as open television channels), with which the Multiplexer A (Mux A) is associated. In 2011, ANACOM defined the obligations inherent to the aforementioned allocated right, by which the Company recognized an intangible asset corresponding to the present value of the commitments assumed as part of the granting of the aforementioned right (Note 9).

On 29 December 2014, Meo Comunicações, following the incorporation of Meo, S.A. (formerly TMN), became licensed by the Portugal Communications Institute [*Instituto das Comunicações de Portugal*]

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**1. Introductory note (Continued)**

("ICP") (currently the ICP—National Communications Authority [*Autoridade Nacional de Comunicações*]) ("ANACOM"), to provide complementary mobile telecommunications services—mobile land services—throughout the national territory, pursuant to ICP license 011/TCM, dated 16 March 1992. By resolution of the ANACOM Board of Directors on 28 February 2007, the right to use these frequencies was renewed for an additional 15 years, i.e., until 16 March 2022. At the end of financial year 2000, Meo, S.A. was licensed by ANACOM to operate the international mobile telecommunications system, pursuant to license IMT 2000/UMTS dated 19 December 2000, under number ICP—02 / UMTS, valid until 11 January 2016 and with an option for subsequent renewal for an additional period of 15 years. In December 2011, TMN was notified by ANACOM, as part of a spectrum auction held between 28 and 30 November, that it had acquired a spectrum in the frequency ranges of 800 MHz, 1.8 GHz and 2.6 GHz, for a total of 113 million euros. This deal allows the Company to provide fourth-generation mobile services, through Long-Term Evolution ("LTE") technology, which represents an evolution from the GSM and UMTS technologies. TMN was licensed to use those frequencies for an initial period of 15 years, renewable for an additional period of 15 years.

**(b) Corporate transactions**

In financial year 2007, PT Comunicações acquired from PT SGPS the latter's stakes in PT Prime—Soluções Empresariais de Telecomunicações e Sistemas, S.A. ("PT Prime"), PT Corporate—Soluções Empresariais de Telecomunicações e Sistemas de Informação, S.A. ("PT Corporate") and PT.Com—Comunicações Interativas, S.A. ("PT.Com"), with a view to focusing on the Company all fixed-business operations.

In March 2008, the merger was finalized incorporating the companies PT.Com and PT Corporate into PT Comunicações, transferring to the latter the assets, rights and obligations of PT.Com and PT Corporate, with the elimination of those companies.

In July 2009, PT Comunicações acquired from Novabase—Sociedade Gestora de Participações Sociais, SGPS, S.A. ("Novabase") the latter's 36.25% stake in Superemprego—Sistemas de Informação para a Gestão de Recursos Humanos, S.A. ("Superemprego"), which became wholly owned by the Company. In November 2009, a merger was finalized consisting of the Company's takeover of the company Superemprego, by which the latter's assets, rights and obligations were transferred to the Company, and Superemprego was terminated.

On 30 November 2010, in accordance with the need to adjust the corporate structure to the convergence of the fixed and mobile businesses, PT Comunicações acquired from PT Portugal the latter's entire stake in TMN. The principal objective of this change was the fixed-mobile convergence, with the services of the residential and personal segments becoming provided through a single brand.

On 29 December 2011, a merger was finalized consisting of the incorporation of PT Prime into the Company, transferring to the latter the assets, rights and obligations of PT Prime, and the former company was terminated. From an accounting standpoint, the merger was deferred to 1 January 2011, and it is considered that all the activities carried out by PT Prime since that date were so on behalf of the Company.

On 3 May 2012, the Company completed the acquisition from TVI—Televisão Independente, S.A. ("TVI") of the latter's entire stake in RETI—Rede Teledifusora Independente, S.A. ("RETI"), which became wholly owned by the Company. On 12 December 2012, the merger was completed by the incorporation of RETI into the Company, transferring to the Company the assets, rights and obligations of RETI, and terminating the former company. From an accounting standpoint, the merger was reported to 3 May 2012, and it is considered that all activities carried out by RETI since that date were so on behalf of the Company.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**1. Introductory note (Continued)**

In June 2013, Portugal Telecom completed the sale to Citic Telecom International Holdings Limited of its minority stake in Companhia de Telecomunicações de Macau, S.A.R.L. (“CTM”), which represented 28% of the share capital of CTM, including stakes of 25% and 3% held by PT Participações, SGPS, S.A. (“PT Participações”) and the Company, respectively. Upon completion of this deal, Portugal Telecom received a total payment of 443.0 million dollars (equivalent to approximately 335.7 million euros), with the Company having received the sum of EUR 35,966,391 (Notes 4 (b) and 20 (b)), corresponding to the percentage it held in CTM’s capital stock.

On 17 July 2013, the company Auto Venda Já, S.A. (“Auto Sapo”) was created, with a share capital of EUR 50,000, the Company having subscribed and realized a total of EUR 25,000 (Notes 4 (e) and 10), corresponding to 50% of the company’s share capital, and having granted supplementary capital contributions totalling EUR 150,000 (Notes 4 (e) and 10). This company’s purpose is the acquisition and resale of automotive vehicles by providing sales channels to owners, including an electronic sales platform, as well as by providing any related or complementary services.

On 1 December 2013, PT Comunicações transferred to PT SGPS the 0.005% stake it held in Portugal Telecom Brasil, S.A. (“PT Brasil”), which became wholly owned by PT SGPS (Notes 4 (b) and 10).

On 30 December 2013, as part of an internal reorganisation of the PT Group for purposes of the capital increase of Oi executed on 5 May 2014, with a view to consolidating within PT Portugal or in its subsidiaries all the stakes that formed part of the assets to be delivered by Portugal Telecom as contribution in kind in the aforementioned capital increase, PT Comunicações acquired all the stakes that PT SGPS held in a number of companies, specifically:

- the 50% stake in Sportinveste Multimédia, SGPS, S.A. (“Sportinveste Multimédia”), corresponding to 2,500,000 equity units, and the respective accessory and supplementary capital contributions granted to this subsidiary, totalling EUR 32,618,669 (Notes 4 (e) and 20); this investment was recorded as a non-current asset held for sale by virtue of the restructuring process currently underway involving this subsidiary;
- the 33.33% stake in Yunit Serviços, S.A. (“Yunit”), corresponding to 33,334 equity units and respective shareholder loans (Notes 4 (e), 10, 12.2 and 22);
- the 26.36% stake in INESC—Instituto de Engenharia de Sistemas e Computadores, S.A. (“INESC”), corresponding to 1,126 equity units and respective shareholder loans; this stake, added to the 9.53% stake already held previously by PT Comunicações, yields a total stake of 35.89% of the share capital of INESC (Notes 4 (e) and 10);
- the 8.54% stake in Vortal SGPS, S.A. (“Vortal”), corresponding to 474,254 shares (Note 4 (e));
- the 0.0004% stake in Multicert—Serviços de Certificação Electrónica, S.A. (“Multicert”), corresponding to 10 shares; this stake, added to the 19.9996% stake already held previously by PT Comunicações, yields a total stake of 20% in the share capital of Multicert (Notes 4 (e) and 10).

In financial year 2014, still as part of the aforementioned internal corporate restructuring of the PT Group, the following deals involving the Company or its subsidiaries were completed:

- On 30 April 2014, PT Móveis, SGPS, S.A. (“PT Móveis”), a wholly-owned subsidiary of Meo, SA (formerly TMN), subscribed a capital increase of Bratel BV totalling approximately 1.303 billion euros;
- On 2 May 2014, PT Móveis transferred to Portugal Telecom, for a total of 4.195 billion euros, its 100% stake in Bratel BV, a company that held indirectly through Bratel Brasil, S.A. (“Bratel Brasil”) the investment in Oi, which was not part of the assets to be delivered as contribution in kind to the

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**1. Introductory note (Continued)**

capital increase of Oi. As part of this deal, PT Móveis incurred a net loss of 950 million euros, reflecting (1) a capital gain of 50 million euros corresponding to the difference between the sale price (4.195 billion euros) and the book value of the investment in Bratel BV (4.145 billion euros), and (2) the transfer of reserves to net income of the total value of exchange rate conversion losses posted directly to net equity between March 2011 (Oi acquisition date) and 2 May 2014, totalling 1.000 billion euros;

- On 2 May 2014, PT Móveis acquired from Portugal Telecom, for a total of 2.240 billion euros, its 100% stake in PT Participações, the company that indirectly held a 75% stake in Africatel Holdings BV, the group's holding company for businesses in Africa;
- On 5 May 2014, PT Portugal acquired, for a total of 255 million euros, the 100% stake in PT Finance previously held by Portugal Telecom. PT Finance is responsible for access to financing in the international markets for the group's companies.

On 1 December 2014, Oi entered into an exclusivity agreement with Altice, SA, with a view to negotiating and coming to agreement on the final terms of the sale of PT Portugal. On 8 December 2014, the Board of Directors of Oi completed the process of approving the general terms and conditions for the sale of all shares of PT Portugal to Altice Portugal, S.A., a wholly-owned subsidiary of Altice, S.A. On 22 January 2015, the sale was approved by the General Shareholders' Meeting of Portugal Telecom SGPS, SA., with the agreement's validity pending only the approval of competition authorities. The terms agreed to between Oi and Altice provide for the transfer of all shares of PT Portugal for a total of 7.4 billion euros (enterprise value), an amount that includes a deferred payment of 500 million euros related to the future revenue of PT Portugal, which must also be deducted from the entire net debt (debt minus cash), liabilities with retirement benefits and other existing financial liabilities in companies to be transferred to Altice on the deal's completion date. This deal involves only PT Portugal's operations in Portugal and Hungary, including, therefore, business carried out directly by the Company, so that businesses in Africa and Timor are not included in the Altice proposal, as these are held through the subsidiary PT Móveis.

***Incorporation of Meo, S.A. (formerly TMN)***

As previously noted, as a result of a corporate restructuring process that began in late 2010, PT Comunicações held since then all of TMN's capital. The complementary nature of the activities and business conducted by PT Comunicações and TMN, as demonstrated by the growing interdependence between fixed and mobile technologies, and the provision of services to essentially the same customer segments, led to the need for incorporating TMN into PT Comunicações. The main goal of this merger operation ("Merger") was to improve organizational efficacy and optimize the principal activity. Creating a single structure, capable of providing maximum growth and optimizing the companies' resources, will help create a considerably streamlined administration, eliminating intermediate structures with similar activities that could be performed by a single entity, thereby enabling administrative and management costs to be reduced, and the implementation of a policy of reducing bureaucracy.

This merger was registered on 29 December 2014, with effect from 1 January 2014 for tax and accounting purposes. Consequently, the Company's financial statements as of 31 December 2014 include all transactions performed during the year by Meo, S.A. (formerly TMN) and the respective balances at that date. As a result of the merger, the financial investment was eliminated and no financial gain associated with the Company's participation in Meo, S.A. was recognised.



MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

1. Introductory note (Continued)

As a result of this merger, the Company's 2014 financial statements are not entirely comparable with the financial statements of the previous year, which is why, in order to improve the readability of these financial statements, the Balance Sheet for Meo, S.A. (formerly TMN) as of 31 December 2013 is presented below, which was consolidated on 1 January 2014 with the Balance Sheet of PT Comunicações, and the Income and Cash Flows Statements for Meo, S.A. for the financial year ended 31 December 2013:

BALANCE SHEET  
AS OF 31 DECEMBER 2013

	Notes	2013 €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible fixed assets	6	483,627,927
Goodwill	8	10,169,655
Intangible assets	9	2,236,475,453
Financial investments—equity accounting method	10	5,018,409,027
Other financial assets		132,018
Deferred tax assets	15	36,745,599
<b>Total non-current assets</b>		<b><u>7,785,559,679</u></b>
<b>Current assets</b>		
Inventory	16	25,145,510
Customers		243,731,103
Accrued income		90,207,873
Supplier advances		4,530,872
State and other public entities		991
Group companies and shareholders		26,807,572
Other accounts receivable		8,428,301
Deferrals		7,499,276
Cash and bank deposits		10,250,097
<b>Total current assets</b>		<b><u>416,601,595</u></b>
<b>Total assets</b>		<b><u>8,202,161,274</u></b>
<b>EQUITY</b>		
Realized capital		47,000,000
Legal reserve		9,400,000
Other reserves		1,740,723,849
Adjustments to financial assets		4,663,137,631
Retained earnings		251,398,113
Net income		202,353,668
<b>Total equity</b>		<b><u>6,914,013,261</u></b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

1. Introductory note (Continued)

	<u>Notes</u>	<u>2013</u>
		€
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions .....	22	2,779
Obtained financing .....		231,420,085
Deferred tax liabilities .....	15	540,393,019
Other accounts payable .....		14,840,169
Other financial liabilities .....		24,170,305
<b>Total non-current liabilities .....</b>		<b><u>810,835,357</u></b>
<b>Current liabilities</b>		
Provisions .....	22	19,012,430
Obtained financing .....		23,260,651
Deferrals .....		41,462,295
Group companies and shareholders .....		2,755,033
Suppliers .....		166,794,643
Investment suppliers .....		27,914,009
Creditors due to accrued expenses .....		147,782,211
Customer advances .....		3,527,750
State and other public entities .....		25,678,387
Other accounts payable .....		19,125,247
<b>Total current liabilities .....</b>		<b><u>477,312,656</u></b>
<b>Total liabilities .....</b>		<b><u>1,288,148,013</u></b>
<b>Total equity and liabilities .....</b>		<b><u>8,202,161,274</u></b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

1. Introductory note (Continued)

**INCOME STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u>
	€
Services provided .....	952,016,564
Sales .....	102,547,893
Operating subsidies .....	10,402
Profits in affiliates, net .....	194,734,560
Work for own entity .....	4,499,166
Cost of goods sold and materials consumed .....	(113,023,015)
Direct costs of services provided .....	(198,571,074)
Marketing and advertising .....	(18,836,968)
External services and suppliers .....	(266,343,211)
Personnel costs .....	(47,065,668)
Indirect taxes and fees .....	(14,577,388)
Impairment of inventories (losses/reversals) .....	(1,592,073)
Impairment of accounts receivable (losses/reversals) .....	(9,832,211)
Provisions (increases/reductions) .....	(1,620,292)
Other income and profits .....	14,891,953
Other expenses and losses .....	(14,533,087)
<b>INCOME BEFORE DEPRECIATION, FINANCING EXPENSES AND TAXES</b> .....	<b>582,705,551</b>
Expenses/reversals of depreciation and amortization .....	(302,023,996)
<b>OPERATING RESULT (BEFORE FINANCING EXPENSES AND TAXES)</b> .....	<b>280,681,555</b>
Interest and similar income obtained .....	438,187
Interest and similar expenses incurred .....	(18,819,781)
<b>INCOME BEFORE TAXES</b> .....	<b>262,299,961</b>
Income tax .....	(59,946,293)
<b>NET INCOME</b> .....	<b>202,353,668</b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

1. Introductory note (Continued)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	<u>2013</u>
	EUR
<b>OPERATING ACTIVITIES</b>	
Receipts from customers .....	1,224,622,967
Payments to suppliers .....	(746,974,949)
Payments to personnel .....	(46,321,075)
<b>Cash generated by operations .....</b>	<b>431,326,943</b>
Income tax payments .....	(69,886,103)
Other payments, net .....	(101,688,460)
<b>Flows from operating activities (1) .....</b>	<b>259,772,380</b>
<b>INVESTMENT ACTIVITIES</b>	
Receivables from:	
Tangible fixed assets .....	767,569
Intangible assets .....	282,836
Financial investments .....	2,158,556
Dividends .....	67,900,000
	<b>71,108,961</b>
Payments relating to:	
Tangible fixed assets .....	(126,374,727)
Intangible assets .....	(22,825,264)
	<b>(149,199,991)</b>
<b>Flows from investment activities (2) .....</b>	<b>(78,091,030)</b>
<b>FINANCING ACTIVITIES</b>	
Receivables from:	
Obtained financing .....	251,999,195
Subsidies .....	10,402
	<b>252,009,597</b>
Payments relating to:	
Obtained financing .....	(388,323,585)
Interest and similar expenses .....	(42,874,475)
	<b>(431,198,060)</b>
<b>Flows from financing activities (3) .....</b>	<b>(179,188,463)</b>
<b>Change in cash and cash equivalents (4) = (1) + (2) + (3) .....</b>	<b>2,492,887</b>
Cash and cash equivalents at start of financial year .....	7,757,210
<b>Cash and cash equivalents at end of financial year .....</b>	<b>10,250,097</b>

The balance sheet and income statement presented above correspond to the financial statements of Meo, S.A. (formerly TMN) which were used to apply the equity accounting method, and which, in light of the financial statements reported by Meo, S.A., were adjusted essentially for the effect of allocating the acquisition price of this entity, which occurred in December 2010. In the context of the aforementioned purchase price allocation, PT Comunicações adjusted Meo, S.A.'s financial

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**1. Introductory note (Continued)**

statements for the positive difference between the fair value and the book value of the intangible assets relating to customer lists and licenses, net of the corresponding tax effect.

- Meo S.A.'s equity as of 31 December 2013 was adjusted by a total amount of EUR 1.323 billion, reflecting an increase in intangible assets of EUR 1.863 billion and the recognition of a deferred tax liability in the amount of EUR 540 million.
- Meo, S.A.'s net income for the financial year ended on 31 December 2013 was adjusted by EUR 136 million, including amortization in the amount of EUR 191 million, and the corresponding tax effect of EUR 55 million.

**(c) Other Information**

Pursuant to Article 7 of Decree-Law No. 158/2009, despite holding financial investments in group companies and associates, the Company is exempt from preparing consolidated financial statements, since it is indirectly fully held by PT Portugal, which in turn submits its consolidated financial statements, in which the Company and its subsidiaries' financial statements are included.

**2. Accounting standards for preparing the financial statements**

The attached financial statements were prepared under the framework of the current legal provisions in Portugal, included in Decree-Law No. 158/2009 of 13 July, which approved the Accounting Standardisation System [Sistema de Normalização Contabilística ("SNC")], including the conceptual framework, the Accounting and Financial Reporting Standards [Normas Contabilísticas e de Relato Financeiro ("NCRF")], and the Interpretive Standards indicated, respectively, in Notices 15652/2009, 15655/2009 and 15653/2009.

The Company adopted the NCRF for the first time in 2010, having applied for such purpose "NCRF 3 Adoption of NCRF for the First Time" ("NCRF 3"), with 1 January 2009 being the date of transition for the purposes of presenting these financial statements. Previously, the Company's financial statements were presented in accordance with the terms of the Official Accounting Plan [Plano Oficial de Contabilidade ("POC")] and other supplementary legislation. The adjustments made to the financial statements on 1 January 2009 were calculated retrospectively, as determined by NCRF 3.

As prescribed in the Appendix to Decree-Law No. 158/2009, the Company also applies the International Accounting Standards and the International Financial Reporting Standards ("IAS/IFRS") and their respective interpretations ("SIC/IFRIC") by the International Accounting Standards Board ("IASB"), in order to fill any gaps or omissions relating to specific aspects of certain transactions or particular situations that have not been provided for in the SNC.

The financial statements, which include the balance sheet, the income statement by maturity, the statement of changes in equity, the statement of cash flows, and notes, were approved by the Corporate Management Body on 24 March 2015. They are expressed in euros and were prepared in accordance with going concern assumptions and on an accrual basis, by which items are recognised as assets, liabilities and equity, income and expenses, when they meet the definitions and criteria for recognition of such elements contained in the conceptual framework, in conformity with the qualitative characteristics of comprehensibility, relevance, materiality, reliability, faithful representation, substance over form, neutrality, prudence, completeness and comparability.

The accounting policies presented in Note 3 were used in the financial statements for the period ended 31 December 2014, and in the comparative financial information presented in these financial statements for the period ended 31 December 2013.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates**

The attached financial statements were prepared on a going concern basis. The main accounting policies adopted when preparing these financial statements are described below, and were applied consistently, unless otherwise indicated.

**3.1. Tangible fixed assets**

Tangible fixed assets that are not land or buildings are recorded at the acquisition or production cost, which includes the purchase price and any costs that are directly attributable to placing the assets in the location and condition required for them to operate as intended and, where applicable, the initial estimate of costs that the company expects to incur for dismantling and removing the assets, and restoring the respective locations where they were installed.

Land and buildings are presented in accordance with the revaluation model, based on periodic assessments, less subsequent depreciation for the buildings. The fair value of land and buildings is determined by external evaluators based on market prices or return value for these assets, as prescribed in NCRF 7 Tangible Fixed Assets (“NCRF 7”).

Subsequent expenses are included in the amount recorded for the asset only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. Costs with maintenance and repairs that are not likely to generate future economic benefits are recognised as an expense in the period in which they are incurred.

Increases resulting from revaluations are recorded under equity under the heading “Revaluation surplus”, unless it reverses a decrease previously recognised in results. Decreases resulting from revaluations are recorded directly under the heading “Revaluation surplus” up to the limit of the credit balance of the same asset’s revaluation surplus. Any excess relating to this credit balance is recorded under income. When the revaluated asset is written off, the revaluation surplus included in the equity referring thereto is not reclassified as net income, being instead transferred to retained earnings. On an annual basis, revaluation surpluses are transferred to retained earnings in the same proportion as they are depreciated.

With the exception of land, which does not depreciate, depreciation of the remaining tangible fixed assets is recognised, from the month in which the asset becomes available for use, on a straight-line basis, during the useful life of the assets, which is determined according to their expected utility. The period for amortizing the cost of tangible assets is reviewed annually, and adjusted whenever necessary, so as to reflect their estimated useful life. The annual rates applied reflect the estimated useful life for each class of asset, per the below:

<u>Asset Class</u>	<u>Years of Useful Life</u>
Buildings and other constructions .....	3-50
Basic equipment	
Network equipment and installations .....	7-40
Duet network .....	40
Terminal equipment .....	4-10
Submarine cables .....	15-20
Other basic equipment .....	3-20
Transport equipment .....	4-8
Administrative equipment .....	3-10
Other tangible assets .....	4-8

Following the approval, in 2003, of the Amendment Agreement to the Concession Contract, as part of the acquisition of ownership of the Basic Network to the Portuguese Government, which provided for the non-reversibility to the Government of assets allocated to the concession, a review was conducted

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

of the period for amortizing the assets, whose total estimated useful life was greater than the term of the concession, which assets were until that time to be amortized for that period.

Useful lives and the amortization method are reviewed annually, with the effect of a given change on these estimates being recognized prospectively in the income statement.

The gains or losses arising from the written off or sale of tangible fixed assets are determined by calculating the difference between the amount received and the net amount thereof that is recorded, and are recognized in the income statement.

**3.2 Leases**

Leasing agreements are classified as financial leasing if, through such leases, all the risks and rewards inherent to the possession of the corresponding assets are transferred to the lessee. The remaining lease agreements are classified as operating leases. These contracts are classified according to their substance, and not their form.

The assets acquired through financial leasing agreements, as well as the corresponding liabilities, are recorded at the start of the lease for the lesser of the fair value of the assets and the present value of the minimum lease payments. The rents include interest and amortization of capital, although the former is allocated to income for the period to which it relates.

In leases that are considered as operating leases, the rents due are recognized as an expense on a straight-line basis during the term of the lease.

**3.3 Investment properties**

Investment properties essentially include buildings and land that are held to generate income or capital valuation, or both, and not for use in the Company's current business activity.

Investment properties are recorded at acquisition cost, plus the costs of buying and registering the property, less amortization and losses due to cumulative impairment, when applicable. The costs incurred (maintenance, repairs, insurance and tax), as well as any income and rent obtained with investment properties, are recognized in the income statement for the period to which they refer.

Investment properties are amortized during the expected period of useful life, on a straight-line basis. Depreciation rates correspond overall to the respective estimated useful lives (Note 3.1).

**3.4. Business combinations and goodwill**

Subsidiary company acquisitions are recorded using the purchase method ("NCRF 14"). The cost of an acquisition is determined as the aggregate, on the acquisition date, of the following components: (a) fair value of the assets delivered or deliverable; (b) fair value of the responsibilities incurred or assumed; (c) fair value for the equity instruments issued by the Company in exchange for obtaining control over the subsidiary; and (d) costs directly attributable to the acquisition. When applicable, the cost of acquisition includes the effect of contingent payments agreed within the transaction, with subsequent alterations to such payments recorded as a counterpart against the corresponding goodwill.

The goodwill represents the excess part of the cost of acquisition above the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company, on the date of acquisition, in accordance with the NCRF 14. Should the differential between the cost of acquisition and the fair value of the assets and liabilities acquired be negative, it is recognised as income in the financial year. In line with the exception allowed for in NCRF 3, the Company applied the provisions of

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

NCRF 14 only to acquisitions that took place after 1 January 2009, so that goodwill values relating to acquisitions prior to this date were maintained as they had initially been calculated in accordance with the Official Accounting Plan, the standard in force before the SNC.

Goodwill arising from the acquisition of subsidiary companies is included on the balance sheet under the heading "Goodwill".

This goodwill is not amortised and is subject to impairment tests annually, or whenever there are signs of any loss of value. For impairment test purposes, goodwill is allocated to cash-generating units. Any impairment loss is recorded immediately as a cost in the income statement for the period and cannot be reversed later.

**3.5. Intangible assets**

Intangible assets basically include (1) the value of the acquisition of ownership of the Basic Network, (2) rights and licensing, (3) the cost of the TDT licence, (4) satellite capacity usage rights, (5) commercial property leases, (6) terminal equipment granted to customers under service supply contracts entered into with them, (7) development expenses and (8) the fair value of the licences and customer portfolios previously owned by Meo, S.A. (formerly TMN) before the merger, which was calculated when assigning the purchase price for acquisition of this entity in 2010. Intangible assets acquired separately are recorded at cost less accumulated amortisations and impairment losses.

Intangible assets are amortised on a straight line basis and over a three-year period, apart from: (a) the value of the acquisition of ownership of the Basic Network, which is amortised over the remaining period until the end of the concession (2025); (b) the value of the commitments assumed by obtaining the TDT licence, which is amortised until the end of its first renewal period (2038); (c) the value of the UMTS (3G) licence, which is amortised until the end of its renewal period (up to 2030), (d) the value of the LTE (4G) licence, which is amortised until the end of its renewal period (up to 2042), (e) the value of rights over terminal equipment granted to customers, which is amortised over the contract period (2 years) and (f) the satellite capacity usage rights, which are amortised over the period of the respective contracts. Useful lives and the amortisation method for the various intangible assets are reviewed annually, with the effects of any change to these estimates recognised in the subsequent income statement.

Research activity expenses are recognised in the result when they are incurred. Development expenses are capitalised when the product's technical and economic feasibility is demonstrated, and the Company has the intention and capacity to complete its development and start its sale or use, as set out in "NCRF 6 Intangible Assets".

**3.6. Impairments to fixed tangible and intangible assets**

On each report date, the Company evaluates any signs that an asset may be impaired. When identified, or when some event or alteration occurs indicating that the amount for which the asset is recorded cannot be recovered, the Company runs impairment analyses, individually determining the asset's recoverable value to calculate the extent of the impairment loss. When it is not possible to determine the recoverable value of an asset, the recoverable amount is estimated for the cash-generating unit to which this asset pertains.

In addition, in the specific case of terminal equipment granted to customers under loyalty contracts, impairment analyses takes place periodically, with these goods totally derecognised in cases where the income from the customer originating the intangible asset is not certain.



**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

The recoverable value is determined as the higher of the net sale price and the value in use. The net sale price corresponds to the amount that would be obtained from disposing of the asset in a transaction between independent and informed entities, less the costs directly attributable to the disposal, while the value in use is derived from discounted future cash flows based on discount rates that reflect the asset's cost of capital and specific risk.

Whenever the recorded amount of the asset or the cash-generating unit is higher than its recoverable amount, an impairment loss is logged, which is recorded in the income statement.

**3.7. Financial investments**

Subsidiary companies are all entities over which the Company has decision-making powers regarding their financial and operating policies, generally represented by more than half the voting rights. Associated companies are entities over which the Company exercises significant influence but over which it does not have control, which generally corresponds to holdings of between 20% and 50% of the voting rights.

Investments in subsidiaries and associated companies are recorded using the equity accounting method. Under this method, financial holdings are recorded initially at their cost of acquisition and adjusted subsequently based on alterations found, after the acquisition, in the Company's share of the net assets of the corresponding entities. The Company's results include its stake in the results of these entities.

In applying the equity accounting method, the financial statements of subsidiaries are adjusted in a way that (1) guarantees standardisation of accounting policies with those used by the Company, (2) reflects the impacts of adjustments to market value recognised within the scope of processes to allocate the purchase price and (3) eliminates any profits or losses assessed in transactions between subsidiaries.

Financial investments in foreign entities are converted into Euros using the exchange rates on the balance sheet date, while the Company's share in the results of these entities is calculated based on the average exchange rate for the financial year. Exchange rate differences resulting from the conversion of foreign entity financial statements are recorded in equity under the "Adjustments to financial assets" heading, and recognised in the results when the foreign entity is disposed of, or the investment is made or otherwise transferred.

The Euro exchange rates used in the conversions of financial statements for the main foreign operations were the following:

<u>Currency</u>	<u>2014</u>		<u>2013</u>	
	<u>Closing date</u>	<u>Average</u>	<u>Closing date</u>	<u>Average</u>
São Tomé and Príncipe Dobra .....	24,500.00	24,500.00	24,500.00	24,500.00
US Dollar .....	1.2141	1.3285	1.3791	1.3281
Namibian Dollar .....	14.0353	14.4037	14.5660	12.8330
Cape Verde Escudo .....	110.265	110.265	110.265	110.265
Angolan Kwanza .....	125.111	130.3424	134.5920	128.0568
Macau Pataca .....	9.6995	10.6130	11.0141	10.6094
Brazilian Real .....	3.2207	3.1211	3.2576	2.8685

Financial investments are evaluated whenever there are signs that the asset may be impaired, and impairment losses demonstrated are recorded as costs in the income statement.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

**3.8. Non-current assets held for sale**

Non-current assets are classified as held for sale when their recorded value is essentially recovered from a sale and not from their continued use. This is only considered applicable when a sale is highly probable and the non-current assets or group for disposal are available for immediate sale in their current condition. This sale must be completed within one year of the date the asset is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their book value and their fair value less sales expenses.

**3.9. Post-employment benefits**

(a) Retirement pensions

The Company has committed to providing some of its employees with pecuniary payments as a complement to retirement pensions. To finance these obligations, various funds were formed by PT Comunicações (Note 11.1).

In order to estimate its responsibilities under these plans, the Company regularly obtains actuarial calculations for its responsibilities produced using the Projected Credit Unit Method. In line with “NCRF 28—Employee Benefits” and, on a supplementary basis, with “IAS 19—Employee Benefits”, Meo, S.A. adopted the treatment set out in IAS 19 for recognising actuarial profits and losses directly in equity, specifically those resulting from changes to actuarial assumptions and from differences between real data and actuarial assumptions.

Alterations to plans related to reductions or increases in benefits granted to employees, as well as profits obtained from the liquidation of a plan, are recorded as a cost or gain for the financial year under the “Costs with the staff reduction programme” heading.

The responsibilities recognised in the Balance represent the current value of obligations under the defined benefits pension plans, less fair value for the funds’ assets.

Plans with a financing surplus are recorded as an asset when there is express authorisation for their compensation with future employer contributions or if reimbursement of this financial excess is expressly authorised or permitted.

The contributions made by the Company into defined contribution plans are recorded as a cost in the Income Statement on their due dates.

(b) Health protection subsystem

Meo, S.A. has committed to providing some of its employees, as well as their eligible family members, with health care after retirement age, which constitutes a defined benefits plan. The Health Plan is managed by Portugal Telecom—Associação de Cuidados de Saúde [Healthcare Association] (“PT ACS”), which in 2004 formed an autonomous fund to finance these responsibilities (Note 11.2), managed by PT Prestações—Mandatária de Aquisições e Gestão de Bens, S.A. (“PT Prestações”).

In order to estimate its healthcare payment responsibilities after retirement date, the Company regularly obtains actuarial calculations for its responsibilities produced using the Projected Credit Unit Method. The Company recognises actuarial profits and losses directly in its own equity, specifically those resulting from changes to actuarial assumptions and from differences between real data and actuarial assumptions.

Alterations to plans related to reductions or increases in benefits granted to employees, as well as profits obtained from the liquidation of a plan, are recorded as a cost or gain for the financial year under the “Costs with the staff reduction programme” heading.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

The health care responsibilities shown in the balance sheet represent the present value of obligations under the defined benefit plans, less fair value for the fund's assets and profits or losses on past services not yet recorded.

(c) Pre-retirements and contract suspensions

Within pre-retirement and contract suspension programmes, a liability is recognised in the Balance corresponding to the present value of salaries payable until retirement age. The respective cost is recorded in the Income Statement under the "Costs with the staff reduction programme" heading (Note 11.3).

**3.10. Accrual basis**

The Company records its income and costs using the accrual basis, under which income and costs are recognised as they are generated or incurred, regardless of when they are received or paid, respectively.

**3.11. Income tax**

Income tax corresponds to the sum of current and deferred tax, which is recorded in the income statement except when related to items recorded directly in equity, in which case they are equally recorded in equity.

The estimate for income tax is made based on the estimate for tax due for Corporate Income Tax ("IRC").

PT Portugal adopted the tax consolidation system in Portugal (known as the special tax regime for company groups), in which Income Tax is calculated based on the taxable profit of all companies in which PT Portugal has had a holding of more than 75% of the share capital since the start of the year, which have registered offices in Portugal and are subject to Corporate Income Tax ("IRC"). PT Portugal is still waiting for the tax authorities to approve its application to this system in 2014, as PT Portugal only became the parent company of the group in Portugal on 5 May 2014, following the contribution in kind made by Portugal Telecom to Oi's capital increase (Note 1). Nonetheless, the tax on consolidated income was calculated on the assumption that the fiscal authorities would authorise the use of this fiscal consolidation system with effect from 1 January 2014. Up to 2013, PT Portugal and its subsidiaries, including PT Comunicações and Meo, S.A., were part of the Portugal Telecom tax consolidation system and, therefore, paid Company Tax directly to Portugal Telecom. Any profit generated by the former Portugal Telecom Group due to adopting this system, arising from tax losses for the companies included in the fiscal consolidation regime, was recorded in the results of the Portugal Telecom holding company and not in those of the company that had generated the tax loss.

The income tax for the financial year recorded in the financial statements is calculated based on the provisions of "NCRF 25 Taxes on Income". In measuring the amount of income tax for the financial year, in addition to the tax arising from the pre-tax result, corrected in accordance with fiscal legislation, the effects arising from temporary differences between the amounts of assets and liabilities for accounting reporting purposes and the respective amounts for tax purposes are also taken into consideration. Assets and liabilities for deferred taxes are calculated and evaluated annually, using the tax rates expected to be in force on the date the temporary differences are reversed. The balances of assets and liabilities for deferred taxes are shown in the statement at their net book value, given that they refer to the same fiscal jurisdiction.

Assets for deferred taxes are only recorded when there are reasonable expectations of sufficient future tax profits to use them. On the balance date, there is a reassessment of the temporary differences underlying assets for deferred taxes, in order to recognise assets for deferred taxes not previously

### **3. Principal accounting policies, judgments and estimates (Continued)**

recorded, where they have not met the conditions to be recorded, and/or to reduce the amount of assets for deferred taxes recorded based on the current expectation of their future recovery.

#### **3.12. Inventories**

Inventories are recorded at the acquisition cost or the net realizable value, whichever is lower. The net realizable value represents the estimated sale price, less all estimated costs needed for completion of the transaction. The costing method used by the Company is the average cost method.

Products and works in progress that relate to the installation of telecommunications equipment for clients are valued at the cost of production, which essentially includes the cost of the equipment and various materials used, as well as the cost of the Company's employees involved in the work.

Impairment losses on inventories include the value of materials unused for reasons of technological obsolescence and/or stock rotation, as well as the price differential for those materials whose realizable value is lower than the average cost of acquisition, to the extent that it exceeds the normal business discount rate. Impairment losses and the respective reversions are essentially recorded in the results under the "Inventory impairment (losses/reversions)" heading.

#### **3.13. Accounts receivable from customers and other debtors**

Accounts receivable from customers and other debtors are initially recorded at fair value, and subsequently measured at cost or amortised cost, using the effective rate method, less impairment losses.

Impairments for doubtful debts are calculated based on an evaluation of the estimated risks arising from the non-settlement of accounts receivable, and are recorded in the income statement for the period when they are evaluated.

#### **3.14. Subsidies**

Subsidies are only recorded when received and once there is reasonable certainty that the Company will comply with the conditions inherent for their attribution.

Subsidies associated with the acquisition or production of non-current assets (investment subsidies) are initially recorded in equity under the "Other changes in net equity" heading, and subsequently assigned systemically as income for the financial year throughout the useful life of the assets to which they relate.

Operating subsidies are recorded in the income statement systematically during the periods in which the expenses for which they are intended to compensate are recorded.

#### **3.15. Provisions, obligations and contingent liabilities**

Provisions are made by the Company when there is a current obligation resulting from past events, on condition that there is a probable outflow of internal resources to settle this obligation and its amount can be reasonably estimated. When any of these conditions are not met, the Company reports these events as contingent liabilities, unless the possibility of an outflow of funds is remote.

Provisions are made for an amount corresponding to the best estimate of present value, on the reporting date, of the resources needed to settle the obligation. This estimate is determined taking into consideration the risks and uncertainties associated with the obligation. Provisions are reviewed at the end of each financial year and adjusted in a way that reflects the best estimate at this date.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

Current obligations that result from onerous contracts are recorded and measured as provisions. An onerous contract exists when the Company is an integral party to the provisions of an agreement, compliance with which has associated costs that are unavoidable and that exceed the economic benefits arising from it.

Obligations arising from the costs of dismantling and removing assets installed in third party property and restoring the respective sites are recorded when the assets start being used and if it is possible to estimate the respective obligation reliably. The amount of the recorded obligation corresponds to the current value of the obligation, with financial updates recorded in the "Other expenses and losses" heading.

**3.16. Financing obtained**

Financing obtained is initially recognized at fair value, net of transaction costs incurred, and subsequently presented at amortised cost, using the effective rate method.

**3.17. Financial charges on loans obtained**

The Company has a policy of capitalising financial charges related to loans taken out for the acquisition, construction or production of tangible assets. However, the Company has recorded financial charges as costs when incurred, as the tangible asset construction period has been relatively short.

**3.18. Holidays and holiday subsidies**

Holidays and holiday subsidies and the corresponding employer charges are recorded as costs for the period in which the employees acquire the right to receive them. Consequently, the value of holidays and holiday subsidies and corresponding employer charges due and not paid on the balance date was estimated and included under the "Creditors by accrued expenses" heading.

**3.19. Balance classification**

The realisable assets and liabilities for which the Company has an unconditional right to defer settlement for more than one year from the balance date are classified, respectively, in non-current assets and liabilities, at their present value.

**3.20. Transactions and balances in foreign currency**

Transactions in foreign currency (other than the Company's working currency) are recorded at the exchange rates at the dates of the operations. Assets and liabilities expressed in foreign currency for which there is no agreed fixed exchange rate are converted into Euros using the exchange rates in force on the balance date. Favourable or unfavourable differences in exchange rates originating from the differences between the exchange rates in force on the date of the operations and those in force on the settlement date of the payments or on the balance sheet date are recorded as income and costs in the results statement.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

Assets and liabilities on 31 December 2014 and 2013 were converted into Euros at the following exchange rates against the Euro, published by the Bank of Portugal:

<u>Currency</u>	<u>2014</u>	<u>2013</u>
Special Drawing Right .....	1.19332	1.11173
US Dollar .....	1.2141	1.3791
Namibian Dollar .....	14.0353	14.5660
Cape Verde Escudo .....	110.2650	110.2650
Swiss Franc .....	1.2024	1.2276
Angolan Kwanza .....	125.111	134.5920
Pound Sterling .....	0.7789	0.8337
Mozambique Metical .....	38.53	41.24
Brazilian Real .....	3.2207	3.2576

**3.21. Income**

Income is measured at fair value of consideration received or receivable. The income to be recorded is deducted from the estimated amount of returns, discounts and other rebates, and does not include Value Added Tax ("VAT") and other taxes related to the sale.

Income from the supply of services is recorded with reference to the phase from finishing the transaction to the reporting date, on condition that all the following conditions are met: (1) the amount of income can be measured reliably; (2) it is probable that future economic benefits associated with the transaction will accrue to the Company; (3) the transaction costs incurred or to be incurred can be measured reliably; and (4) the phase from finishing the transaction to the reporting date can be reasonably estimated.

**(a) National communications**

Income from telecommunications activities is recorded at its gross value at the time the services are supplied and invoiced, on a monthly basis throughout the month. Values that are not invoiced but accrued or generated on the date of the financial statements are recorded as estimates and included in the "Customers by accrued revenue" heading. The differences between these estimated values and the actual ones are recorded in the subsequent period.

Income from advance payments made by customers is deferred, and is only recorded when the service is supplied.

**(b) International communications**

Income from international telecommunication services is calculated based on the termination rates fixed in bilateral agreements signed with various telecom operators. These agreements also establish whether the operator originating the traffic should present the credit to the destination country operator, or whether the latter should present the debt to the former.

**(c) Internet Protocol Television ("IPTV") and Direct to Home ("DTH") Services**

Income from television services via IPTV and satellite is recorded as follows: (i) values received for monthly service subscriptions are recorded for the period in which the service is supplied; (ii) equipment rentals are recorded throughout the rental period; (iii) sales of equipment are recorded at the time of the sale; and (iv) contractual penalties imposed on customers are recorded when received.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

**(d) Internet Services**

Income from Internet Service Providers (“ISP”) services is fundamentally the result of monthly subscriptions for Internet access and of the traffic generated by customers when they use the service. This income is recorded for the period in which the service is provided.

**(e) Advertising Services**

Income from telephone directory advertising, as well as the respective costs, are recorded during the validity period of the directories. Meo, S.A. has a contract with the company Páginas Amarelas, S.A. under which the latter is responsible for producing, publishing and distributing telephone directories, as well as marketing the advertising space included in the directories. The total amount paid by Meo, S.A. for these services is a fixed percentage of 78% of the gross revenue from the sale of advertising space. Advertising space costs are fixed, non-contingent, and based on the anticipated volume of telephone directories (approximately one per telephone number). Income from the sale of advertising space is invoiced directly by Meo, S.A. to its customers during the validity period of each directory. This income is recorded in the results, monthly, during the cited period.

**(f) Leasing circuits, lines and capacity**

Income from leased circuits and lines and leased capacity is recorded, as operating leases, for the period to which they relate, in the “Services provided” heading.

**(g) Customer loyalty programmes**

The Company operates loyalty programmes for some of its customers, under which, based on consumption, customers earn loyalty points that can be exchanged for equipment, accessories and discounts in subsequent acquisitions of services. In the absence of specific standards or interpretations regarding this topic in the SNC, the Company applies the provisions of IFRIC 13 Customer Loyalty Programmes (“IFRIC 13”), in accordance with which these operations are recorded as transactions containing multiple elements, under which the amount initially received is divided between the income from the traffic consumed and the points that the customer earned. On this basis, the deferred income for the second component is recorded when the points are used or expire.

**(h) Interest**

Income from interest is recorded using the effective interest method.

**3.22. Other work capitalized**

The internal expenses incurred by the Company in producing tangible fixed assets, which essentially cover materials, labour and transport, are capitalised at their respective consideration cost in the “Internal company works” heading, only when the following requirements are met: (a) the tangible fixed assets produced are identifiable; (b) there is a strong probability that the tangible fixed assets will generate future economic benefits; and (c) the development costs are reliably measurable.

**3.23. Recognition of project costs and returns**

The Company records project costs and returns taking into account the work carried out and their phase of completion. Thus, invoicing issued for work not yet carried out is recorded in the heading for “Deferrals” in liabilities, receipts to be invoiced relating to work in progress are recorded in the “Customers by accrued revenue” heading and costs related to works carried out and not yet invoiced are recorded as products and works in progress in the “Inventories” heading.

### **3. Principal accounting policies, judgments and estimates (Continued)**

#### **3.24. Financial assets and liabilities**

Financial assets and liabilities are recorded on the balance sheet when the Company is party to the corresponding contractual provisions, classified at cost or amortised cost.

##### **(a) Financial assets and liabilities at cost or amortised cost**

The “at cost or amortised cost” category is used for those financial assets and liabilities that have the following characteristics: (a) are on demand or with a defined maturity; (b) are associated with a fixed or determinable return; and (c) are not, and do not include, a financial derivative.

The financial assets and liabilities covered in this category are measured at cost or amortised cost, less accumulated impairment losses (in the case of financial assets) and essentially correspond to the following assets and liabilities headings in the Company’s balance sheet:

- Group shareholders and companies
- Customers
- Customers by accrued revenue and creditors by accrued expenses
- Advances to suppliers and from customers
- State and other public entities
- Other accounts receivable and payable
- Other financial assets and liabilities
- Cash and bank deposits
- Financing obtained
- Suppliers and investment suppliers

The amortised cost is determined via the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts throughout the expected life of the financial instrument for the net recorded amount of the financial asset or liability.

##### **(b) Impairment of financial assets**

Financial assets classified in the “at cost or amortised cost” category are subject to impairment tests at the end of each financial year. Such financial assets are impaired when there is objective evidence that, as the result of one or more events occurring after the initial recognition, their estimated future cash flows will be negatively affected.

For those financial assets measured at amortised cost, the impairment loss corresponds to the difference between the asset’s recorded value and the current value of the new estimated future cash flows discounted at the original effective interest rate. For financial assets measured at cost, the impairment loss corresponds to the difference between the recorded value of the asset and the best estimate of the asset’s fair value.

If there is a subsequent reduction in the impairment loss due to an event that took place after the loss was initially recorded, the impairment must be reversed in the results. This reversal is made up to the limit of the amount that would be recorded, if the loss was not initially recorded.

Impairment losses and respective reversions are essentially recorded in results under the “Impairment to debts receivable (losses/reversions)” heading.



**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

**(c) Derecognition of financial assets and liabilities**

The Company only derecognises financial assets when contractual rights to the cash flows from these assets expire, or when the financial assets and all significant risks and benefits associated with their ownership are transferred to another entity. Transferred financial assets are derecognised where the Company retains some significant risks and benefits on condition that control over them has been transferred.

The Company only derecognises financial liabilities when the corresponding obligation is settled, cancelled or expires.

**3.25. Main accounting estimates and judgements**

In preparing the financial statements in accordance with the NCRFs, the Company's Board of Directors used estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on experience of previous events and other factors, including expectations about future events considered probable in light of the circumstances on which the estimates are based or as the result of information or experience acquired.

The most significant accounting estimates reflected in the financial statements are as follows:

**(a) Post-employment benefits**

The current value of post-employment benefit responsibilities is calculated based on actuarial methodologies, which use certain actuarial assumptions that are revised annually by the Company. Any changes to these assumptions will have an impact on the accounting values of the responsibilities. The main actuarial assumptions used are described in Note 11.

**(b) Goodwill impairment analysis**

The Company tests the goodwill annually with the objective of verifying if it is impaired.

In 2014, the goodwill associated with the telecommunications business in Portugal was tested based on the agreement signed by Oi and Altice to transfer business in Portugal (Notes 1 and 8). To this end, the recoverable value was calculated using the enterprise value attributed by Altice to the business in Portugal (7.4 million euros) as a starting point, from which was subtracted (1) an estimate of the value attributable to the business in Portugal that is not, directly or indirectly, that of Meo Comunicações, which essentially relates to business support companies, (2) the deferred payment that depends on future revenue from PT Portugal (500 million euros), and (3) the net debt (debt less cash and equivalents), retirement benefit responsibilities (net of fiscal effect) and other financial liabilities of the companies involved in this transaction on 31 December 2014. The estimate for these corrections to the sale price was determined based on the best available information on the date the financial statements were prepared. Please note that they will have to be revised based on the assessed values on the date the operation is actually completed.

**(c) Useful life of tangible and intangible fixed assets**

The Company used estimates for ascertaining the useful life of tangible fixed assets and intangible assets.

**(d) Recognition of provisions**

The Company is involved in various pending legal cases for which, based on its lawyers' opinion, a judgement was made to determine the recognition of any provision to be made against these contingencies.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**3. Principal accounting policies, judgments and estimates (Continued)**

**(e) Recognition of impairments**

Impairments to accounts receivable are essentially calculated based on the age of the accounts receivable, the risk profile of the customers and their financial situation.

**(f) Determination of fair value for assets measured via the revaluation model**

The Company used the revaluation model to measure the “Land and natural resources” and “Buildings and other constructions” asset classes. To determine the reassessed value of the property in the “Land and natural resources” and “Buildings and other constructions” asset classes, the Company, with support from independent external evaluators, determined their fair value using specific indicators related to the property market.

The estimates were determined based on the best available information on the date the financial statements were prepared. However, there may be situations in subsequent periods that, as they were not foreseeable on that date, were not taken into account in these estimates. As set out in “NCRF 4 Accounting Policies, Changes to Accounting Estimates and Errors” (“NCRF 4”), changes to these estimates that occur after the date of the financial statements are corrected in later results. For this reason, and given the associated degree of uncertainty, the actual results of the transactions in question may differ from the corresponding estimates.

**3.26. Events occurring after the balance date**

Those events occurring after the balance date that provide additional information about conditions on the balance date are reflected in the financial statements. Those events occurring after the balance date that provide additional information about conditions that occur after the balance date are not reflected in the financial statements, and are only disclosed when materially relevant.

**4. Cash Flows**

For cash flow demonstration purposes, the “Cash and cash equivalents” heading includes cash, on-demand bank deposits and other short-term investments that are highly liquid and have initial maturities of up to three months, net of bank overdrafts.

The Company is subject to a liquidity risk if sources of financing, such as available cash, operating cash flows and cash flows arising from divestment and financing operations, do not meet current needs, such as cash outflows related to operating and financing activities, investments and debt repayment. Based on the cash flows generated by its operations, available cash and the possibility of obtaining financing from PT Portugal within the centralised treasury system implemented in the Group, the Company believes it has the capacity to meet its obligations.

As mentioned above, following the merger by incorporation of Meo, S.A. (formerly TMN) into PT Comunicações, the statement of cash flow for the financial year ending on 31 December 2014 includes Meo, S.A.’s (formerly TMN) cash flows since 1 January 2014, which is why it is not directly comparable with the statement for the financial year ending on 31 December 2013. This situation explains the increases in total flows from operational activities, specifically receipts from customers, payments to suppliers, payments to staff and other net payments.

The cash flow statement was drawn up in accordance with “NCRF 2 Cash Flow Statement”, with the following notable aspects:

**(a) Company Tax receipts (payments)**

The Company adheres to the Special Tax Regime for Company Groups (“RETGS”) adopted by PT Portugal, whereby the estimates for Company Tax and retentions made by third parties are recorded

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**4. Cash Flows (Continued)**

on the balance sheet as PT Portugal accounts payable and receivable (Note 12). The Company showed a tax loss in both 2014 and 2013, and in line with the policy defined by the Group did not receive any RETGS amount from the parent company arising from utilisation of this tax loss. The receipts of EUR 5,577,762 in the 2014 financial year and the payments of EUR 6,289,893 in the 2013 financial year essentially relate to retentions at source.

(a) Cash receipts from financial investments

In the 2014 and 2013 financial years, this heading is comprised of the following:

	2014	2013
	euros	
Liquidation of Infonet—Serviços de Valor Acrescentado, Lda ('Infonet') . . . . .	173,756	—
Capital reduction of PT Cloud e Data Centers, S.A. ('PT Cloud') (Note 22.5) . .	600	—
Disposal of CTM (Notes 1(b) and 20(b)) . . . . .	—	35,966,391
Disposal of WTVision—Sistemas Informáticos para Televisão ('Wisdom Television') . . . . .	—	500,000
Disposal of PT Brasil (Notes 1(b) and 10) . . . . .	—	8,869
	<b><u>174,356</u></b>	<b><u>36,475,260</u></b>

(b) Cash receipts from loans granted

In the 2014 and 2013 financial years, this heading is comprised of the following:

	2014	2013
	euros	
Repayment of loans granted to Fibroglobal Comunicações Electrónicas, S.A. ('Fibroglobal') . . . . .	6,265,000	—
Repayment of loans granted to INESC . . . . .	131,124	—
Repayment of loans granted to Meo, S.A.—previously TMN (Note 35) . . . . .	—	340,000,000
	<b><u>6,396,124</u></b>	<b><u>340,000,000</u></b>

(c) Cash receipts from dividends

In the 2014 and 2013 financial years, Meo Comunicações received dividends from the following entities:

	2014	2013
	euros	
PT Móveis (Note 10) . . . . .	3,599,994,540	—
Multicert (Note 10) . . . . .	235,706	—
CTM <sup>(i)</sup> . . . . .	—	2,703,029
	<b><u>3,600,230,246</u></b>	<b><u>2,703,029</u></b>

(i) The amounts received from this affiliate differ from the amounts attributed of Euro 2,759,950 in 2013 (Note 20), as a result of exchange rate differences between the date of attribution and the date of payment of the dividends.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**4. Cash Flows (Continued)**

(d) Payments related to financial investments

In the 2014 and 2013 financial years, this heading is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Acquisition of INESC <sup>(i)</sup> .....	2,884,073	—
Acquisition of Vortal <sup>(i)</sup> .....	99,655	—
Acquisition of Sportinveste Multimédia (Notes 1 (b) and 20) .....	—	32,618,669
Acquisition of Yunit (Notes 1 (b) and 10) .....	—	2,228,329
Constitution of the joint venture Auto Sapo (Notes 1 (b) and 10) .....		
—Paid-up share capital .....	—	25,000
—Supplementary capital contributions .....	—	150,000
Acquisition of Multicert (Notes 1 (b) and 10) .....	—	10
	<u><b>2,983,728</b></u>	<u><b>35,022,008</b></u>

(i) These companies were acquired in December 2013 (Note 1 (b)), and the respective acquisition price was paid in 2014. The acquisition price of INESC includes EUR 1,995,192 for the acquisition of the stake, which is fully adjusted in these financial statements, and EUR 888,882 for the acquisition of the loans granted to this entity.

(e) Cash receipts (payments) relating to loans obtained

In the 2014 and 2013 financial years, cash receipts from loans obtained, net of repayments from loans obtained, is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Loans obtained from PT Portugal (Note 23.1) .....	2,266,355,460	252,000,000
Finance lease contracts and other financing .....	(18,248,204)	(16,650,977)
Cash receipts (payments) under the centralised treasury system ....	(325,239,461)	224,360,440
Payments made under commercial paper programmes .....	<u>(2,523,350,000)</u>	<u>(592,000,000)</u>
	<u><b>(600,482,205)</b></u>	<u><b>(132,290,537)</b></u>

(f) Cash receipts from tangible assets

Cash receipts in 2014 totalling EUR 57,733,689 mainly concern the disposal of tangible assets to Group companies, mainly PT Cloud e Data Centers and PT Inovação e Sistemas, in connection with the internal structuring of the Group.

(g) Payments relating to tangible and intangible assets

The increase in payments relating to intangible assets mainly reflects payments made by Meo, S.A. (formerly TMN) relating to loyalty contracts concluded with customers. With regard to payments relating to tangible fixed assets, the payments from Meo, S.A. from 1 January 2014 were more than offset by the significant reduction in investments made by the Company in 2014 in comparison with 2013, which also led to a relevant reduction in the respective payments.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**4. Cash Flows (Continued)**

(h) Cash and cash equivalents

On 31 December 2014 and 2013, this heading was comprised of the following:

	<u>2014</u>	<u>2013</u>
	<u>euros</u>	
Cash .....	7,929,454	1,078,695
Demand deposits .....	<u>17,529,312</u>	<u>20,658,318</u>
<b>Cash and bank deposits .....</b>	<b><u>25,458,766</u></b>	<b><u>21,737,013</u></b>

**5. Changes in accounting policies and estimates and errors**

In 2014, the Company changed the valuation method of the duct network from the previous revaluation model to the acquisition cost method. For the purpose of determining the fair value of these assets under the revaluation model, the Company used the depreciated replacement cost method, a method provided for only in the IFRS and not in the SNC. The revaluation method was initially adopted by the Company in 2008, when the financial statements were prepared under the POC (National Plan of Accounts), and maintained in 2010 within the scope of the adoption of the SNC, mainly for reasons of consistency with the consolidated accounts of Portugal Telecom (the previous shareholder of PT Portugal), which were prepared under the IFRS. Both PT Portugal, within the scope of the consolidated accounts that it prepared for the first time in 2014 in accordance with the IFRS, and Oi, the parent company of the Group since May 2014 (Note 1), chose to adopt the cost method for the valuation of the duct network, using the previous revalued value as deemed cost. For this reason, to maintain consistency with the consolidated accounts of PT Portugal and Oi and considering that the replacement cost itself is not provided for in the SNC, the Company opted to change the accounting policy in relation to the valuation of the duct network to the cost method. Given that the Company has not carried out any positive revaluation since 1 January 2009—the transition date to the SNC—this change in accounting policy did not have any impact on the equity or the net income.

In 2014, the Company began to present in the balance sheet the movements in deferred tax assets and liabilities at their net book value, and therefore to ensure comparability of the financial statements, the balances of these headings for 2013 were netted and presented in the balance sheet also at net value.

No new or revised standards or interpretations were adopted during the 2014 financial year and, in addition to the above, no voluntary changes to other accounting policies occurred nor were there any changes in accounting estimates.

In the 2014 financial year, the Company did not adjust its financial statements due to any corrections of material errors of previous financial years.

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

6. Tangible fixed assets

6.1. Movements in tangible fixed assets

During the financial years ended on 31 December 2014 and 2013, the movements in tangible fixed assets were as

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	2014					
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tangible fixed assets
<b>Gross amounts</b>					euros	
Opening balance	176,660,561	848,736,929	9,158,390,923	45,479,934	871,660,948	56,683,4
MEO merger (Note 1 (b))	1,022,830	367,493,914	1,136,215,957	9,300,439	340,444,915	5,959,9
Acquisitions	1,247	11,888,482	209,560,806	3,871,539	55,332,793	865,9
Disposals	—	(10,958,472)	(13,518,334)	(7,596,317)	(73,296,179)	(4,5
Transfers and write-downs	1,649,760	5,388,544	(12,398,141)	(2,737,595)	40,544,035	(218,7
<b>Closing balance</b>	<b>179,334,398</b>	<b>1,222,549,397</b>	<b>10,478,251,211</b>	<b>48,318,000</b>	<b>1,234,686,512</b>	<b>63,286,0</b>
<b>Accumulated depreciation</b>						
Opening balance	9,803,584	494,594,753	7,160,541,461	30,011,479	809,798,522	55,119,6
MEO merger (Note 1 (b))	—	245,879,379	862,970,305	6,189,613	307,592,255	5,422,9
Depreciation for the financial year (Note 34)	—	36,160,989	407,135,049	5,857,298	67,098,247	715,0
Disposals	—	(5,902,670)	(9,811,031)	(6,966,602)	(63,780,889)	(4,5
Transfers and write-downs	32,477	(7,681,993)	(46,927,264)	(2,365,791)	(9,345,097)	(280,3
<b>Closing balance</b>	<b>9,836,061</b>	<b>763,050,458</b>	<b>8,373,908,520</b>	<b>32,725,997</b>	<b>1,111,363,038</b>	<b>60,972,6</b>
<b>Net amounts</b>	<b>169,498,337</b>	<b>459,498,939</b>	<b>2,104,342,691</b>	<b>15,592,003</b>	<b>123,323,474</b>	<b>2,313,3</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**  
**Notes to the Financial Statements (Continued)**  
**At of 31 December 2014**  
(Amounts expressed in euros)

**6. Tangible fixed assets (Continued)**

	2013					
	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other tang fixed asse
	euros					
<b>Gross amounts</b>						
Opening balance .....	177,472,511	851,287,703	8,986,844,412	48,003,165	833,992,690	56,927,9
Acquisitions .....	9,477	2,758,641	253,738,657	6,285,577	20,945,471	329,5
Disposals .....	(488,338)	(2,501,788)	(2,521,540)	(2,180,702)	(163,857)	(1,3
Transfers and write-downs .....	(333,089)	(2,807,627)	(79,670,606)	(6,628,106)	16,886,644	(572,7
<b>Closing balance .....</b>	<b>176,660,561</b>	<b>848,736,929</b>	<b>9,158,390,923</b>	<b>45,479,934</b>	<b>871,660,948</b>	<b>56,683,4</b>
<b>Accumulated depreciation</b>						
Opening balance .....	9,732,669	467,304,995	6,913,921,393	33,482,364	755,136,578	55,083,1
Depreciation for the financial year (Note 34) .....	—	33,751,392	353,831,574	3,829,365	56,580,131	610,5
Disposals .....	(44,103)	(1,697,784)	(2,362,750)	(2,062,488)	(110,915)	(1,3
Transfers and write-downs .....	115,018	(4,763,850)	(104,848,756)	(5,237,762)	(1,807,272)	(572,7
<b>Closing balance .....</b>	<b>9,803,584</b>	<b>494,594,753</b>	<b>7,160,541,461</b>	<b>30,011,479</b>	<b>809,798,522</b>	<b>55,119,6</b>
<b>Net amounts .....</b>	<b>166,856,977</b>	<b>354,142,176</b>	<b>1,997,849,462</b>	<b>15,468,455</b>	<b>61,862,426</b>	<b>1,563,8</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**6. Tangible fixed assets (Continued)**

In 2014 and 2013, the additions which occurred under the headings 'Basic Equipment', 'Administrative Equipment' and 'Tangible fixed assets in progress' mainly refer to the acquisition of software, network infrastructures and customer terminal equipment with a particular focus on the subscription television business and the reinforcement of the mobile data capacity and the quality of the respective network, as well as the expansion of the 3G/3.5G and 4G mobile networks.

**6.2. Revaluations**

In 2008, PT Comunicações changed the accounting policy with regard to real estate assets and the duct network, from the cost model to the revaluation model. The revaluations of the real estate assets and duct network were recognised on 30 June and 30 September 2008 and resulted in the revaluation of these assets in 208,268,320 euros and 866,764,702 euros, respectively. As mentioned in Note 5, following the adoption of the SNC in 2010, the Company maintained as the accounting policy the use of the revaluation model for these two classes of assets, and in the case of the duct network changed to the cost model in December 2014. Revaluations of real estate assets are carried out regularly, assessing at any one time any possible indications that may result in a significant change to the revalued value of these assets.

The calculation of the market value of real estate assets was carried out by an independent entity based primarily on: (i) observable prices in an active market or calculated from recent market transactions; (ii) the profitability method for commercial and administrative real estate; and (iii) the cost of acquiring or producing a similar property intended for the same use, in the case of technical buildings. Under the first methodology, the main assumptions used in 2008 were the discount rate (average of 8%) and the monthly rent per square metre (average of 6 euros).

In 2011, the Company carried out a new revaluation of the real estate assets and duct network, using the above methodologies. These revaluations were carried out effective as at 31 December 2011 and resulted in a net reduction of tangible assets amounting to EUR 131,418,996, including EUR 126,167,563 recognised directly in equity under the heading 'Revaluation surplus' and impairment losses of EUR 5,251,433 recognised in profit and loss. These impacts are split between real estate assets and the duct network as follows:

- A reduction in the carrying value of the duct network amounting to EUR 189,372,570, recognised directly in equity, to be deducted from the revaluation reserves for those assets; and
- A net increase in the carrying value of the real estate assets amounting to EUR 57,953,574, including a gain of EUR 63,205,007 recorded directly in Equity and a loss of EUR 5,251,433 recorded in the Income Statement. The increase in the carrying value of real estate assets recognised as a result of this revaluation reflects mainly the impact of the depreciation and amortisation expenses recorded over the last three years, the effect of which has more than offset the decrease in the fair value of these real estate assets. With regard to the main assumption implicit in this revaluation, the monthly rent per square metre of the revalued real estate assets, both in 2008 and 2011, remained relatively stable at 6 euros, although the monthly rent per square metre of all the real estate assets revalued in 2011 increased to approximately 7 euros, as a result of real estate assets acquired in 2009 and 2010.

With regard to the duct network, no new revaluations of this class of assets will be carried out and therefore the only movement with the remainder revaluation surplus on 31 December 2014 will be the transfer to retained earnings of the portion corresponding to the amortisation of the respective assets.

The amortisation of the increase in value resulting from the revaluation reserve of the real estate assets amounted to around 8 million euros and 9 million euros in the 2014 and 2013 financial years, respectively. If these assets had been recognised in accordance with the cost model, the carrying amount of the real estate assets on 31 December 2014 would have been reduced by approximately 171 million euros.



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**Notes to the Financial Statements (Continued)**

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(Amounts expressed in euros)

**6. Tangible fixed assets (Continued)**

With regard to other classes of assets which have been revalued prior to the date of transition to the NCRF, mainly under legislation, the Company opted, within the scope of the adoption of the new accounting standards, to consider the carrying value on the date of transition as the respective cost, as permitted by the exception provided in Paragraph 10 of NCRF 3, and therefore these assets are valued in accordance with the cost model.

In accordance with the legislation in force, a portion of 40% of depreciations resulting from legal revaluations carried out in previous years and the total depreciations resulting from free revaluations recognised in 2008 are not deductible for the purposes of determining the corporate taxable amount (except for revaluations resulting from Decree-Law No 126/77 of 2 April, which are accepted in their entirety). Therefore, the Company has registered a deferred tax liability corresponding to the revaluation surplus to be realised (Note 15).

**6.3. Other situations regarding tangible fixed assets**

During the financial years ended on 31 December 2014 and 2013, in the carrying amount of tangible fixed assets and intangible fixed assets in progress the following expenses were included:

	<u>2014</u>	<u>2013</u>
	euros	
Inventories . . . . .	1,487,034	4,062,335
Personnel expenses . . . . .	45,085,374	39,920,165
Other expenses and losses . . . . .	5,327,100	5,654,791
	<u><b>51,899,508</b></u>	<u><b>49,637,291</b></u>

The nature of the main capitalised projects, using own work, is related to the planning, supervision and monitoring of the installation of customer terminal equipment, in particular IPTV equipment and the installation of the Fibre-to-the-Home ('FTTH') network.

With regard to tangible fixed assets, the following situations should also be mentioned, expressed at the respective net book values on 31 December 2014:

- There are buildings built on third party property worth a total of EUR 4,635,582;
- EUR 6,495,359 worth in real estate assets belonging to the Company were not yet registered in its name;
- The Company has tangible fixed assets in possession by third parties of a net value of EUR 18,205,963.
- The Company has tangible fixed assets located abroad with a net book value of EUR 8,509,955, the most important being stakes in submarine cable consortia with no landing point in Portugal;

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**7. Investment properties**

During the financial years ended on 31 December 2014 and 2013, the movements under this heading were as follows:

	2014	2013
	euros	
<b>Gross amounts</b>		
Opening balance . . . . .	21,224,653	16,792,420
Additions . . . . .	—	4,432,233
Transfers, regularisations and other movements . . . . .	(7,392,892)	—
<b>Closing balance</b> . . . . .	<b>13,831,761</b>	<b>21,224,653</b>
<b>Accumulated amortisation and impairment losses</b>		
Opening balance . . . . .	8,237,602	7,928,583
Amortisation for the financial year (Note 34) . . . . .	346,876	1,120,137
Transfers, regularisations and other movements . . . . .	325,019	(811,118)
<b>Closing balance</b> . . . . .	<b>8,909,497</b>	<b>8,237,602</b>
<b>Net value</b> . . . . .	<b>4,922,264</b>	<b>12,987,051</b>

Land and buildings which on 31 December 2014 and 2013 were vacant, rented out or not connected to the operational activity were classified under this heading, in accordance with the accounting policy adopted by the Company.

These assets are recorded at acquisition cost net of accumulated amortisation and any impairment losses. The Company carries out regular assessments of these real estate assets. On 31 December 2014, the net book value of real estate assets with an acquisition cost above EUR 50,000 amounted to approximately 4.5 million euros, and the corresponding market value amounted to 6.5 million euros.

In the financial years ended on 31 December 2014 and 2013, the Company obtained rents for the rental of these properties amounting to EUR 621,088 and EUR 620,062 respectively, which were classified under the heading “Other income and gains” (Note 32).

**8. Goodwill**

On 31 December 2014 and 2013, the goodwill calculated following the acquisition of subsidiaries, some of which were merged through incorporation into the Company, amounted to EUR 1,885,612,058 and EUR 2,982,442,403, respectively.

On 1 January 2014, following the incorporation of Meo, S.A. (formerly TMN), goodwill was classified under this heading amounting to EUR 10,169,655 (Note 1 (b)) which was recorded in Meo, S.A. as a result of the acquisition of the entity PT Wi-Fi, which had been merged in previous years in TMN.

For the purpose of the impairment analysis on 31 December 2014, the recoverable amount of goodwill included under this heading was calculated on the basis of the offer from Altice for the acquisition from Oi of the domestic businesses of PT Portugal, as explained in Notes 1 and 3.25. As a result of this analysis, a loss of 1.107 billion euros was calculated (Notes 15.3 and 33), as a result of which goodwill was reduced from 2.993 billion euros to 1.886 billion euros. This impairment reflects the difference between (Note 3.25) (1) the value attributed to the enterprise value of the domestic businesses in the offer from Altice (7.4 billion euros) less an estimate of the value attributable to businesses in Portugal which do not directly or indirectly belong to Meo Comunicações (0.1 billion euros), the deferred payment which refers to future revenues (0.5 billion euros), post-retirement benefits (0.9 billion euros) and other financial liabilities (0.3 billion euros), totalling 5.6 billion euros, and (2) the book value of these domestic businesses, amounting to 6.7 billion euros, which does not include the net debt and investments in international operations, as foreseen in the offer from Altice.

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Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

9. Intangible assets

During the financial years ended on 31 December 2014 and 2013, the movements in intangible assets were as follows:

	2014			Total
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	
	euros			
<b>Gross amounts</b>				
Opening balance . . . . .	508,412,395	1,474,072	3,819,458	513,705,925
MEO merger (Note 1 (b)) . . . . .	3,313,448,969	2,993,745	185,534	3,316,628,248
Acquisitions . . . . .	89,266,664	24,885	3,808,374	93,099,923
Disposals . . . . .	(1,694,157)	—	—	(1,694,157)
Transfers and write-downs . . . . .	(18,187,564)	85,314	(3,592,025)	(21,694,275)
<b>Closing balance . . . . .</b>	<b>3,891,246,307</b>	<b>4,578,016</b>	<b>4,221,341</b>	<b>3,900,045,664</b>
<b>Accumulated amortisation and impairment losses</b>				
Opening balance . . . . .	300,171,417	745,130	—	300,916,547
MEO merger (Note 1 (b)) . . . . .	1,077,484,606	2,668,189	—	1,080,152,795
Amortisation for the financial year (Note 34) . . . . .	273,409,296	592,748	—	274,002,044
Disposals . . . . .	(1,197,840)	—	—	(1,197,840)
Transfers and write-downs . . . . .	(21,568,595)	(13,301)	—	(21,581,896)
<b>Closing balance . . . . .</b>	<b>1,628,298,884</b>	<b>3,992,766</b>	<b>—</b>	<b>1,632,291,650</b>
<b>Net intangible assets . . . . .</b>	<b>2,262,947,423</b>	<b>585,250</b>	<b>4,221,341</b>	<b>2,267,754,014</b>
	2013			
	Industrial property and other rights	Other intangible assets	Intangible assets in progress	Total
	euros			
<b>Gross amounts</b>				
Opening balance . . . . .	503,370,847	708,092	1,049,571	505,128,510
Acquisitions . . . . .	4,004,860	249,498	3,589,224	7,843,582
Disposals . . . . .	(9,379)	—	—	(9,379)
Transfers and write-downs . . . . .	1,046,067	516,482	(819,337)	743,212
<b>Closing balance . . . . .</b>	<b>508,412,395</b>	<b>1,474,072</b>	<b>3,819,458</b>	<b>513,705,925</b>
<b>Accumulated amortisation and impairment losses</b>				
Opening balance . . . . .	269,518,825	337,007	—	269,855,832
Amortisation for the financial year (Note 34) . . . . .	30,796,864	408,123	—	1,204,987
Disposals . . . . .	(1,042)	—	—	(1,042)
Transfers and write-downs . . . . .	(143,230)	—	—	(143,230)
<b>Closing balance . . . . .</b>	<b>300,171,417</b>	<b>745,130</b>	<b>—</b>	<b>300,916,547</b>
<b>Net intangible assets . . . . .</b>	<b>208,240,978</b>	<b>728,942</b>	<b>3,819,458</b>	<b>212,789,378</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**9. Intangible assets (Continued)**

In 2014 and 2013, the additions to the heading 'Industrial property and other rights' mainly refer to (i) the acquisition of software licences relating to projects for the development of new applications and functionalities in the commercial, financial and logistics areas of the business and (ii) expenses incurred with loyalty contracts concluded with customers of mobile operations, which are amortised over the period of such contracts.

On 31 December 2014, the net book value of the heading 'Industrial property and other rights' mainly includes:

- An amount of 1,912.7 billion euros relating to GSM, 3G and 4G licences, which reflects, net of accumulated amortisations, the following effects: (1) the acquisition cost of the 3G licence in 2000 (133 million euros); (2) the acquisition cost of the 4G licence in 2011 (106 million euros); (3) the value of the commitments made by TMN in 2000 to make contributions to the information society during the length of the licence (242 million euros); and (4) the adjustment to the market value calculated within the scope of the allocation of the purchase price of the investment in TMN in December 2010 (Note 1);
- An amount of 154.5 million euros relating to the acquisition of the full ownership of the Basic Network by Meo, S.A. from the Portuguese State, completed in December 2002 and which corresponds to the gross value capitalised in 2002 amounting to 339.9 million euros, net of the corresponding accumulated amortisation;
- An amount of 83.8 million euros corresponding to the fair value of the customer lists of Meo, S.A. (previously TMN) which were recognised within the scope of the allocation of the purchase price of the investment in TMN in December 2010 (Note 1);
- An amount of 55 million euros relating to the recognition of the investment under an infrastructure partnership agreement with Vodafone;
- An amount of 23 million euros relating to expenses incurred with binding contracts with customers of pre-paid mobile services, which are being amortised over the length of the respective binding contracts (2 years);
- An amount of 21.5 million euros relating to commitments made in 2011 under the TDT licence (Note 1 (a)); and
- An amount of 9.7 million euros relating to software licences.

In 2014 and 2013, the Company developed Research activities and Development and Innovation activities under which operating expenses and fixed assets, respectively, were recognised amounting to the following:

	<u>2014</u>	<u>2013</u>
	euros	
Tangible assets .....	30,115,801	60,176,061
Intangible assets .....	652,546	563,532
Operating expenses .....	16,257,453	14,565,478
<b>Total .....</b>	<b><u>47,025,800</u></b>	<b><u>75,305,071</u></b>

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Notes to the Financial Statements (Continued)

At of 31 December 2014

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10. Financial investments—Equity accounting method

(a) Movements

During the financial years ended on 31 December 2014 and 2013, the movements under this heading were as follows:

	2014					Total
	Capital held in subsidiary companies Note (12)	Supplementary payments in subsidiary companies	Supplementary payments in associated companies	Capital held in associated companies Note (12)	Loans in associated companies	
	euros					
<b>Gross amounts</b>						
Opening balance	6,916,578,976	150,000	—	3,824,742	3,117,210	6,923,670,928
MEO merger <sup>(a)</sup>	(1,895,604,235)	—	—	—	—	(1,895,604,235)
Reductions	(173,756)	—	—	—	(131,125)	(304,881)
Equity accounting method	129,314,134	—	—	(827,793)	—	128,486,341
Dividends	(3,600,014,330)	—	—	(235,706)	—	(3,600,250,036)
Transfer from the heading non-current assets held for sale	—	—	22,045,934	(19,987,693)	2,595,501	4,653,742
<b>Closing balance</b>	<b>1,550,100,789</b>	<b>150,000</b>	<b>22,045,934</b>	<b>(17,226,450)</b>	<b>5,581,586</b>	<b>1,560,651,859</b>
<b>Impairment losses</b>						
Opening balance	—	—	—	2,992,788	—	2,992,788
<b>Closing balance</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,992,788</b>	<b>—</b>	<b>2,992,788</b>
<b>Net financial investments</b>	<b>1,550,100,789</b>	<b>150,000</b>	<b>22,045,934</b>	<b>(20,219,238)</b>	<b>5,581,586</b>	<b>1,557,659,071</b>

(a) This heading includes (i) the elimination of the financial investment that the Company had recorded on 31 December 2013 with regard to its subsidiary Meo, S.A. (formerly TMN), amounting to EUR 6,914,013,261 (Note 12), and (ii) the financial investments of Meo, S.A. in its subsidiaries which were incorporated into the Company as a result of the merger, totalling EUR 5,018,409,027 (Note 1 (b)), mainly relating to the 100% stake in PT Móveis.

	2013					Total
	Capital held in subsidiary companies Note (12)	Supplementary payments in subsidiary companies	Capital held in associated companies Note (12)	Loans in associated companies		
	euros					
<b>Gross amounts</b>						
Opening balance	7,256,393,289	—	774,495	—	—	7,257,167,784
Increases	25,000	150,000	1,995,202	3,117,210	—	5,287,412
Reductions	(9,390)	—	—	—	—	(9,390)
Equity accounting method	(339,829,923)	—	57,449	—	—	(339,772,474)
Other movements	—	—	997,596	—	—	997,596
<b>Closing balance</b>	<b>6,916,578,976</b>	<b>150,000</b>	<b>3,824,742</b>	<b>3,117,210</b>	<b>—</b>	<b>6,923,670,928</b>
<b>Impairment losses</b>						
Opening balance	—	—	—	—	—	—
Increases	—	—	1,995,192	—	—	1,995,192
Other movements	—	—	997,596	—	—	997,596
<b>Closing balance</b>	<b>—</b>	<b>—</b>	<b>2,992,788</b>	<b>—</b>	<b>—</b>	<b>2,992,788</b>
<b>Net financial investments</b>	<b>6,916,578,976</b>	<b>150,000</b>	<b>831,954</b>	<b>3,117,210</b>	<b>—</b>	<b>6,920,678,140</b>

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

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**10. Financial investments—Equity accounting method (Continued)**

**(b) Increases**

In the financial year ended on 31 December 2013, the increase in the gross value of the financial investments recorded by the equity accounting method comprises the following (Note 1 (b)):

	<b>2013</b>
	<b>euros</b>
Acquisition of Yunit—loans (Note 4 (e))	2,228,328
Acquisition of INESC (Notes 4 (e))	
Capital held	1,995,192
Supplementary capital contributions	888,882
Incomposition of Auto Sapo (Note 4 (e))	
Capital held	25,000
Supplementary capital contributions	150,000
Acquisition of Multicert (Note 4 (e))	10
	<b>5,287,412</b>

**(c) Reductions**

In the financial years ended on 31 December 2014 and 2013, the reduction in the gross value of the capital held in subsidiary companies comprises the following:

	<b>2014</b>	<b>2013</b>
	<b>euros</b>	
Liquidation of Infonet <sup>(a)</sup>	173,756	—
Amortisation of loans granted to INESC	131,125	—
Sale of PT Brasil <sup>(b)</sup>	—	9,390
	<b>304,881</b>	<b>9,390</b>

(a) The liquidation of Infonet, in which the Company held 90% of the capital, occurred in 2014 and the result of the share amounted to EUR 173,756, corresponding to the proportional share held in the share capital of this associated company.

(b) This heading refers to the disposal of the financial investment held in PT Brasil, for the amount of EUR 8,869 (Notes 1 (b) and 4 (b)), with a calculated accounting loss of EUR 521 (Note 27).

**(d) Equity accounting method**

In the financial years ended on 31 December 2014 and 2013, the movements occurred in the capital held in subsidiary and associated companies resulting from the application of the equity accounting method were recorded as follows:

	<b>2014</b>	<b>2013</b>
	<b>euros</b>	
Gains (losses) in invested companies, net (Note 27)	(1,016,378,810)	201,666,539
Adjustments in financial assets (Note 21.5)	1,144,865,151	(541,439,013)
	<b>128,486,341</b>	<b>(339,772,474)</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

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(Amounts expressed in euros)

**10. Financial investments—Equity accounting method (Continued)**

**(e) Dividends**

In the financial year ended on 31 December 2014 the dividends attributed by invested companies recorded in accordance with the equity accounting method comprise the following:

	<u>2014</u>
	<u>euros</u>
PT Móveis (Note 4) .....	3,599,994,540
Multicert (Note 4) .....	235,706
PT Blueclip .....	19,790
	<u><b>3,600,250,036</b></u>

**(f) Investments in Sportinveste**

The transfer in 2014 from the heading of non-current assets held for sale to the heading of financial investments refers to the investment in Sportinveste Multimédia, whose stake was reclassified following the decision by the Competition Authority on 31 July 2014, prohibiting the merger relating to the acquisition of the joint control of the companies Sport TV Portugal, S.A. ('Sport TV'), Sportinveste Multimédia and P.P. TV—Publicidade de Portugal e Televisão, S.A. ('PP TV') by Controlinveste Media, SGPS ('Controlinveste'), of NOS, SGPS, S.A. ('NOS'), previously called ZON Optimus, and Portugal Telecom (Notes 12 and 20 (a)). The investment in Sportinveste Multimédia includes supplementary capital contributions amounting to 30 million euros net of an impairment of 8 million euros and a provision for the negative equity of the company excluding supplementary capital contributions amounting to 17.2 million euros. To these amounts loans granted to this invested company amounting to 2.6 million euros should also be added.

**(g) Investment in PT Móveis**

As mentioned above, as a result of the merger of Meo, S.A. (formerly TMN), the company ended up with a direct stake of 100% in PT Móveis, whose value amounted to EUR 1,546,797,293 on 31 December 2014.

This entity, as mentioned above, on 2 May disposed of the stake it previously held in Bratel BV (Note 1 (b)) and acquired on the same date from Portugal Telecom the 100% stake that this entity held in PT Participações. PT Participações holds, directly or indirectly, the investments in the international businesses of Grupo PT Portugal, namely the subsidiaries Mobile Telecommunications Limited ('MTC') (direct stake of 34%), LTM—Listas Telefónicas de Moçambique ('LTM') (direct stake of 50%), Cabo Verde Telecom ('CVT') (direct stake of 40%) and CST—Companhia Santomense de Telecomunicações, SARL ('CST') (direct stake of 51%). These African entities provide fixed and mobile telecommunications services and are directly or indirectly held by Africatel Holdings BV, a subsidiary of PT Participações in which that entity has an economic stake of 75%. In addition, PT Participações also holds an economic stake in Timor Telecom, an entity which provides mobile telecommunications services.

In addition to the investments mentioned above, PT Participações holds, through PT Ventures, SGPS, S.A. ('PT Ventures'), a direct stake of 25% in Unitel, SARL ('Unitel'), an entity which provides mobile telecommunications services in Angola. PT Ventures is a wholly-owned subsidiary of Africatel Holdings BV, 75% of which, in turn, is held by PT Portugal, thus resulting in the Group holding an actual stake of 18.75% in Unitel. The minority stake of PT Ventures in Unitel does not grant it a significant influence on financial, operating and strategic policies, as it does not have the representation on the Board of Directors of Unitel to enable it to participate in the process of defining those policies, including decisions on the payment of dividends, relevant commercial relations or the

#### 10. Financial investments—Equity accounting method (Continued)

replacement of executives. Therefore, in accordance with standards IAS 32 and IAS 39, the investment in Unitel was initially classified as available for sale and consequently measured at fair value.

In September 2014, Oi announced its intention to dispose of all international assets except for the operations in Portugal, which is why the investments listed above, including the businesses in Africa and Timor, were reclassified as non-current assets held for sale for the purpose of presentation in the consolidated accounts of PT Portugal and in the accounts of the entities which directly hold those investments.

As a result of the acquisition of PT Participações, the Company became subject to the inherent risks of the operations and investments of PT Participações, including mainly the risks described below related to the investment in Unitel and with the other international operations.

***The amount for which the indirect investment in Unitel was recorded in the accounts represents most of the purchase price of PT Participações. Any reduction in the value of this investment may have a material adverse effect on the businesses, financial situation and operating results of the Company.***

The market value of the investment in Unitel (1.328 billion euros) and the dividends to be received from this entity (390 million euros), net of the minority stake of 25% of Africatel Holdings, represent approximately 80% of the total paid for the acquisition of PT Participações, less the cash available on the date of the operation, and is even greater than the Company's equity. Subsequently, the book value of the indirect investment of the Company in Unitel will be measured at fair value and submitted to an impairment test, when events or changes in circumstances indicate that the value of its indirect investment in Unitel may be lower. With regard to the assessment of the realisation value in December 2014, the Company noted the change in some of the assumptions of the initial assessment, namely related to the devaluation of the kwanza against the dollar in the first months of 2015, the review in March 2015 of the rating attributed by Moody's to Angola from 'stable' to 'negative', although the sovereign rating remains at Ba2, and the implementation of a new contribution on foreign exchange operations. Other economic measures applicable in Angola and not controlled by the Company may result in a review of the value of the investment in Unitel. Any reduction in the market value of the indirect investment in Unitel may have a material adverse effect on the businesses, financial situation and operating results of the Company.

***The Company cannot be certain when PT Ventures will obtain the amounts relating to the dividends declared and not paid by Unitel, or that it will be able to obtain the dividends which may be declared by Unitel in relation to 2013 or subsequent fiscal years.***

Since November 2012, PT Ventures has not received payments from Unitel in relation to the amounts owed by Unitel in respect of dividends declared by Unitel for the 2012, 2011 and 2010 financial years. Unitel declared dividends in favour of PT Ventures totalling 190 million dollars relating to the 2012 financial year, 190 million dollars relating to the 2011 financial year and 157.5 million dollars relating to the 2010 financial year. To date, PT Ventures has not received 93.8 million dollars of the total of dividends declared by Unitel in respect of the 2010 financial year and has not received any amount in relation to the dividends declared by Unitel in respect of the 2011 and 2012 financial years. Consequently, on 31 December 2014, PT Ventures was owed by Unitel dividends totalling 474 million dollars, equivalent to 390 million euros. On 4 November 2013, the general meeting of Unitel was held, in which the financial statements and the payment of dividends in relation to the 2013 financial year were analysed. PT Ventures did not participate in this meeting, as it did not receive any notice to attend nor were the financial statements and other relevant information regarding the meeting provided to it, despite the fact that PT Ventures requested them on several occasions. Subsequently, PT Ventures did not receive the minutes of the meeting nor was it informed about the decisions taken, despite having made several requests.



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(Amounts expressed in euros)

**10. Financial investments—Equity accounting method (Continued)**

Up to that date, Unitel had not declared dividends for the years ended 31 December 2013 and 2014.

On 25 March 2014, Unitel issued a statement claiming that PT Ventures was not recognized as a shareholder of Unitel and that the Board of Directors of Unitel had notified Portugal Telecom about the existence of an irregularity, which Unitel claims resulted in rendering it unable to pay dividends to PT Ventures until this irregularity was resolved. In June 2014, PT Ventures (formerly called Portugal Telecom Internacional, S.A.) resolved that irregularity with the Angolan Institute of Foreign Investment. In June 2014, PT Ventures issued a Foreign Investment Certificate confirming the current name.

PT Ventures demanded an explanation from Unitel on several occasions about its inability to pay PT Ventures the respective portion of dividends declared. As of this report, PT Ventures has not received any satisfactory explanation regarding the non-payment of dividends, nor has it received any indication of when they will be paid.

The Company can give no assurances as to the time of payment of such dividends or even that it will be able to receive the dividends that may be declared by Unitel in subsequent financial years, and therefore the failure to receive such dividends may have a material adverse effect on the financial position and operating results of the Company.

***The other shareholders of Unitel claimed that the sale of Portugal Telecom's minority stake in Africatel violates the Unitel shareholders' agreement***

The Unitel shareholders' agreement provides for the right of first refusal of the other shareholders if any shareholder wishes to transfer any or all of its Unitel shares, except for transfers to certain subsidiaries. The agreement also provides that the breach of a material obligation by any shareholder allows the other shareholders to buy the participation of such shareholder in Unitel at its net asset value.

The other Unitel shareholders have told PT Ventures that they believe that the sale by Portugal Telecom of a minority stake in Africatel in 2007 constituted a violation of the Unitel shareholders' agreement. PT Ventures, based on the assessment of its external legal advisors, disputes this interpretation regarding the Unitel shareholders' agreement and the Company believes that the relevant provisions of the Unitel shareholders' agreement apply only to a direct transfer of Unitel shares by PT Ventures itself.

Currently, to the best knowledge of the Company, no proceedings relating to the sale of the minority stake in Africatel have been initiated. In the event that the other Unitel shareholders question the sale of such participation in an appropriate forum and a binding decision to this effect is made in favour of the other shareholders, the Company may be forced to sell its indirect stake in Unitel at book value, which is significantly lower than the value at which the Company, through PT Móveis, acquired and recorded in its financial statements the indirect investment in Unitel. The sale of PT Venture's stake in Unitel, in these circumstances, could have a material adverse impact on the financial position and operating results of the Company.

***Other Unitel shareholders claimed that, as a result of Portugal Telecom's inability to offer its indirect stake in Unitel to such shareholders prior to the transfer of PT Portugal to Oi, those shareholders would have the right to acquire the Unitel shares held by PT Ventures at the net book value of its net assets.***

On 25 March 2014, Unitel issued a press release in which it said its shareholders would have the right of first refusal in case of sale of the indirect stake of Portugal Telecom in Unitel. Later, the other Unitel shareholders delivered a notification to PT SGPS in which they claim that the indirect acquisition by Oi of the indirect participation of PT Ventures in Unitel as part of the capital increase of Oi triggered this right. The Company believes that the respective provisions of the Unitel shareholders' agreement apply only to the transfer of Unitel shares by PT Ventures itself.

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**10. Financial investments—Equity accounting method (Continued)**

As of the date of this report, the Company had not been notified of any ongoing proceedings in relation to the non-offering of the indirect stake in Unitel by PT SGPS to the other shareholders prior to the acquisition of PT Portugal. If the other Unitel shareholders claim that this failure to offer the indirect stake of PT SGPS in Unitel to the other shareholders resulted in a violation of the Unitel shareholders' agreement and a binding decision to that effect is made in an appropriate forum in favour of the other shareholders, PT Ventures may be forced to sell its stake in Unitel for its net asset value, which is significantly lower than the amount recorded by the Company in its Financial Statements relating to the indirect investment in Unitel. The sale of PT Venture's stake in Unitel, in these circumstances, could have a material adverse effect on the Company's financial position and results.

***The other Unitel shareholders have prevented PT Ventures from exercising the right to appoint the CEO and a majority of the Unitel Board of Directors.***

Under the Unitel shareholders' agreement, PT Ventures has the right to appoint three of the five members of the Unitel Board of Directors, including its CEO. Under the Unitel shareholders' agreement, the appointment of the CEO is subject to approval by holders of 75% of the shares of Unitel. However, the other Unitel shareholders did not vote for the members of the Board of Directors proposed by PT Ventures in the Unitel Shareholders' Meetings and, as a result, the representation of PT Ventures on Unitel's Board of Directors was reduced to a single member of the Board since June 2006, and the CEO of Unitel has not been appointed by PT Ventures since June 2006.

On 22 July 2014, the only member of Unitel's Board of Directors appointed by PT Ventures resigned and it has not been possible for PT Ventures to propose a replacement since that time. In November 2014, the remaining Unitel shareholders notified PT Ventures that its rights as a shareholder were suspended in October 2012, despite the fact that these shareholders did not indicate any legal basis justifying the suspension. In the Unitel general meeting of 15 December 2014, the election of the members of the Unitel Board of Directors took place. At that meeting, the other Unitel shareholders argued that PT Ventures would not have the right to vote due to the suspension of its rights as a Unitel shareholder in October 2012 and they refused to elect the member proposed by PT Ventures to the Unitel Board of Directors.

PT Ventures filed, in an Angolan court, an action for annulment of the election of the members of Unitel's Board of Directors on 15 December 2014. To date, no member proposed by PT Ventures participates on Unitel's Board of Directors.

***Unitel granted funding to a related party and entered into a management contract with a third party without the authorisation of PT Ventures.***

Under the Unitel shareholders' agreement, Unitel is not permitted to enter into any agreements with its shareholders or any of its affiliates, unless approved by resolution of its Board of Directors, approved by at least four members of its Board of Directors. As a result of PT Ventures' inability to approve the appointment of its two additional members of the Unitel Board of Directors, PT Ventures is prevented from effectively exercising its implicit right of veto on transactions with related parties.

Between May and October 2012, Unitel made payments to Unitel International Holdings BV in the amount of 178.9 million euros and 35.0 million dollars under a "Facility Agreement" signed between Unitel and Unitel International Holdings BV, an entity that competes with PT Portugal in Cape Verde and São Tomé and Príncipe. Unitel International Holdings BV is controlled by Ms. Isabel dos Santos, an indirect shareholder of Unitel, and, according to public information released by NOS, one of the shareholders of ZOPT, SGPS, SA (which holds a majority of the share capital of NOS), one of the main competitors of MEO Comunicações in Portugal. PT Ventures made known that its representative on the Unitel Board of Directors voted against these transactions performed by Unitel and that PT Ventures abstained when Unitel's consolidated financial statements, which included these

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

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**10. Financial investments—Equity accounting method (Continued)**

transactions, were approved at a Unitel shareholders' meeting. Unitel granted additional loans to related parties during the 2013 financial year. Any impediment faced by Unitel International Holdings BV to make the repayments provided for under the Facility Agreement could have a material adverse impact on the financial situation and operating results of Unitel and on the value of the Company's indirect investment in Unitel.

In addition, Unitel registered a management fee to be paid to a third party in the amount of 155.7 million dollars, which was considered in its individual financial statements for the financial year ended 31 December 2013, prepared in accordance with the accounting principles of Angola. This fee was not submitted to Unitel's Board of Directors for approval and was not approved by PT Ventures. Payment of this fee by Unitel may have a material adverse impact on the financial situation and operating results of Unitel and the value of the Company's indirect investment in Unitel.

The Company cannot affirm that it will be able to successfully propose additional members to Unitel's Board of Directors and thus prevent Unitel from taking actions that require the approval of the members of Unitel's Board of Directors appointed by PT Ventures, and consequently prevent the approval of related party transactions with the other shareholders that it believes to be detrimental to the financial situation and operating results of Unitel. The use of Unitel's resources in this way may have a materially adverse impact on the value of the investment in Unitel and the financial position and operating results of the Company.

***The other shareholders of Unitel tried to dilute the indirect participation of PT Ventures in Unitel through a capital increase that would technically prevent the Company from participating and convened general meetings in which they indicated their desire to unilaterally amend Unitel's bylaws and shareholders' agreement.***

In the Unitel general meeting held on 15 December 2014, Unitel's shareholders approved the capital increase of the company and changed the par value of its shares. Although PT Ventures has several times requested the proposal and other relevant information in relation to this and other items on the meeting's agenda, PT Ventures never received such documents and information. The details of this capital increase are unclear, since they were not included in the notice of meeting, nor were they detailed during it. Other details of this capital increase were included in the draft of the minutes of the meeting sent to PT Ventures and, apparently, despite the latter having decided to subscribe to a proportionate share of this capital increase to prevent dilution of its shareholding in Unitel, the deadline for payment of the subscription price will be brought forward to prevent PT Ventures from being able to obtain the necessary foreign exchange approvals before the due date. PT Ventures filed an action with an Angolan court for annulment of the approval of Unitel's capital increase in this general meeting.

The minutes of Unitel's general meeting included changes to its bylaws and some amendments to Unitel's shareholders' agreement, as well as several matters that could be raised and discussed at the meeting itself, including investments by Unitel in Zimbabwe and the conduction of a study to implement a corporate reorganization in the company. PT Ventures has not received the details of the proposed amendments to the bylaws and changes to Unitel's shareholders' agreement, despite its repeated requests before, during and after the meeting. The meeting of 15 December 2014 was adjourned without any action being taken in relation to these items and is expected to be reconvened on 9 April 2015. PT Ventures filed an action with an Angolan court for annulment of the approval of investments by Unitel in Zimbabwe and the conduction of a study to implement a corporate reorganization in the company.

It is not possible to evaluate the impact on Unitel or PT Ventures of the issues discussed at the general meeting of 15 December 2014 or of the proposed amendments to Unitel's bylaws and shareholders' agreement because we have not received enough information to analyse them. Furthermore, it is

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**10. Financial investments—Equity accounting method (Continued)**

noteworthy that the other shareholders do not have the legal authority to change Unitel's shareholders' agreement on the basis of measures taken at a general meeting, since this is an agreement between all the parties. If the other shareholders approve measures detrimental to Unitel or to PT Ventures' investment in this Company, such measures may have a material adverse effect on Unitel's financial situation and results and consequently on the value of the investment in the Company.

***Unitel's concession to operate in Angola has expired and has not been renewed.***

Unitel's concession to provide mobile telecommunications services in Angola expired in April 2012. The Company has no guarantees as to the terms under which the National Institute of Telecommunications (Angolan Institute of Communications) may grant a renewal of this concession. Failure to obtain a renewal of the concession may have a material adverse effect on the ability of Unitel to continue to provide mobile telecommunications services in Angola, which could have a material adverse effect on the financial position and operating results of the Company.

***Adverse political, economic and legal conditions in African and Asian countries where the Company has investments may impair its ability to receive dividends from subsidiaries and investments in Africa and Asia.***

Historically, the governments in many African and Asian countries where the Company holds investments have exercised and continue to exercise significant influence over their respective economies and legal systems and may take legal or regulatory measures that restrict the ability of its subsidiaries and investees to pay dividends. At the same time, adverse political or economic conditions in these countries may impair the Company's ability to receive dividends from subsidiaries and investees. Historically, PT SGPS received dividends from African and Asian subsidiaries and investees; however, any restriction on the Company's ability to receive a significant portion of these dividends may adversely affect its cash flows and liquidity.

In addition, its investments in these regions are exposed to political and economic risks that include, among others, foreign exchange and interest rate variations, inflation and restrictive economic policies, as well as regulatory risks that include, among others, license renewal procedures and the evolution of the regulated retail segment and tariffs in the wholesale segment. In addition, investments in African and Asian markets face risks associated with increased competition, including those due to the entry of new competitors and the rapid development of new technologies.

Developing partnerships in these markets creates risks related to the partners' ability to exploit the assets jointly. Any failure of the Company and its partners to exploit these assets may have a negative effect on the Company's strategy and all of these risks may adversely affect the Company's results.

***The Company is a partner in joint ventures and partnerships that may not be successful or may expose the Company to future costs.***

The Company is a partner in joint ventures and partnerships in Africa and Asia. Partnership agreements may not have the expected results for various reasons, including an incorrect evaluation of the Company's needs or ability or the financial stability of its strategic partners. The Company's share in any losses or commitments to contribute additional capital in these partnerships may have a material adverse effect on the Company's results and financial situation.

The Company's ability to work with these partners or develop new products and solutions may be restricted, hampering competitiveness in the markets where such joint ventures and partnerships operate. The Company may engage in disputes with its partners and have difficulties in reaching an agreement that it considers to be beneficial to such joint ventures and partnerships. In addition, the joint ventures and partnerships in African and Asian countries are usually governed by the laws of

**Notes to the Financial Statements (Continued)**

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**10. Financial investments—Equity accounting method (Continued)**

those countries, and our partners are often established participants in those markets and may have more influence over those economies than the Company. If the Company experiences difficulties with its partners, it may also experience difficulties in protecting its investments in those countries.

Any of these factors may cause these joint ventures and partnerships to cease to be profitable and result in the loss of part or all of the Company's respective investments.

***The minority shareholder of Africatel BV said that the business combination triggered the right to require the Company to acquire shares issued by Africatel under the shareholders' agreement.***

The Company indirectly holds a 75% stake in Africatel BV. Samba Luxco S.à.r.l., a subsidiary of Helios Investors LLP, holds the remaining 25%. The parties to the shareholders' agreement of Africatel BV are PT SGPS, the subsidiaries Africatel GmbH & Co. KG, or Africatel GmbH, and PT Ventures, and Samba Luxco.

On 16 September 2014, Africatel GmbH, a company that holds a stake in Africatel, received a letter from Samba Luxco, in which it states that the acquisition of PT Portugal by Oi is considered a change of control of PT SGPS under the shareholders' agreement and that this change gives it the right to exercise the option to sell the shares provided for in this agreement at the share market equity value of the shares that it holds in Africatel. In this correspondence, Samba Luxco claims it is exercising the alleged right and therefore requires Africatel GmbH to acquire its shares in Africatel.

In reply, on 26 September 2014, Africatel GmbH told Samba Luxco that, under the terms of Africatel's shareholders' agreement, no act or fact had occurred that would allow the exercise of the option to sell and that it intends to challenge the alleged exercise of this option by Samba Luxco. On the same date, Oi disclosed a relevant fact about the intentions of Samba Luxco, referring to the understanding that it would not have the right to exercise the sell option and that the Board of Directors had authorized management to take the necessary measures for the disposal of the Company's shares in Africatel.

On 12 November 2014, the International Arbitration Court of the International Chamber of Commerce notified Africatel GmbH that Samba Luxco had initiated arbitration proceedings against Africatel GmbH in order to enforce the alleged right of sale or, alternatively, certain rights and obligations. Africatel GmbH submitted its response to Samba Luxco's request for arbitration on 15 December 2014. The arbitral tribunal was constituted on 12 March 2015. The Company intends to decisively defend Africatel GmbH in these proceedings.

**11. Post-employment benefits**

As mentioned in Note 3, the Company is responsible for post-employment benefits under the established benefit defined plans, including the payment of pension supplements to retired and active employees, the payment of health care after retirement age and the payment of salaries to suspended and pre-retirement employees.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**11. Post-employment benefits (Continued)**

The actuarial valuations of the Company's established benefit defined plans, as at 31 December 2014 and 2013, were prepared based on the Projected Credit Unit Method and essentially used the following financial and demographic assumptions:

	2014	2013
	euros	
<b>Financial assumptions</b>		
Discount rate for liabilities with:		
Pension supplements . . . . .	1.50%	3.00%
Suspended and pre-retired employee wages . . . . .	0.50%	2.00%
Health care . . . . .	2.00%	4.00%
Wage growth rate for liabilities with:		
Pension supplements and health care . . . . .	0.00% - 1.75%	1.75%
Wages of suspended and pre-retired employees <sup>(a)</sup> . . . . .	0.00% - 1.75%	0.00% - 1.75%
Pension growth rate . . . . .	A function of GDP	A function of GDP
Sustainability factor . . . . .	Applicable	Applicable
Inflation rate . . . . .	2.00%	2.00%
Growth rate of health care costs . . . . .	3.00%	3.00%
	2014	2013
	euros	
<b>Demographic assumptions</b>		
Mortality tables for active beneficiaries:		
Men . . . . .	PA (90)m adjusted	PA (90)m adjusted
Women . . . . .	PA (90)f adjusted	PA (90)f adjusted
Mortality tables for non-active beneficiaries:		
Men . . . . .	PA (90)m adjusted	PA (90)m adjusted
Women . . . . .	PA (90)f adjusted	PA (90)f adjusted
Retirement age <sup>(b)</sup> . . . . .	66	65 - 66
Disability table (Swiss Reinsurance Company) . . . . .	25%	25%
Active employees with spouses enrolled in the plan . . . . .	35%	35%
Employee turnover . . . . .	Nil	Nil

(a) For wages to be paid between 2015 and 2017, the wage growth rate varies from 0% to 1% depending on the wage amount. From 2018, the wage growth rate will be 1.75% for all situations.

(b) In 2013, the retirement age in Portugal was changed from 65 to 66 years. This change was applied in 2013 for most of the beneficiaries of the Company's retirement benefit plans, and became applicable to the remaining beneficiaries only in 2014.

The main actuarial assumptions itemized above were defined taking into account the following factors:

- The annual discount rate of the liabilities was estimated based on long-term yield rates of high-rated obligations of the Euro Zone on the balance sheet date, with maturities comparable to those of the liabilities with pension supplements, wages and health care (between 3 and 14 years).
- The rate of return on long-term funds is the same as the discount rate used to calculate liabilities, as required by the revised version of IAS 19 *Employee Benefits*.
- The annual rate of wage growth was determined according to the wage policy defined by the Company and the sustainability factor was established in line with Portuguese Government information.
- The demographic assumptions considered are based on mortality tables generally accepted for actuarial valuation purposes, and these tables are periodically adjusted to reflect the actual mortality that occurred in the closed universe of plan participants.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**11. Post-employment benefits (Continued)**

In the financial years ending on 31 December 2014 and 2013, the total impact of the changes in actuarial assumptions was a net loss of EUR 266,425,696 and EUR 138,786,000 (Note 11.7), respectively, and was recognized directly in the Statement of Changes in Equity.

The impact of an increase (reduction) of 25bp in the actuarial discount rate used corresponds to a reduction (increase) of the liability with post-employment benefits of approximately 25 million euros on 31 December 2014, while the impact of an increase (reduction) of 1% in the growth rate of health care costs would correspond to an increase (reduction) in liabilities for post-employment benefits of approximately 99 million euros (78 million euros) on 31 December 2014.

The impact of an increase (reduction) of 1% in the actuarial assumption of the discount rate would lead to an increase (reduction) in retirement benefit costs for the year ending on 31 December 2014 of approximately 9 million euros, due the increase (reduction) in net financial costs.

**11.1. Pension supplements**

As mentioned in Note 3, the Company is responsible for the payment of pension supplements to retired or still active employees. These liabilities, estimated on a basis of actuarial calculations, are as follows:

- Retirees and employees of the Companhia Portuguesa Rádio Marconi, S.A. (“Marconi”, a company that merged with the Company in 2002) hired prior to 1 February 1998 are entitled to an additional pension supplement (“Marconi Complementary Fund”). Additionally, the Company contributes to the “Marconi Improvement Fund” with 1.55% of the wages paid to those employees, and this fund is responsible for paying the additional pension supplement.
- Retirees and employees of TLP and TDP hired prior to 23 June 1994 are entitled to receive from the Company a supplement to the retirement pension paid by the General Social Security System.
- On retirement, the Company pays a fixed amount bonus to each employee, depending on their years of service.

Employees hired by the Company or any of its predecessor companies after the dates given above are not entitled to these benefits, as they are covered by the General Social Security System.

On 31 December 2014 and 2013, the pension supplement plans of MEO, S.A. covered 19,845 and 19,763 beneficiaries, respectively, of which approximately 63% and 64%, respectively, were no longer in active service.

According to actuarial valuations, liabilities for pension supplements and the market value of pension funds on 31 December 2014 and 2013 were as follows:

	2014	2013
	Euros	
Current value of projected liabilities for pensions and supplemental pensions .....	124,010,046	116,358,866
Market value of the funds .....	(92,162,000)	(94,660,571)
<b>Recognised net liabilities (Note 11.4) .....</b>	<b><u>31,848,046</u></b>	<b><u>21,698,295</u></b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

11. Post-employment benefits (Continued)

During the 2014 and 2013 fiscal years, activity among projected liabilities with supplementary pensions was as follows:

	2014	2013
	Euros	
<b>Starting balance of projected liabilities</b> .....	<b>116,358,866</b>	<b>126,751,790</b>
Payments of benefits and contributions		
Benefits paid by the Company (Note 11.5) .....	(1,540,355)	(785,525)
Benefits paid by the funds .....	(8,693,601)	(9,008,399)
Costs with pensions .....		
Costs from service for the fiscal year .....	466,000	562,000
Financial cost of the fiscal year .....	3,188,000	3,467,000
Earnings from services in the fiscal year .....	—	(2,168,000)
Costs from staff reduction programme .....	(127,000)	498,000
Net actuarial losses .....	13,472,413	(2,958,000)
Transfers between plans (Note 11.4) .....	885,723	—
<b>Final balance of projected liabilities</b> .....	<b>124,010,046</b>	<b>116,358,866</b>

On 31 December 2014 and 2013, the market value of pension fund assets were as follows:

	2014		2013	
	Valor	%	Valor	%
	euros			
Shares <sup>(a)</sup> .....	19.335.186	21,0%	19.300.270	20,4%
Bonds <sup>(a)</sup> .....	58.445.278	63,4%	57.294.887	60,5%
Real estate .....	2.270.149	2,5%	2.314.224	2,4%
Cash, receivables and other assets <sup>(b)</sup> .....	12.111.387	13,1%	15.751.190	16,6%
	<b>92.162.000</b>	<b>100,0%</b>	<b>94.660.571</b>	<b>100,0%</b>

(a) Investments in stocks and bonds are quoted on the open market.

(b) This rubric includes term deposits totalling 5.6 million euros and 5.4 million euros on 31 December of 2014 and 2013, respectively.

The Company is exposed to a risk of alterations to the fair value of the assets of funds associated with defined benefit pension plans. The main purpose of an investment policy is to maintain capital using five basic principles: (1) diversification; (2) stable strategic allocation of assets and disciplined balancing; (3) limited exposure to currency fluctuations; (4) specialised instruments for each asset class; and (5) cost controls.



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Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

**11. Post-employment benefits (Continued)**

During the 2014 and 2013 fiscal years, changes to the market value of the assets in the pension fund were as follows:

	2014	2013
	Euros	
<b>Starting balance of assets in pension funds</b> .....	<b>94,660,571</b>	<b>99,529,441</b>
Return of the funds .....	4,952,030	3,660,130
Benefits payments .....	(8,693,601)	(9,008,399)
Contributions made by the Company (Note 11.5) .....	1,243,000	479,399
<b>Final balance of assets in pension funds</b> .....	<b>92,162,000</b>	<b>94,660,571</b>

The breakdown of net costs with supplemental pensions in the fiscal years ending 31 December of 2014 and 2013 is as follows:

	2014	2013
	Euros	
Costs from service for the financial year .....	466,000	562,000
Net financial cost .....	475,000	614,000
Gains from past services recognized in the fiscal year .....	—	(2,168,000)
<b>Current Cost (Notes 11.4 and 11.6)</b> .....	<b>941,000</b>	<b>(992,000)</b>
Costs from pre-retirement, contract suspensions and others .....	(127,000)	498,000
<b>Total cost from reduction of cash payments (Notes 11.4 and 11.6)</b> ..	<b>(127,000)</b>	<b>498,000</b>
<b>Total costs from pensions</b> .....	<b>814,000</b>	<b>(494,000)</b>

Actuarial gains and losses are basically the result of changes to actuarial assumptions and the differences between these same assumptions and actual data and are recognized directly in shareholder equity. The activity in net accumulated actuarial losses during the fiscal years ending 31 December of 2014 and 2013 was as follows:

	2014	2013
	Euros	
<b>Starting balance</b> .....	<b>123,036,486</b>	<b>126,801,616</b>
The change to actuarial assumptions (Note 11.7) .....	13,856,000	(1,044,000)
Difference between real data and actuarial assumptions (Note 11.7) . . . .		
Related to liabilities <sup>(a)</sup> .....	(383,587)	(1,914,000)
Related to fund assets .....	(2,239,030)	(807,130)
<b>Final balance</b> .....	<b>134,269,869</b>	<b>123,036,486</b>

(a) The difference between real data and actuarial assumptions related to liabilities are basically the result of updating information related to the beneficiaries.

**11.2. Healthcare**

As stated in Note 3, the Company is responsible for financing Healthcare Plans for active employees, those whose contracts have been suspended, pre-retired and retired, and pensioners, as well as their respective eligible family members. Medical assistance services are provided by PT-ACS, which was set up with the sole objective of providing day-to-day management of the Healthcare Plan.

These Healthcare Plans sponsored by the Company cover all employees hired by PT Comunicações until 31 December 2000 and employees hired by Marconi until 1 February 1998.

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**Notes to the Financial Statements (Continued)**

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**11. Post-employment benefits (Continued)**

On 31 December of 2014 and 2013, the Company Healthcare Plan covered 22,987 and 23,402 beneficiaries who are active and retired employees, respectively, of which roughly 77% are no longer working. In addition, on 31 December of 2014 and 2013, this plan also covered 9,488 and 10,265 beneficiaries who are family members of active or retired employees, respectively.

The Healthcare Plan financing is guaranteed by defined contributions from titular beneficiaries made to PT-ACS, and the remainder is guaranteed by the company, which in 2004, constituted a fund managed independently for that purpose.

Based upon actuarial studies, projected healthcare liabilities and the current fund value on 31 December 2014 and 2013 are as follows:

	2014	2013
	Euros	
Current value of projected liabilities	401,030,826	375,657,623
Fair value of the fund	(159,239,986)	(291,667,072)
<b>Present value of unfinanced liabilities (Note 11.4)</b>	<b><u>241,790,840</u></b>	<b><u>83,990,551</u></b>

During the 2014 and 2013 fiscal years, the activity in the present value of projected liabilities was as follows:

	2014	2013
	Euros	
<b>Starting balance of projected liabilities</b>	<b>375,657,623</b>	<b>374,474,961</b>
Benefits paid by the Company (Note 11.5)	(20,802,623)	(18,817,338)
Costs with healthcare		
Cost from services in the period	3,324,000	3,565,000
Financial cost for the period	14,708,000	14,671,000
Costs from pre-retirement, contract suspensions and others	(105,000)	1,324,000
Modification of benefits	(55,188,000)	—
Net actuarial losses	82,562,971	440,000
Other activities	873,855	—
<b>Final balance of projected liabilities</b>	<b><u>401,030,826</u></b>	<b><u>375,657,623</u></b>

On 31 December of 2014 and 2013, the breakdown of the autonomous fund tied to covering healthcare liabilities, in terms of investment, was as follows:

	2014		2013	
	Amount	%	Amount	%
	Euros			
Stock <sup>(a)</sup>	—	0.0%	87,389,300	30.0%
Bonds <sup>(b)</sup>	—	0.0%	57,595,149	19.7%
Available funds, accounts receivable, and other assets <sup>(c)</sup>	159,239,986	100.0%	146,682,623	50.3%
	<b><u>159,239,986</u></b>	<b><u>100.0%</u></b>	<b><u>291,667,072</u></b>	<b><u>100.0%</u></b>

(a) On 31 December 2013, this line item represents stock investments in Banco Espírito Santo ("BES"), which were traded on the open market. On 3 August 2014, the Portuguese government announced a corporate restructuring of Banco Espírito Santo through which BES shareholders on that date would become shareholders of an entity that included all assets unrelated to bank activities and not traded on the open market. Because of this, the Company needed to adjust all of its investment in BES stock. However, please note that payment of post-retirement healthcare liabilities will continue to be assured by the Company for up to 30 years, and there is no legal obligation to anticipate this financing.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

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**11. Post-employment benefits (Continued)**

- (b) On 31 December 2013, this line item includes investments in PT Portugal bonds, which are traded on the open market, and were liquidated during 2014.
- (c) On 31 December of 2014 and 2013, this line item basically includes investments in “Ongoing International Capital Markets” and “Ongoing International Private Equity” venture funds totalling 79 million euros and 95 million euros, respectively, which are managed by Global Investment Opportunities SICAV. In addition, on 31 December 2014 and 2013, this line item includes investments in other venture funds totalling 22 million euros on both dates, term deposits of 11 million euros and 14 million euros, respectively, and accounts receivable from clients of PT Portugal Group companies totalling 46 million euros and 15 million euros, respectively, following credit assignment contracts enacted with these companies to transfer them to fund assets.

During the 2014 and 2013 fiscal years, the activity in the market value of the assets in this fund was as follows:

	2014	2013
	Euros	
<b>Starting asset balance for the fund</b>	<b>291,667,072</b>	<b>299,865,329</b>
Returns <sup>(a)</sup> .....	(120,926,637)	13,840,743
Reimbursements (Note 11.5) <sup>(b)</sup> .....	(11,500,448)	(22,039,000)
<b>Final asset balance for the fund</b> .....	<b><u>159,239,987</u></b>	<b><u>291,667,072</u></b>

(a) The devaluation that occurred in 2014 basically reflects the impact of Banco Espírito Santo’s situation, described above. The investment in BES stock amounted to 87 million euros on 31 December 2013, an amount to which should be added the sum of 25 million euros, corresponding to participation in the increase in BES capital that took place in the second quarter of 2014.

(b) This line item corresponds to the reimbursement of healthcare costs paid by PT Comunicações on behalf of PT ACS.

The cost (earning) breakdown for healthcare in the fiscal years ending 31 December of 2014 and 2013 is as follows:

	2014	2013
	Euros	
Cost from services in the period .....	3,324,000	3,565,000
Net financial cost .....	2,669,000	2,676,000
<b>Current Cost (Notes 11.4 and 11.6)</b> .....	<b><u>5,993,000</u></b>	<b><u>6,241,000</u></b>
Costs from staff reductions .....	(105,000)	1,324,000
Modification of benefits .....	(55,188,000)	—
<b>Total cost from staff reductions (Notes 11.4 and 11.6)</b> .....	<b><u>(55,293,000)</u></b>	<b><u>1,324,000</u></b>
<b>Total costs for healthcare</b> .....	<b><u>(49,300,000)</u></b>	<b><u>7,565,000</u></b>

Actuarial gains and losses are basically the result of changes in actuarial assumptions and the differences between these assumptions and the actual data, and are recognised directly in shareholders’ equity. The movement in net accumulated actuarial losses during the fiscal years ending 31 December of 2014 and 2013 was as follows:

	2014	2013
	Euros	
<b>Starting balance</b> .....	<b>275,838,600</b>	<b>277,244,343</b>
The change to actuarial assumptions (Note 11.7) .....	104,153,000	(1,073,000)
Difference between actual data and actuarial assumptions (Note 11.7):		
Related to liabilities .....	(21,590,029)	1,513,000
Related to fund assets .....	132,965,637	(1,845,743)
<b>Final balance</b> .....	<b><u>491,367,208</u></b>	<b><u>275,838,600</u></b>

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**Notes to the Financial Statements (Continued)**

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**11. Post-employment benefits (Continued)**

**11.3. Pre-retirements and contract suspensions**

As referred to in Note 3, Meo, S.A. is responsible for paying salaries to employees with suspended contracts or pre-retired employees until they reach the retirement age, as defined in the General Social Security Scheme. On 31 December 2014 and 2013, there were 4,877 and 5,304 employees suspended and pre-retired, respectively.

These liabilities are not subject to any legal financing requirement, given that monthly payment of salaries is made directly by the Company.

During the fiscal years ending 31 December of 2014 and 2013, the activity in the present value of projected liabilities was as follows:

	2014	2013
	Euros	
<b>Starting balance of projected liabilities</b> .....	<b>836,276,793</b>	<b>727,258,078</b>
Benefits paid by the Company (Notes 11.4 and 11.5) .....	(149,216,589)	(156,387,158)
Financial cost for the period (Notes 11.4 and 11.6) .....	15,160,000	13,222,000
Costs with pre-retirements, contract suspensions and others (Notes 11.4 and 11.6) .....	11,656,855	108,227,000
Net actuarial losses (Notes 11.4 and 11.7) .....	39,663,705	143,956,873
MEO Merger (Note 1 (b)) .....	5,804,000	—
<b>Final balance of projected liabilities (Note 11.4)</b> .....	<b><u>759,344,764</u></b>	<b><u>836,276,793</u></b>

Actuarial gains and losses are basically the result of changes to actuarial assumptions and the differences between these assumptions and the actual data, and are recognised directly in shareholders' equity. The movement in net accumulated actuarial losses during the fiscal years ending 31 December of 2014 and 2013 was as follows:

	2014	2013
	Euros	
<b>Starting balance</b> .....	<b>308,422,993</b>	<b>164,466,120</b>
Changes to actuarial assumptions (Note 11.7) .....	51,350,000	103,023,000
Difference between actual data and actuarial assumptions (Note 11.7) .....	(11,686,295)	40,933,873
<b>Final balance</b> .....	<b><u>348,086,698</u></b>	<b><u>308,422,993</u></b>

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Notes to the Financial Statements (Continued)

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(Amounts expressed in euros)

11. Post-employment benefits (Continued)

11.4. Liabilities with post-employment benefits plans

The activity during the fiscal years ending 31 December 2014 and 2013 for post-employment benefit liabilities, net for amounts relative to the respective funds, was as follows:

	Pensions and retirement supplements (Note 11.1)	Health care (Note 11.2)	Salaries for suspended contracts and pre-retirement (Note 11.3)	Total
	Euros			
<b>Balance on 31 December, 2012</b> . . . . .	<b>27,222,349</b>	<b>74,609,632</b>	<b>727,258,079</b>	<b>829,090,060</b>
Cost (profit) for the period (Note 11.6) . . . . .	(992,000)	6,241,000	13,222,000	18,471,000
Costs with pre-retirements, contract suspensions and others (Note 11.6) . . . . .	498,000	1,324,000	108,227,000	110,049,000
Payments, contributions and reimbursements (Note 11.5) . . . . .	(1,264,924)	3,221,662	(156,387,159)	(154,430,421)
Net actuarial losses (profits) (Notes 11.7 and 11.8) . . . . .	(3,765,130)	(1,405,743)	143,956,873	138,786,000
<b>Balance on 31 December 2013</b> . . . . .	<b>21,698,295</b>	<b>83,990,551</b>	<b>836,276,793</b>	<b>941,965,639</b>
MEO Merger (Note 1 (b)) . . . . .	—	—	5,804,000	5,804,000
Cost (earning) for the period (Note 11.6) . . . . .	941,000	5,993,000	15,160,000	22,094,000
Costs with pre-retirements, contract suspensions and others (Note 11.6) . . . . .	(127,000)	(55,293,000)	11,656,855	(43,763,145)
Payments, contributions and reimbursements (Note 11.5) . . . . .	(2,783,355)	(9,302,175)	(149,216,589)	(161,302,119)
Net actuarial losses (profits) (Notes 11.7 and 11.8) . . . . .	11,233,383	215,528,608	39,663,705	266,425,696
Other activities . . . . .	885,723	873,856	—	1,759,579
<b>Balance on 31 December, 2014</b> . . . . .	<b>31,848,046</b>	<b>241,790,840</b>	<b>759,344,764</b>	<b>1,032,983,650</b>

A supplementary pension plan shows a surplus, so it was shown on the Balance Sheet separately from the balances of those funds in deficit. On 31 December of 2014 and 2013, the net value of liabilities for post-employment benefit plans was recognised on the balance sheet in the following manner:

	2014	2013
	Euros	
<b>Plans with a deficit</b>		
Pensions . . . . .	33,874,046	23,532,295
Healthcare . . . . .	241,790,840	83,990,551
Salaries for the pre-retired and suspended employees . . . . .	759,344,764	836,276,793
	<b>1,035,009,650</b>	<b>943,799,639</b>
<b>Plans with a surplus</b>		
Pensions . . . . .	(2,026,000)	(1,834,000)
	<b>(2,026,000)</b>	<b>(1,834,000)</b>
	<b>1,032,983,650</b>	<b>941,965,639</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

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**11. Post-employment benefits (Continued)**

**11.5. Cash flow with post-employment benefit plans**

For the fiscal years ending 31 December of 2014 and 2013, the post-employment payments and contributions were as follows:

	2014	2013
	Euros	
<b>Pensions</b>		
Contributions to Funds (Note 11.1) .....	1,243,000	479,399
Payments of supplemental pensions (Note 11.1) .....	1,540,355	785,525
<b>Subtotal (Note 11.4) .....</b>	<b>2,783,355</b>	<b>1,264,924</b>
<b>Healthcare</b>		
Reimbursements (Note 11.2) .....	(11,500,448)	(22,039,000)
Payment of healthcare expenses (Note 11.2) .....	20,802,623	18,817,338
<b>Subtotal (Note 11.4) .....</b>	<b>9,302,175</b>	<b>(3,221,662)</b>
<b>Other payments</b>		
Payment of salaries for pre-retired and suspended employees (Notes 11.3 and 11.4) .....	149,216,589	156,387,158
Payment for termination of employment contract (Note 11.6) .....	11,839,540	2,751,916
Costs for service related to liabilities transferred to the Portuguese government <sup>(a)</sup> .....	19,999,493	21,751,776
<b>Subtotal .....</b>	<b>181,055,622</b>	<b>180,890,850</b>
	<b>193,141,152</b>	<b>178,934,112</b>

(a) This line item represents the fixed contribution paid by the Company to Social Security related to the annual service for active employees and employees with suspended contracts who have the right to a pension related to post-employment benefits from the Company, which were transferred to the Portuguese government in December of 2010.

**11.6. Cost of post-employment benefit plans**

The costs of post-employment benefit plans and the staff reduction programme in the fiscal years ending 31 December of 2014 and 2013 were as follows:

	2014	2013
	Euros	
<b>Cost of net retirement benefits</b>		
Supplementary pensions (Notes 11.1 and 11.4) .....	941,000	(992,000)
Healthcare (Notes 11.2 and 11.4) .....	5,993,000	6,241,000
Salaries (Notes 11.3 and 11.4) .....	15,160,000	13,222,000
Costs for service related to liabilities transferred to the Portuguese government <sup>(a)</sup> .....	19,920,296	21,783,067
	<b>42,014,296</b>	<b>40,254,067</b>
<b>Costs for staff reduction and for liquidation</b>		
Supplementary pensions (Notes 11.1 and 11.4) .....	(127,000)	498,000
Healthcare (Notes 11.2 and 11.4) <sup>(b)</sup> .....	(55,293,000)	1,324,000
Salaries (Notes 11.3 and 11.4) <sup>(c)</sup> .....	11,656,855	108,227,000
Payment for termination of employment contract (Note 11.5) <sup>(c)</sup> .....	11,839,540	2,751,916
	<b>(31,923,605)</b>	<b>112,800,916</b>

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**11. Post-employment benefits (Continued)**

- (a) This line item represents the fixed contribution paid by the Company to Social Security related to the annual service for active employees and employees with suspended contracts who have the right to a pension related to the Company's post-employment benefit plans, which were transferred to the Portuguese government in December of 2010.
- (b) In 2014, this line item concerns the total impact of a set of modifications made to healthcare plans that were negotiated jointly between the Company and the Employees' Collective Bargaining Bodies. The impact of these modifications resulted in a 55.3 million euro reduction in liabilities, and this amount was recognised hereunder as a gain for past services. The changes made to the plan basically related to the reduction of co-pays and ceilings and limiting certain exemptions.
- (c) In 2014, the costs registered under these line items, totalling approximately 24 million euros, concern a plan to reduce staff, implemented during the 3rd quarter of 2014. Costs recorded in 2013 relate to a staff reduction programme implemented during the 2nd quarter of 2013, affecting approximately 400 employees.

**11.7. Net actuarial losses (gains)**

In the fiscal years ending 31 December of 2014 and 2013, actuarial losses and profits recognised directly in shareholders' equity were as follows:

	2014	2013
	Euros	
<b>Modifications to actuarial assumptions</b>		
Pensions (Note 11.)	13,856,000	(1,044,000)
Healthcare (Note 11.2)	104,153,000	(1,073,000)
Salaries (Note 11.3)	51,350,000	103,023,000
<b>Subtotal (Note 11)</b>	<b>169,359,000</b>	<b>100,906,000</b>
<b>Difference between actual data and actuarial assumptions</b>		
Pensions (Note 11.)	(2,622,617)	(2,721,130)
Healthcare (Note 11.2)	111,375,608	(332,743)
Salaries (Note 11.3)	(11,686,295)	40,933,873
<b>Subtotal</b>	<b>97,066,696</b>	<b>37,880,000</b>
<b>Total (Notes 11.4, 11.8 and 21.4)</b>	<b>266,425,696</b>	<b>138,786,000</b>

Net actuarial losses resulting from modifications to actuarial assumptions are related to modifications to financial and demographic actuarial assumptions detailed in the introduction to this Note, and basically reflect the following:

- Actuarial losses recognised in 2014, totalling 169 million euros, include the impact of changes made to financial assumptions, of 148 million euros, basically reflecting the impact of the reduction in the discount rates, and the impact of changes made to demographic assumptions, totalling 21 million euros, which resulted from a change in the retirement age from 65 to 66 for plan beneficiaries, which had not been applicable in 2013;
- Actuarial losses recognised in 2013, totalling 101 million euros, basically include the impact of the change in the retirement age from 65 to 66 for the majority of plan beneficiaries.

The detail on actuarial losses and profits resulting from differences between actual data and actuarial assumptions is as follows:

- Actuarial losses recognised in 2014, totalling 97 million euros, include (1) a loss of 131 million euros related to the difference between actual profitability and expected profitability for fund assets calculated based upon discount rates used to calculate projected liabilities, and this loss basically reflects the devaluation of the investment in Banco Espírito Santo stock mentioned above, and (2) a 34 million euro gain relative to the difference between actual data and actuarial

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Notes to the Financial Statements (Continued)

At of 31 December 2014

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**11. Post-employment benefits (Continued)**

assumptions related to projected liabilities, which reflects, among other things, lower healthcare costs than estimated, as well as a lower number of beneficiaries.

- Actuarial losses recognised in 2013, totalling 38 million euros, include (1) a 3 million euro gain related to the difference between actual profitability (+4.5%) and expected profitability of fund assets calculated based upon discount rates used to calculate projected liabilities, and (2) a 41 million euro loss related to the difference between actual data and actuarial assumptions related to projected liabilities, specifically the assumptions related to salary growth rates, pension costs and healthcare.

**11.8. Other information**

The table below presents historical information for a five-year period regarding the current value of projected liabilities, the fund's fair value, unfinanced liabilities and net actuarial profits and losses. Details for this information on 31 December of 2014, 2013, 2012, 2011 and 2010 and in the fiscal years ending on those dates are as follows:

	2014	2013	2012	2011	2010
	Euros				
Current value of					
projected liabilities . . .	1,284,385,636	1,328,293,282	1,228,484,830	1,252,933,027	1,393,777,823
Fair value of the funds . .	(251,401,986)	(386,327,643)	(399,394,770)	(344,695,390)	(448,145,688)
<b>Unfinanced net liabilities</b> . . . . .	<b>1,032,983,650</b>	<b>941,965,639</b>	<b>829,090,060</b>	<b>908,237,637</b>	<b>945,632,135</b>
	2014	2013	2012	2011	2010
Modifications to actuarial assumptions . . . . .	169,359,000	100,906,000	136,212,106	(19,337,022)	441,557,656
Difference between actual data and actuarial assumptions					
Related to projected liabilities . . . . .	(33,659,911)	40,532,873	(22,561,941)	(7,065,466)	(67,501,464)
Related to plan assets . . . . .	130,726,607	(2,652,873)	(68,046,417)	92,782,990	72,411,885
<b>Total actuarial losses (profits) (Notes 11.4 and 11.7)</b> . . . . .	<b>266,425,696</b>	<b>138,786,000</b>	<b>45,603,748</b>	<b>66,380,502</b>	<b>446,468,077</b>

On 31 December, 2014, the estimate for future (undiscounted) payments to be made by the Company for salaries owed to employees on suspended contracts and pre-retired, and contributions to be made to funds was as follows:

	millions of Euros
2015 . . . . .	155
2016 - 2017 . . . . .	269
2018 - 2019 . . . . .	224
More than 5 years . . . . .	427
<b>Total</b> . . . . .	<b>1,075</b>



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12. Related parties

12.1. Group shareholders and companies

On 31 December of 2014 and 2013, details for “Group shareholders and companies” for non-current asset and current liability are as follows:

	2014	2013
	Euros	
<b>DEBIT BALANCE</b>		
<b>Current</b>		
Accounts receivable within RETGS <sup>(a)</sup> .....	21,148,371	—
Dividends attributed .....	19,790	—
Others .....	8,701,859	—
<b>Total current</b> .....	<b>29,870,020</b>	<b>—</b>
<b>Total Group shareholder and companies debit balance</b> .....	<b>29,870,020</b>	<b>—</b>
<b>CREDIT BALANCE</b>		
<b>Current</b>		
Accounts payable within RETGS <sup>(a)</sup> .....	—	196,243
Others .....	644,464	3,006,565
<b>Total credit balances with Group shareholders and companies (Note 12.2)</b> .....	<b>644,464</b>	<b>3,202,808</b>

(a) During fiscal years ending 31 December of 2014 and 2013, the Company calculated tax losses that were used by the parent company for tax consolidation purposes, and are therefore recognised as earnings in the Company accounts, pursuant to Group policies. On 31 December 2014, accounts receivable basically relates to the amount to be used for RFAI and SIFIDE tax incentives (Note 22.1) for previous years, which were previously recognised in the financial statements of Portugal Telecom and were transferred to the Company for the respective nominal net amount of allowances. Accounts payable on 31 December 2013 essentially correspond to autonomous taxation.

12.2. Financial interests held in subsidiary and affiliate companies.

As mentioned in the Introductory Note, the Company is a wholly-owned subsidiary of PT Portugal, which in turn is wholly owned by Oi, S.A. As a result, all of the companies that make up Grupo Oi, S.A. were considered company affiliates, including not only its own subsidiaries and affiliates, but also other subsidiary companies of PT Portugal and Oi, S.A.

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**Notes to the Financial Statements (Continued)**

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**12. Related parties (Continued)**

The detail, on 31 December of 2014 and 2013, regarding financial interests held in Company subsidiaries and affiliates and the main financial information related to these entities is as follows (Notes 10, 22 and 27):

Name	2014				2013			
	% held	Financial investment	Provision for Financial investments	Proportion in net earnings	% held	Financial investment	Provision for Financial investments	Proportion in net earnings
<b>Euros</b>								
<b>SUBSIDIARIES:</b>								
PT Móveis <sup>(a)</sup>	100.00%	1,546,797,293	—	(1,016,482,375)	—	—	—	—
Janela Digital <sup>(b)</sup>	50.00%	3,261,730	—	1,213,056	50.00%	2,048,674	—	—
PT Blueclip	100.00%	35,714	—	(28,531)	100.00%	84,037	—	36,234
Auto Sapó <sup>(c)</sup>	50.00%	6,052	—	(15,421)	50.00%	21,474	—	(3,526)
PT Prestações	100.00%	—	(292,649)	1,249	100.00%	—	(293,898)	2,444
PT Cloud <sup>(d)</sup>	0.20%	—	(2,692)	3,435	0.10%	—	(2,779)	(2,446)
Infonet <sup>(e)</sup>	—	—	—	(237,774)	90.00%	411,530	—	(777,439)
Meo, S.A.—formerly TMN <sup>(f)</sup>	—	—	—	—	100.00%	6,914,013,261	—	202,353,668
PT Brasil <sup>(g)</sup>	—	—	—	—	0.01%	—	—	127
		<b>1,550,100,789</b>	<b>(295,341)</b>	<b>(1,015,546,361)</b>		<b>6,916,578,976</b>	<b>(296,677)</b>	<b>201,609,062</b>
<b>AFFILIATES:</b>								
Multicert <sup>(h)</sup>	20.00%	260,510	—	(238,252)	20.00%	734,468	—	24,664
Capital Criativo—SCR, S.A. (“Capital Criativo”)	10.00%	105,617	—	8,159	10.00%	97,486	—	32,811
Sportinveste Multimédia <sup>(i)</sup>	50.00%	(20,585,365)	—	(597,672)	—	—	—	—
Yunit <sup>(j)</sup>	33.33%	—	(78,970)	22,798	33.33%	—	(103,583)	—
		<b>(20,219,238)</b>	<b>(78,970)</b>	<b>(804,967)</b>		<b>831,954</b>	<b>(103,583)</b>	<b>57,475</b>
		<b>1,529,881,551</b>	<b>(374,311)</b>	<b>(1,016,351,328)</b>		<b>6,917,410,930</b>	<b>(400,260)</b>	<b>201,666,537</b>

- (a) Financial interest in this company was held previously by Meo, S.A. (formerly TMN), and had been transferred to Meo, S.A., previously known as PT Comunicações, in 2014, as part of the merger referred to in Note 1. PT Móveis, as explained in Note 1, primarily holds the investments in the international businesses of the PT Portugal Group.
- (b) In 2014, the information for this entity used for equity accounting purposes is from 30 November 2014.
- (c) This company was organised in July of 2013 (Note 1 (b)) and its shareholders' equity includes supplementary capital contributions of 300,000 euros, of which the Company contributed 150,000 euros.
- (d) The increase in financial interest in this company went from 0.10% to 0.20% following incorporation of Meo, S.A. (formerly TMN), given that this entity already held an equal 0.10% interest in PT Cloud.
- (e) This company was liquidated in 2014 (Note 10).
- (f) On 29 December 2014, as noted previously, this company was merged into PT Comunicações, which became effective on 1 January 2004.
- (g) This company was sold in December of 2013 to Portugal Telecom (Note 1 (b)).
- (h) In December of 2013, the Company acquired a 0.0004% share in Multicert, a company owned by PT SGPS, thus reaching an overall interest of 20% in this company (Note 1 (b)).
- (i) On 31 December 2013, the investment in this company was classified as held for sale, having been transferred to the financial interest line item and recorded using the equity accounting method following a decision by the Antitrust Authority, which rejected the operation of business concentration involving this affiliate (Notes 10 and 20 (a)). This shareholder equity of this affiliate includes supplementary amounts totalling 46,165,181 euros.
- (j) This interest was acquired by Portugal Telecom at the end of 2013 (Note 1 (b)), which is why the Company did not appropriate its share of earnings from this company in the 2013 fiscal year.

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**12. Related parties (Continued)**

The key financial information from 2014 and 2013 with respect to the aforementioned entities, except for those inactive companies or ones for which their interest had been fully adjusted, is as follows:

Name	Head office	Asset	Liability	2014		
				Services rendered and sales	Net earnings	Own capital
Euros						
<b>SUBSIDIARIES:</b>						
PT Móveis	Av. Fontes Pereira de Melo, n.º 40 1069-300 Lisbon	1,562,558,972	15,761,679	—	(1,016,482,375)	1,546,797,293
Janela Digital <sup>(a)</sup>	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	7,315,721	792,262	3,116,063	843,781	6,523,459
PT Blueclip	Av. Fontes Pereira de Melo, n.º 40 1050-122 Lisbon	89,196	53,482	10,633	(15,443)	35,714
Auto Sapo <sup>(b)</sup>	Edifício Manheim—MARL Lugar do Quintanilha 2660 - 421 São Julião do	578,115	266,011	6,752,610	(21,120)	312,104
PT Prestações <sup>(c)</sup>	Rua Andrade Corvo, n.º 6 1050-009 Lisbon	246,043,466	126,498	165,279	1,249	245,916,968
PT Cloud <sup>(d)</sup>	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edifícios Inovação III e IV 2740-122 Porto Salvo	107,974,381	99,291,590	54,427,171	1,717,713	8,682,791
<b>AFFILIATES:</b>						
Multicert	Estrada do Casal do Canas, Lote 6 2610-264 Alfragide	2,729,983	1,427,433	3,846,707	130,702	1,302,550
Capital Criativo <sup>(e)</sup>	Urbanização de Loures Business Park, EN 115, Lt. 5, 2660-515 Loures	3,624,715	2,568,551	851,777	156,032	1,056,164
Sportinveste Multimédia <sup>(f)</sup>	Largo da Lagoa, n.º 15A 2795-116 Linda-a-Velha	8,506,805	3,512,356	—	(838,097)	4,994,449
Yunit <sup>(g)</sup>	Rua de Entrecampos, n.º 28, Lisbon	10,738,101	10,975,034	3,092,132	(79,281)	(236,933)
2014						
Name	Head office	Asset	Liability	2014		
				Services rendered and sales	Net earnings	Equity capital
Euro						
<b>SUBSIDIARIES</b>						
Meo, S.A.—ex. TMN (Note 10) <sup>(h)</sup>	Av. Álvaro Pais, 2 1649-041 Lisbon	7,661,874,641	747,861,380	1,054,564,457	202,353,669	6,914,013,261
Janela Digital	Parque Tecnológico de Óbidos Rua da Criatividade, Lote 6 2510-034 Óbidos	5,182,382	1,085,035	3,910,781	1,029,962	4,097,347
Infonet	Rua Castilho, 39, 1250-068 Lisbon	661,235	203,980	562,996	(863,821)	457,255
PT Blueclip	Av. Fontes Pereira de Melo, n.º 40 1050-122 Lisbon	245,415	161,378	52,544	36,234	84,037
Auto Sapo <sup>(b)</sup>	Edifício Manheim—MARL Lugar do Quintanilha 2660 - 421 São Julião do Tojal	358,339	15,391	—	(7,052)	342,948
PT Prestações <sup>(c)</sup>	Rua Andrade Corvo, n.º 6 1050-009 Lisbon	301,234,792	43,818,626	161,290	2,444	257,416,166
PT Cloud <sup>(d)</sup>	Taguspark—Parque da Ciência e Tecnologia Av. Jacques Delors, Edifícios Inovação III e IV 2740-122 Porto Salvo	53,092,434	45,842,091	92,083,746	(2,446,656)	7,250,343
<b>AFFILIATES:</b>						
Multicert	Estrada do Casal do Canas, Lote 6 2610-264 Alfragide	5,106,952	1,434,590	988,606	138,654	3,672,362
Capital Criativo <sup>(e)</sup>	Urbanização de Loures Business Park, EN 115, Lt. 2660-515 Loures	1,503,681	528,822	476,020	195,617	974,859
Yunit <sup>(g)</sup>	Rua de Entrecampos, n.º 28,	12,004,907	12,315,651	3,898,317	(367,284)	(310,744)

(a) The 2014 information is from 30 November 2014.

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**Notes to the Financial Statements (Continued)**

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**12. Related parties (Continued)**

- (b) The 2013 information is from 31 August 2013. This subsidiary's shareholder equity includes supplementary payments totalling 300,000 euros.
- (c) On 31 December of 2014 and 2013, shareholder equity includes supplementary payments totalling 246,209,616 euros and 257,710,064 euros, respectively.
- (d) On 31 December of 2014 and 2013, this subsidiary's shareholder equity includes supplementary payments totalling 10,028,970 euros.
- (e) The information from 2014 and 2013 is from 30 November of 2014 and 2013, respectively.
- (f) This subsidiary's shareholder equity includes supplementary payments totalling 46,165,181 euros.
- (g) The information from 2014 and 2013 is from 30 November of 2014 and 2013, respectively.
- (h) The 2013 financial information on this affiliate was adjusted to reflect the impacts of purchase price allocation of this investment, which was concluded in 2011 and retroactively recognised at the purchase date. Following this entity's merger with the Company, the impact of allocation on the purchase price was directly recorded in these financial statements (Note 1).

**12.3 Balances and transactions with related parties**

In addition to debit and credit balances included under "Group shareholders and companies", as detailed above (Note 12.1), the Company has accounts receivable and payable for related parties included under other assets and liabilities. The nature and detail of the main debit balances with related parties on 31 December of 2014 and 2013 are as follows:

	2014			
	Shareholders and companies of the group	Clients and clients by accrued revenue	Others accounts receivable	Total accounts receivable
	Euros			
Fibroglobal .....	—	441,219	14,474,770	<b>14,915,989</b>
UNITEL .....	—	14,039,418	398,952	<b>14,438,370</b>
Portugal Telecom Inovação, SA ("PT Inovação") .....	—	4,514,575	3,082,582	<b>7,597,157</b>
PT PRO, Serviços Administrativos e de Gestão Partilhados, SA ("PT Pro") .....	—	375,174	6,876,922	<b>7,252,096</b>
PT Cloud .....	5,330,434	971,767	12,104	<b>6,314,305</b>
PT Contact—Telemarketing e Serviços de Informação, S.A. ("PT Contact") .....	—	1,880,577	3,981,073	<b>5,861,650</b>
PT Centro Corporativo SA ("PT CC") .....	—	5,717,727	82	<b>5,717,809</b>
CST .....	100,252	3,800,213	14,577	<b>3,915,042</b>
Timor Telecom .....	100,751	3,672,789	17,052	<b>3,790,592</b>
PT ACS .....	330,592	1,439,798	1,989,635	<b>3,760,025</b>
PT Portugal .....	2,605,834	—	342,996	<b>2,948,830</b>
PT PAY, S.A. ("PT PAY") .....	—	1,531,268	1,271,475	<b>2,802,743</b>
Telemar Norte Leste, S.A. ("Telemar") .....	—	2,311,000	—	<b>2,311,000</b>
Fundação PT .....	—	440,371	1,518,749	<b>1,959,120</b>
PT Sales .....	—	1,135,994	1	<b>1,135,995</b>
Multitel—Serv. Telecom, Lda. ("Multitel") .....	—	1,020,777	32	<b>1,020,809</b>
SIRESP Gestão Redes Digitais				
Segur.Emergênc.,SA .....	12,285	899,860	2	<b>912,147</b>
MTC .....	—	636,575	—	<b>636,575</b>
Others .....	241,501	952,832	804,999	<b>1,999,332</b>
	<b>8,721,649</b>	<b>45,781,934</b>	<b>34,786,003</b>	<b>89,289,586</b>

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Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

12. Related parties (Continued)

	2013		
	Clients and clients by accrued revenue	Others accounts receivable	Total accounts receivable
	Euros		
Meo, S.A.—formerly TMN	48,906,478	71,239	48,977,717
UNITEL	11,988,808	297,326	12,286,134
Fibroglobal	1,179,557	9,751,562	10,931,119
CST	5,551,450	—	5,551,450
PT PRO	3,157,838	19,662	3,177,500
PT CC	3,003,764	7,554	3,011,318
PT Cloud	1,161,651	1,547,848	2,709,499
PT ACS	2,561,008	80,219	2,641,227
Timor Telecom	1,835,375	—	1,835,375
PT Inovação	1,698,276	2	1,698,278
PT Contact	1,338,542	82,648	1,421,190
PT SGPS	135,686	383,441	519,127
Others	4,769,986	534,775	5,304,761
	<b>87,288,419</b>	<b>12,776,276</b>	<b>100,064,695</b>

The nature and detail of the main credit balances with related parties on 31 December of 2014 and 2013 are as follows:

	2014				
	Financing obtained (Note 23)	Shareholders and companies of the group (Note 12.1)	Suppliers and creditors by accrued expenses	Others accounts payable	Total account payable
	Euros				
PT Portugal	6,056,075,220	636,461	94,595,619	—	6,151,307,300
PT Cloud	—	8,003	63,854,440	3,209	63,865,652
PT Inovação	—	—	35,122,165	4,880	35,127,045
PT Sales	—	—	29,675,445	5,503	29,680,948
PT CC	—	—	28,504,193	19,051	28,523,244
PT Contact	—	—	25,818,115	6,452	25,824,567
PT Pro	—	—	12,412,927	46,053	12,458,980
PT ACS	—	—	6,995,436	4,046,410	11,041,846
PT Data Center	—	—	5,198,310	(146)	5,198,164
Fibroglobal	—	—	2,963,742	—	2,963,742
Telemar	—	—	2,778,549	—	2,778,549
Portugal Telecom Investim. Internacionais, SA (“PT II”)	—	—	1,205,475	1,422	1,206,897
CVT	—	—	1,046,641	1,252	1,047,893
UNITEL	—	—	832,172	—	832,172
Multitel	—	—	601,211	(1,745)	599,466
Others	—	—	2,497,651	463,666	2,961,317
	<b>6,056,075,220</b>	<b>644,464</b>	<b>314,102,091</b>	<b>4,596,007</b>	<b>6,375,417,782</b>

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Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

12. Related parties (Continued)

	2013				
	Financing obtained (Note 23)	Shareholders and companies of the group (Note 12.1)	Suppliers and creditors by accrued expenses	Others accounts payable	Total account payable
	Euros				
PT Portugal	3,779,000,000	—	86,112,509	—	3,865,112,509
PT SGPS	342,322,714	3,179,972	5,855,598	92	351,358,376
Meo, S.A.—formerly					
TMN	—	10,224	66,978,393	1,280,580	68,269,197
PT Sales	—	—	19,855,330	3,771	19,859,101
PT Pro	—	—	19,099,755	3,306	19,103,061
PT SI	—	12,612	14,442,829	119,601	14,575,042
PT CC	—	—	12,420,442	7,908	12,428,350
PT Inovação	—	—	8,856,969	94,190	8,951,159
PT ACS	—	—	4,650,084	2,183,936	6,834,020
PT Contact	—	—	5,476,056	77,108	5,553,164
CVT	—	—	3,977,115	378	3,977,493
UNITEL	—	—	3,929,860	—	3,929,860
CST	—	—	2,235,865	—	2,235,865
Others	—	—	4,004,233	1,015,150	5,019,383
	<b>4,121,322,714</b>	<b>3,202,808</b>	<b>257,895,038</b>	<b>4,786,020</b>	<b>4,387,206,580</b>

In fiscal years ending 31 December of 2014 and 2013, the nature and detail of the main transactions with related parties were as follows:

	2014						
	Services rendered and Sales	Direct costs for services rendered	Supplies and external services	Staff expenses <sup>(e)</sup>	Other gains and earnings	Others expenses and losses	Interest paid, net
	Euros						
UNITEL	12,706,497	(7,187,135)	(7,846)	—	328,681	(98,316)	—
SIRESP	10,267,362	—	(31,320)	77,041	7,983,918	—	—
Telemar	3,282,883	(1,220,519)	—	—	44,196	(29,928)	—
Timor Telecom	2,173,115	(557,578)	—	139,609	142,856	(131,282)	—
MTC	2,090,875	(240,737)	—	—	3,852	(6,318)	—
CST	1,564,633	(1,229,361)	—	—	1,056,839	(9,395)	—
PT Contact	1,239,209	(3,087,663)	(95,101,596)	10,118,893	4,162,477	—	—
Fibroglobal	1,230,213	(8,859,201)	—	328,415	210,700	(525)	630,762
Páginas Amarelas	1,182,969	(4,916,046)	7,192	—	—	(1,704,988)	—
PT Cloud	1,120,907	(5,530,313)	(46,273,639)	8,339,524	400,346	(20,477)	—
PT Inovação	860,895	(1,686,347)	(14,548,464)	10,898,895	3,518,099	(18,739)	—
PT PAY	703,242	—	(16,715)	—	5,155	—	—
PT CC	697,089	—	(62,555,932)	9,877,588	1,301,211	—	—
PT Pro	692,699	(4,115,863)	(37,318,763)	21,298,814	—	(21,953)	—
CVT	661,237	(7,599,879)	77	—	(1,004)	(2)	—
Fundação PT	327,659	—	2,113	2,076,275	133,853	(2,480,065)	—
PT Sales	91,315	(83,646)	(58,693,205)	3,244,010	60,905	—	—
PT II	59,621	—	225	1,678,510	152,209	(1,140)	—
PT Data Center	7,431	—	(4,293,773)	479,606	—	—	—
PT Portugal	—	—	—	824,474	—	—	(259,930,205)
PT ACS	(973,970)	—	(134,195)	(4,019,164)	35,897	—	—
Others	2,998,533	(1,918,089)	(413,691)	348,864	472,681	(63,245)	(4,889,112)
	<b>42,984,414</b>	<b>(48,232,377)</b>	<b>(319,379,532)</b>	<b>65,711,354</b>	<b>20,012,871</b>	<b>(4,586,373)</b>	<b>(264,188,555)</b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

12. Related parties (Continued)

	2013						
	Services rendered and Sales	Direct costs for services rendered	Supplies and external services	Staff expenses <sup>(a)</sup>	Others gains and earnings	Others expenses and losses	Interest paid, net
	<b>Euros</b>						
Meo, S.A.—formerly TMN	95,275,288	(105,789,247)	(6,420,531)	4,827,835	17,661,266	(111,494)	2,706,196
UNITEL	10,536,187	(5,272,401)	(5,039)	—	8,708	(48,357)	—
Páginas Amarelas	2,614,350	(20,672,485)	18,392	—	—	—	—
PT Contact	1,860,991	(2,504,097)	(65,373,897)	8,801,546	4,309,886	—	—
Timor Telecom	1,614,654	(1,172,713)	—	209,722	91,929	(82,071)	—
CST	1,407,967	(1,739,623)	—	—	1,212,084	(3,622)	—
Fibroglobal	1,330,517	(1,822,163)	—	317,969	259,963	(40,888)	298,644
MTC	1,281,330	(309,545)	—	—	32,977	(6,686)	—
PT ACS	1,250,355	—	(61,900)	(3,707,466)	31,396	—	—
CVT	855,974	(7,399,715)	13,846	—	7,499	(885)	—
Cabo Verde Multimédia, Sociedade Unipessoal, S.A. (“CV Multimédia”)	690,761	(3,735)	—	—	—	—	—
Vortal	519,796	—	(6,000)	—	140	—	—
PT Inovação	337,289	(218,167)	(6,588,019)	9,106,593	127,234	—	—
Fundação PT	335,125	—	2,323	1,807,004	68,374	(1,900,000)	—
PT Pro	307,551	(3,217,789)	(32,942,494)	17,239,484	3,997	—	—
PT Cloud	288,119	(8,745,728)	(14,842,989)	2,346,955	1,220,125	(13,251)	—
PT CC	18,254	—	(36,321,273)	10,764,631	1,203,812	—	—
INESC	13,249	—	—	48,470	15,840	—	(1,995,192)
SIRESP	12,720	—	—	—	1,187,696	—	—
PT II	6,186	—	225	1,668,727	156,308	(21,328)	—
PT SGPS	412	—	—	—	348,273	(88)	(12,092,103)
PT Sales	5	—	(42,717,622)	3,173,627	60,841	—	—
PT Portugal	—	—	—	1,082,183	—	—	(185,221,469)
Others	932,948	(1,428,943)	(380,400)	785,919	182,325	(101,183)	(102,720)
	<b>121,490,028</b>	<b>(160,296,351)</b>	<b>(205,625,378)</b>	<b>58,473,199</b>	<b>28,190,673</b>	<b>(2,329,853)</b>	<b>(196,406,644)</b>

(a) Transactions with related parties included hereunder basically correspond to the recovery of charges for staff assigned to the Group's companies.

12.4 Other information

Compensation attributed to members of the Company's boards during the fiscal years ending 31 December of 2014 and 2013 were Euro 90,000 and Euro 50,000, respectively, and is exclusively related to fees for statutory audit.

Compensation of members of the Board of Director is paid in full by PT Portugal.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**13 Deferrals**

This item shows the following breakdown on 31 December of 2014 and 2013:

	2014	2013
	Euros	
<b>EXPENSES TO BE RECOGNISED</b>		
<b>Current</b>		
Direct costs .....	10,162,067	6,954,434
Interest and other financial expenses <sup>(a)</sup> .....	—	6,003,406
Maintenance and upkeep .....	2,337,543	851,418
Rents and leases .....	865,622	461,008
Publication of telephone directories .....	258,787	413,499
Others .....	1,463,594	1,337,218
<b>Total expenses to be recognised</b> .....	<b>15,087,613</b>	<b>16,020,983</b>
<b>EARNINGS TO BE RECOGNISED</b>		
<b>Current</b>		
Indemnities for contractual breaches <sup>(b)</sup> .....	73,037,246	68,767,241
Assignment of rights to use telecom infrastructures <sup>(c)</sup> .....	54,951,189	686,251
Prepaid invoices <sup>(d)</sup> .....	39,135,869	14,627,803
Customer rewards program <sup>(e)</sup> .....	4,900,804	—
Assignment of right to use underwater cable stations .....	1,233,484	1,947,864
Others .....	7,784,588	6,561,347
<b>Total earnings to be recognised</b> .....	<b>181,043,180</b>	<b>92,590,506</b>

(a) In 2013, this line item shows the deferral of commissions and other expenses related to credit facilities the Company participated in, which were fully recognised in the results up to May of 2014.

(b) This line item includes amounts not yet received for contractual breach by clients and for a breach by other carriers related to client portability.

(c) This line item's balance on 31 December 2014 basically reflects the infrastructure sharing agreement reached with Vodafone, whereby the Company assigned to Vodafone the exclusive right to use the company's PON network, for a total of 55 million euros. This amount will be recognised in earnings throughout the contractual period, which ends in 2040.

(d) The increase in this line item essentially reflects earnings to be recognised related to credits bought for pre-paid phones and then not used, which were included in the Company's balance sheet following the merger by incorporation of Meo, S.A. (formerly TMN).

(e) This line item's amount corresponds to the fair value of the points attributed to clients based upon how much they load onto their phone or bills paid, and that have not yet been used. This liability was included in the Company balance sheet, following the incorporation of Meo S.A. (formerly TMN).



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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**14 Other financial assets**

This heading shows the following breakdown on 31 December of 2014 and 2013:

	<u>2014</u>	<u>2013</u>
	Euros	
Clients (Note 17) .....	667,319	76,189
Others <sup>(a)</sup> .....	<u>13,772,823</u>	<u>4,001,661</u>
<b>Total</b> .....	<b><u>14,440,142</u></b>	<b><u>4,077,850</u></b>
<b>OTHER FINANCIAL LIABILITIES</b>		
<b>Non-current</b>		
Dismantling and removing assets <sup>(b)</sup> .....	19,275,796	—
Others .....	<u>100,000</u>	<u>143,238</u>
<b>Total other financial liabilities</b> .....	<b><u>19,375,796</u></b>	<b><u>143,238</u></b>

(a) On 31 December of 2014 and 2013, this line item includes shareholder loans given to Fibroglobal totalling Euro 13,764,000 and Euro 4,000,000, respectively.

(b) On 31 December 2014, the balance in this line item reflects the obligations assumed with the dismantling and removal of assets installed on third-party property and restoration of said sites to their previous state, and this obligation is recognised at present value (Note 3.15). This liability is essentially related to mobile antennae installed on other properties, which were included into the Company's balance sheet following the merger by incorporation of Meo, S.A. (formerly TMN).

**15 Income Tax**

**15.1 Classification**

In 2013, the Company was subject to a base income tax (IRC) rate of 25%, plus (i) a municipal tax of up to 1.5% on income, and (ii) a state tax of 3.0% and 5.0% applicable on taxable profit between 1.5 million euros and 7.5 million euros and on taxable profit that exceeds 7.5 million euros, respectively, resulting in an aggregate maximum rate of 31.5% on taxable profits above 7.5 million euros.

In 2014, companies located in continental Portugal are taxed based on Company Income Tax at a base rate of 23% plus a (i) Municipal Tax of up to no more than 1.5% on income, and (ii) State Tax of 3.0% applicable on taxable profit between 1.5 million euros and 7.5 million euros, 5.0% applicable on taxable profit between 7.5 million euros and 35 million euros, and 7.0% applicable on taxable profits that exceed 35 million euros, resulting in an aggregate maximum tax rate of approximately 31.5% on taxable profits that exceed 35 million euros.

Starting 1 January 2015, following changes to tax legislation approved in December of 2014, the base income tax rate was lowered from 23% to 21%. Since no changes were made to the aforementioned other taxes, the aggregate maximum rate likewise fell 2.0%, to 29.5%, applicable to taxable income in excess of 35 million euros.

For the fiscal years ending 31 December of 2014 and 2013, the Company recorded income tax losses. Based upon the Company's expectations regarding its taxable earnings over the next few years, it used for the purpose of calculating deferred taxes, on 31 December of 2014 and 2013, rates of 22.5% (base rate in force on 1 January 2015 plus the Municipal Tax) and 23% (base rate in force on 1 January 2014), respectively.

Upon determining the company's taxable earnings, to which said tax rate is applied, when applicable, those expenses and earnings not accepted for tax purposes are added or deducted from the accounting results.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**15 Income Tax (Continued)**

In the 2000 fiscal year, the Company adopted the Special Tax Regime for Company Groups (*Regime Especial de Tributação de Grupos de Sociedades*—“RETGS”), wherein the lead company was Portugal Telecom. On 5 May 2014, following a corporate restructuring of the Portugal Telecom Group (Note 1 (b)), PT Portugal took the place of Portugal Telecom as the primary RETGS company in the group, and submitted a request to tax authorities to adopt this system starting 1 January 2014; and it is still awaiting a response from the tax authorities. However, income taxes were estimated based upon the assumption that the tax authorities will authorise the tax consolidation system effective as of 1 January 2014. In 2013 and previous years, PT Portugal and its subsidiaries, including PT Comunicações, were part of the Portugal Telecom tax consolidation system, and therefore, paid income tax directly to Portugal Telecom. Any profit generated as a result of the adoption of this system, resulting from tax losses from companies included in the tax consolidation, is recognised in the results of the primary RETGS company, rather than in the company that generated the tax loss.

Pursuant to the legislation in force, tax returns are subject to review and correction by tax authorities during a period of four years (five years for Social Security, with the deadline for contributions prior to 2001 being ten years) except when there have been tax losses or benefits, or when inspections, complaints or objections are in progress, in which case, deadlines are extended or suspended depending on the circumstances. The Company Board of Directors, based on information provided by its tax advisors, understands that possible tax contingencies are not expected to have a significant effect on the financial statements of 31 December 2014, taking into account provisions made and existing expectations on this date regarding the settlement of the tax contingencies described in Note 22.

**15.2. Deferred taxes**

As per Note 3.11, deferred tax assets are only recognized when there is reasonable assurance they can be used to reduce future taxable income, or when there are deferred taxable liabilities whose reversal is expected at the same time in which the deferred tax assets are reversed. The Company understands that deferred tax assets stated in the Balance Sheet are recoverable either through their use for the reduction of future taxable income, based on the results provided for in the 2015 budget and on forecasted financial outcomes for subsequent years, adjusted according to the differences between accounting and tax returns for certain financial operations to be carried out in the future, or through the reversal of deferred tax liabilities.

On the measurement of expenses regarding the fiscal year income taxes, in addition to current tax based on outcome before taxation, adjusted according to the tax legislation, the effects of temporary differences between outcomes before taxation and taxable profit, in the current fiscal year or in previous ones, are also considered.

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

15 Income Tax (Continued)

Changes in deferred tax assets and liabilities, which for the purposes of the financial presentation are shown in their net modalities, given that they refer to the same tax jurisdiction, during the fiscal years ending 31 December 2014 and 2013, were the following:

	2014						Total
	Initial balance	MEO Merger (Note 1 (b))	Increases (decreases)		Tax rate change		
			Equity		Equity		
			Net result	(Note 21.4)	Net result	(Notes 21.4 and 21.6)	
euros							
<b>Deferred tax assets</b>							
Pension benefits	285,609,807	1,828,265	(68,629,655)	61,257,366	(1,783,036)	(4,787,968)	273,494,779
Impairment of Receivables	6,650,220	3,823,637	1,867,890	—	(1,277,644)	—	11,064,103
Amortization of tangible assets	10,548,118	13,946,514	(271,074)	—	(4,208,132)	—	20,015,426
Other provisions and adjustments	2,598,294	16,160,175	(1,283,697)	—	(4,645,771)	—	12,829,001
Other temporary differences	6,129,203	987,008	2,052,733	—	(459,871)	—	8,709,073
	<b>311,535,642</b>	<b>36,745,599</b>	<b>(66,263,803)</b>	<b>61,257,366</b>	<b>(12,374,454)</b>	<b>(4,787,968)</b>	<b>326,112,382</b>
<b>Deferred tax liabilities</b>							
Revaluations	148,113,149	—	(9,415,602)	—	(2,167,653)	(847,511)	135,682,383
Tax surplus from suspended taxation	490,380	—	(49,895)	—	(9,576)	—	430,909
Other temporary differences	—	540,393,019	(44,068,347)	—	(120,171,116)	—	376,153,556
	<b>148,603,529</b>	<b>540,393,019</b>	<b>(53,533,844)</b>	<b>—</b>	<b>(122,348,345)</b>	<b>(847,511)</b>	<b>512,266,848</b>
<b>Net deferred tax assets (liabilities)</b>	<b>162,932,113</b>	<b>(503,647,420)</b>	<b>(12,729,959)</b>	<b>61,257,366</b>	<b>109,973,891</b>	<b>(3,940,457)</b>	<b>(186,154,466)</b>
2013							
	Initial balance		Increases (decreases)		Tax rate change		Total
			Equity		Equity		
			Net result	(Notes 21.4 and 21.5)	Net result	(Notes 21.4 and 21.6)	
euros							
<b>Deferred tax assets</b>							
Pension benefits	281,272,183	(5,523,240)	34,696,499	(11,287,075)	(13,548,560)	—	285,609,807
Impairment of Receivables	10,276,194	(3,047,694)	—	(578,280)	—	—	6,650,220
Amortization of tangible assets	9,766,858	1,698,488	—	(917,228)	—	—	10,548,118
Other provisions and adjustments	2,207,224	617,009	—	(225,939)	—	—	2,598,294
Other temporary differences	7,221,339	(559,162)	—	(532,974)	—	—	6,129,203
	<b>310,743,798</b>	<b>(6,814,599)</b>	<b>34,696,499</b>	<b>(13,541,496)</b>	<b>(13,548,560)</b>	<b>—</b>	<b>311,535,642</b>
<b>Deferred tax liabilities</b>							
Revaluation	171,519,487	(10,526,934)	—	—	(12,879,404)	—	148,113,149
Unallocated profits	1,133,959	(951,103)	(182,856)	—	—	—	—
Tax surplus from suspended taxation	1,053,237	(520,215)	—	(42,642)	—	—	490,380
	<b>173,706,683</b>	<b>(11,998,252)</b>	<b>(182,856)</b>	<b>(42,642)</b>	<b>(12,879,404)</b>	<b>—</b>	<b>148,603,529</b>
<b>Net deferred tax assets (liabilities)</b>	<b>137,037,115</b>	<b>5,183,653</b>	<b>34,879,355</b>	<b>(13,498,854)</b>	<b>(669,156)</b>	<b>—</b>	<b>162,932,113</b>

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**Notes to the Financial Statements (Continued)**

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(Amounts expressed in euros)

**15 Income Tax (Continued)**

On 31 December 2014, deferred tax liabilities regarding other temporary differences were primarily related to the fiscal effect on fair value adjustments calculated by the Company on TMN intangible assets, in the context of the allocation of this entity's purchase price, carried out in December 2010. These deferred tax liabilities are recognized in results in the same proportion that these intangible assets are amortized.

**15.3. Tax rate reconciliation**

In the fiscal years ending 31 December 2014 and 2013, reconciliation between the theoretical amount resulting from applying the nominal tax rate to outcomes before taxes and to income tax expenditures, is presented below:

	2014	2013
	euros	
<b>Result before taxation</b> .....	<b>(2,360,386,670)</b>	<b>(200,347,849)</b>
Nominal tax rate .....	23.00%	25.00%
<b>Expected tax</b> .....	<b>(542,888,934)</b>	<b>(50,086,962)</b>
Permanent differences <sup>(a)</sup> .....	486,032,665	(45,972,128)
Tax loss assignable to RETGS [Special Taxation Regime for Company Groups] <sup>(b)</sup> .....	76,385,735	90,846,088
Excess (shortfall) of income tax estimates .....	7,110,897	(257,730)
Tax adjustments .....	1,139,956	1,819,982
Reversal of deferred taxes from previous years .....	(6,799,508)	1,122,872
Impact of tax rate changes <sup>(c)</sup> .....	(109,973,891)	13,498,854
Other .....	—	(1,093,521)
	<b>(88,993,080)</b>	<b>9,877,455</b>
<b>Income tax</b>		
Current tax .....	8,250,852	1,562,254
Deferred tax .....	(97,243,932)	8,315,201
	<b>(88,993,080)</b>	<b>9,877,455</b>

(a) Permanent differences are shown as follows:

	2014	2013
	euros	
Effect of the equity equivalence method application (Note 27) .....	1,016,351,328	(201,666,537)
Impairment loss <sup>(i)</sup> .....	1,107,000,000	—
Provisions and adjustments not taken into account in the calculation of deferred taxes .....	5,989,878	23,683,108
CTM alienation <sup>(ii)</sup> .....	—	(2,112,732)
Tax benefits .....	(4,530,390)	(3,969,590)
Surplus and deficit recognition <sup>(iii)</sup> .....	(12,882,999)	(1,592,844)
Other .....	1,257,684	1,770,085
	<b>2,113,185,501</b>	<b>(183,888,510)</b>
Nominal tax rate .....	23.00%	25.00%
	<b>486,032,665</b>	<b>(45,972,128)</b>

(i) This line item concerns the goodwill impairment loss recorded so as to adjust the book value of the Company's businesses as per the recoverable value implied in Altice's offer (Notes 3.25 (b), 8 and 33)

(ii) In 2013, this line item corresponds to the non-taxable portion of the gain arising from the sale of CTM investment (Note 20).

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**15 Income Tax (Continued)**

- (iii) This line item concerns the difference between accounting surpluses and deficits and the corresponding tax surpluses and deficits related to the sale of fixed assets. The value in 2014 is mainly related to the sale of fixed assets to Group companies under a corporate restructuring undertaken at the beginning of the year (Note 4.g).
- (b) This line item reflects the tax losses calculated by the Company in both fiscal years, according to the IRC Code provisions. According to the fiscal policy set by the PT Portugal and Portugal Telecom Groups, gains relating to the use of such tax losses in the fiscal consolidated records were only registered in the financial statements of dominant firms PT Portugal and Portugal Telecom, respectively.
- (c) In 2014, besides the impact of the above-mentioned tax rate change from 23.0% to 22.5%, this line item primarily includes the impact of Meo S.A. (formerly TMN) remeasurement of the deferred tax for the rate applicable to the Company, given that Meo S.A. showed tax profits of over 35 million euros and under such condition used the maximum rate in order to recognize its assets and liabilities as deferred taxes. In 2013, this line item corresponds to the tax rate change from 25% to 23% on deferred taxes.

**15.4. Other Information**

As per Law 40/2005, of 3 August, which approved SIFIDE—Tax Incentives System for Corporate I&D, the Company and Meo S.A. (formerly TMN) calculated in their respective income statements of 2013, presented in 2014, the values of Euro 529,292 and Euro 100,441, respectively, relative to this incentive.

In 2014, regarding the Company and Meo S.A. (formerly TMN) 2013 applications to SIFIDE, it was found that the Agência de Inovação (“ADI”) did not approved the amounts of Euro 245,558 and Euro 54,930, respectively, and this has become the subject of a complaint.

During the 2013 fiscal year, Law No. 49/2013, of 16 July, was published, which established an Extraordinary Tax Credit for Investment, providing a deduction to the IRC collection amounting to 20% of investment costs in assets related to operation, coming into force after 1 June 2013. The Company and Meo S.A. (formerly TMN) calculated in their 2013 income statements, presented in 2014, the amounts of Euro 1,000,000 each, relative to this tax credit.

For companies in the RETGS, the deduction will be made based on the Group’s tax base, including the limitations provided for in this decree, and the amount that cannot be inferred can be used in the five subsequent taxation periods, under the same conditions.

**16. Inventories**

This heading is composed as follows for 31 December 2014 and 2013:

	2014			2013		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	euros					
Goods .....	44,071,712	(17,305,715)	26,765,997	24,238,390	(9,554,491)	14,683,899
Raw materials, subsidiaries and consumption .....	18,671,737	(2,375,968)	16,295,769	18,401,315	(1,577,504)	16,823,811
Work in progress .....	384,514	—	384,514	(796,234)	—	(796,234)
	<b>63,127,963</b>	<b>(19,681,683)</b>	<b>43,446,280</b>	<b>41,843,471</b>	<b>(11,131,995)</b>	<b>30,711,476</b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

16. Inventories (Continued)

The cost of goods sold and raw materials consumed was determined in the following way:

	2014			2013		
	Goods	Raw materials	Total	Goods	Raw materials	Total
	euros					
Initial balance . . . . .	24,238,390	18,401,315	42,639,705	39,253,567	22,264,647	61,518,214
MEO Merger (Note 1(b)) . . . . .	39,732,401	1,587,017	41,319,418	—	—	—
Purchases <sup>(a)</sup> . . . . .	170,602,983	25,028,947	195,631,930	77,931,344	33,955,104	111,886,448
Adjustments <sup>(b)</sup> . . . . .	(90,476,856)	(21,128,050)	(111,604,906)	(74,892,824)	(30,925,818)	(105,818,642)
Final balance . . . . .	44,071,712	18,671,737	62,743,449	24,238,390	18,401,315	42,639,705
<b>Cost of sold goods and consumed materials . . . . .</b>	<b>100,025,206</b>	<b>5,217,492</b>	<b>105,242,698</b>	<b>18,053,697</b>	<b>6,892,618</b>	<b>24,946,315</b>

(a) The increase in this line item and therefore the cost of goods sold and materials consumed reflects mainly the impact of the MEO S.A. merger (formerly TMN), whose incurred costs in 2014 are reflected in the Company Income Statement.

(b) The regularization of stocks corresponds essentially to asset transfers of terminal equipment leased to customers, at the time of their installation, and materials used in the construction of network infrastructures.

The statement of variation in production of products and work in progress during the fiscal years of 2014 and 2013, is the following:

	2014	2013
	euros	
Initial balance . . . . .	796,234	723,425
Adjustments . . . . .	794,988	1,135,904
Final balance . . . . .	384,514	(796,234)
<b>Variation in the production inventories . . . . .</b>	<b>1,975,736</b>	<b>1,063,095</b>

In the fiscal years ending 31 December 2014 and 2013, the evolution of accumulated impairment losses relating to inventories was the following:

	2014			2013		
	Goods	Raw materials	Total	Goods	Raw materials	Total
	euros					
Initial balance . . . . .	9,554,491	1,577,504	11,131,995	10,310,480	1,574,336	11,884,816
MEO Merger (Note 1(b)) . . . . .	15,955,792	218,116	16,173,908	—	—	—
Increases . . . . .	524,655	580,348	1,105,003	284,215	3,168	287,383
Reversions . . . . .	(8,729,223)	—	(8,729,223)	(1,040,204)	—	(1,040,204)
<b>Final balance . . . . .</b>	<b>17,305,715</b>	<b>2,375,968</b>	<b>19,681,683</b>	<b>9,554,491</b>	<b>1,577,504</b>	<b>11,131,995</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**17. Customers and clients per accrued income**

On 31 December 2014 and 2013, this heading is composed as follows:

	2014			2013		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	euros					
Customers—current assets	855,109,786	(214,034,410)	641,075,376	589,980,787	(128,449,223)	461,531,564
Customers—non-current assets (Note 14)	667,319	—	667,319	76,189	—	76,189
<b>Accounts receivable from customers</b>	<b>855,777,105</b>	<b>(214,034,410)</b>	<b>641,742,695</b>	<b>590,056,976</b>	<b>(128,449,223)</b>	<b>461,607,753</b>
Customers per accrued income	66,999,171	—	66,999,171	88,412,138	—	88,412,138
	<b>922,776,276</b>	<b>(214,034,410)</b>	<b>708,741,866</b>	<b>678,469,114</b>	<b>(128,449,223)</b>	<b>550,019,891</b>

The increase in accounts receivable from customers in 2014 resulted essentially from the integration of accounts receivable from Meo S.A. (formerly TMN), following its merger through integration into the Company.

In the fiscal years ending 31 December 2014 and 2013, the evolution of accumulated impairment losses related to accounts receivable from customers, was as follows:

	2014	2013
	euros	
Initial balance	128,449,223	154,117,676
MEO Merger (Note 1 (b))	85,831,116	—
Increases (reversals)	19,272,362	22,960,728
Uses <sup>(a)</sup>	(19,518,291)	(48,629,181)
<b>Final balance</b>	<b>214,034,410</b>	<b>128,449,223</b>

(a) This line item shows the use of impairment losses accumulated in order to deal with doubtful loans that were given as irrecoverable and which were fully adjusted.

The Company is exposed to credit risk arising from the possibility of counterparts failing to comply with their contractual obligations, resulting in financial losses. Credit risk is essentially related to accounts receivable from services provided to customers and it is regularly monitored with the following objectives: (a) to limit credit granted to customers, considering their respective profiles and the seniority of accounts receivable; (b) to monitor the evolution of the level of granted credit; (c) to carry out regular recoverability analyses of amounts receivable; and (d) to examine the market risks where clients are located. The company is not exposed to any significant credit risk related to a particular customer, to the extent that its accounts receivable derived from a large number of customers.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**17. Customers and clients per accrued income (Continued)**

On 31 December 2014 and 2013, the ageing of net customer accounts receivable and impairment losses was as follows:

	2014			2013		
	Accounts receivable from Group PT companies	Accounts receivable from other companies	Total	Accounts receivable from Group PT companies	Accounts receivable from other companies	Total
	euros					
Early balance ...	15,141,535	325,792,338	340,933,873	42,608,964	221,010,359	263,619,323
Overdue balance						
0-60 days ...	24,613,246	59,363,144	83,976,390	12,989,475	59,198,336	72,187,811
60-90 days ...	5,980,387	9,242,415	15,222,802	1,394,253	12,051,217	13,445,470
90-180 days ...	5,604,987	18,407,152	24,012,139	4,679,416	24,538,629	29,218,045
180-360 days ...	4,686,129	31,282,299	35,968,428	7,430,439	28,506,439	35,936,878
360-720 days ...	4,847,265	14,495,787	19,343,052	4,715,807	14,327,098	19,042,905
More than 720 days ...	1,906,220	120,379,791	122,286,011	1,238,234	26,919,087	28,157,321
<b>Accounts receivable from customers ...</b>	<b><u>62,779,769</u></b>	<b><u>578,962,926</u></b>	<b><u>641,742,695</u></b>	<b><u>75,056,588</u></b>	<b><u>386,551,165</u></b>	<b><u>461,607,753</u></b>

It must be mentioned, regarding accounts receivable from more than 720 days that a significant part of these are related to compensation for breach of contract, billed to end-customers due to non-compliance in relation to the portability of customers billed to other carriers whose respective revenues were deferred, as per Note 13. The 2014 increase reflects essentially to compensation for breach of contract related to post-paid plans from the mobile segment, whose accounts receivable have been included in the Company financial statements following the merger of Meo, S.A. (formerly TMN).

**18. State and other public entities**

On 31 December 2013 and 2014, the debtor and creditor balances with the State and other public entities was as follows:

	2014		2013
	Debtor balances	Creditor balances	Creditor balances
	euros		
Value-added tax <sup>(a)</sup> ...	—	22,479,903	2,988,848
Social Security ...	—	9,183,314	8,199,142
Income tax withholding ...	—	8,039,959	7,236,881
Local authority taxes ...	—	1,667,250	531,602
Other taxes ...	131,359	—	25,754
	<b><u>131,359</u></b>	<b><u>41,370,426</u></b>	<b><u>18,982,227</u></b>

(a) On 31 December 2014, this line item includes (i) November and December payable VAT, in the amounts of Euro 21,049,377 and Euro 1,764,145, respectively, and (ii) an amount of Euro 333,619 in withholding taxes related to VAT adjustments from previous months. On 31 December 2013, this section corresponds to VAT payable for the statement of December, including the withholding tax calculated in November and allocated in the following month.



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**19. Other accounts receivable and payable**

This section presents the following constitution on December the 31st, 2014 and 2013:

	2014	2013
	euros	
<b>OTHER ACCOUNTS RECEIVABLE</b>		
<b>Current</b>		
Diverse billing <sup>(a)</sup> . . . . .	24,658,040	17,477,101
Group Companies . . . . .	18,122,256	6,074,634
SNS—Health Plan Participation <sup>(b)</sup> . . . . .	8,225,736	8,225,736
Staff . . . . .	4,722,090	4,023,515
Community subsidies . . . . .	428,681	531,853
Other debtors <sup>(c)</sup> . . . . .	142,338,000	95,385,116
<b>Current total</b> . . . . .	<b>198,494,803</b>	<b>131,717,955</b>
<b>Accrued impairment losses</b> . . . . .	<b>(8,280,092)</b>	<b>(8,261,557)</b>
<b>Total other accounts receivable</b> . . . . .	<b>190,214,711</b>	<b>123,456,398</b>
<b>OTHER ACCOUNTS PAYABLE</b>		
<b>Non Current</b>		
LTE License <sup>(d)</sup> . . . . .	10,319,261	—
<b>Non-current total</b> . . . . .	<b>10,319,261</b>	<b>—</b>
<b>Current</b>		
LTE License <sup>(d)</sup> . . . . .	6,000,000	—
PT ACS . . . . .	3,149,684	1,287,448
Staff . . . . .	662,006	917,618
Group Companies . . . . .	48,243	38,309
Other creditors <sup>(e)</sup> . . . . .	61,672,186	26,539,020
<b>Current total</b> . . . . .	<b>71,532,119</b>	<b>28,782,395</b>

(a) This section essentially includes accounts receivable from the sales of equipment to occasional customers.

(b) Balances related to the participation in the National Health Service correspond to the amount that the Company is expected to receive regarding its participation in the healthcare costs of the employees it supports.

(c) On December the 31st, 2014, this section includes essentially (1) 88 million euros of accounts receivable concerning the compensation for the negative margin supported by PT Comunicações for the provision of an universal service between January the 1st, 2007, and June the 1st, 2014, the date from which the universal service was assigned to another carrier, and (2) an income not yet billed to the Foundation of Mobile Communications for the e-escolas program, totalling approximately 49 million euros, regarding primarily 2010 and previous years.

(d) These sections correspond to the present value of the amounts owed for the 4G license acquisition, completed in December 2011. The owed amounts compensation plan from December the 31st, 2014, provides for the payment of three annual 6 million euros instalments each one, the last of which payable in January 2017, the total amount of 18 million euros, whose present value on December the 31st, 2014, amounts to 16,319,261 euros. These balances were previously recorded in Meo, S.A. (ex. TMN) financial statements, incorporated in the financial statements of the Company following Meo, S.A. incorporation merger.

(e) On December the 31st, 2014 and 2013, the balance of this section includes amounts payable to PT Prestações, equivalent to 45 million euros and 15 million euros related to the Company credit granting contracts settled with this entity.

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**20. Non-current assets held for sale**

In the fiscal years ending 31 December 2014 and 2013, movements in non-current assets held for sale were the following:

	2014	2013
	euros	
Initial balance .....	4,653,742	5,069,882
Distribution of CTM dividends (Note 4 (d)) .....	—	(2,759,950)
CTM stake sale .....	—	(2,309,932)
Acquisition of Sportinveste Multimédia <sup>(a)</sup> .....	—	4,653,742
Transfer of Sportinveste Multimédia investment to the section “Financial Participation—equity method (Note 10) .....	(4,653,742)	—
<b>Final balance</b> .....	<b>—</b>	<b>4,653,742</b>

(a) This participation was acquired in December 2013 for the amount of Euro 32,618,669 (Notes 1 (b) and 4 (e)), corresponding to the nominal value of the ancillary instalments and supplies provided to this entity, so that an impairment loss amounting to Euro 27,964,927 was recognized (Note 33) as a way to deal with the estimated paid-in value.

**(a) Sportinveste Multimédia**

On 20 December 2012, Portugal Telecom has entered into an agreement on a series of transactions aiming at acquiring a 25% stake in a joint venture made up of Sport TV, Sportinveste Multimédia and PPTV. Portugal Telecom would contribute with its 50% stake in Sportinveste Multimédia and with an investment to be carried out via a capital increase of up to 21 million euros. After this set of transactions, Portugal Telecom would have a 25% stake of Sport TV, which would incorporate PPTV and Sportinveste Multimédia. As a result of the agreement, the investment in Sportinveste Multimédia was classified by the Company as a non-current asset held for sale on 31 December 2013, and was measured based on its respective recoverable value, amounting to 5.1 million euros at that date.

This series of corporate transactions was subject to the approval of the competent authorities, in particular the Competition Authority. On 1 August 2014, the Competition Authority notified the Company that it had rejected this business combination, which is why this investment is no longer classified as held for sale on 31 December 2014. It is now classified under the heading “Financial participations—equity equivalence method”.

**(b) CTM**

On 13 January 2013, Portugal Telecom entered into a definitive agreement for the sale of its 28% stake in CTM to CITIC Telecom and this investment was classified as a non-current asset held for sale on 31 December 2012. With the completion of this transaction on 20 June 2013, the Company received the sum of Euro 35,966,391 (Notes 1 (b) and 4 (b)) for its 3% stake of CTM, and recognised a gain of Euro 32,729,421 (Note 27) which includes: (a) a surplus of Euro 33,656,459 corresponding to the difference between the amount received and the book value of the investment on 31 December 2012, in the amount of Euro 5,069,882, net of dividends received during the first quarter of 2013, amounting to Euro 2,759,950 (Note 4.(d)), and a loss of Euro 927,038 (Note 21.5) corresponding to the accrued value of negative foreign exchange conversion adjustments related to this investment, which was reclassified for the income statement upon the completion of the transaction.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**21. Shareholders' equity**

**21.1 Share capital**

On 31 December 2014 and 2013, the Company's share capital was fully paid in and amounted to Euro 1,150,000,000, represented by 1,150,000,000 nominative shares (Note 36), with the nominal value of 1 euro each. On 31 December 2014 and 2013, the Company equity was entirely held by PT Portugal.

**21.2 Other equity instruments**

This item corresponds to supplementary capital contributions provided by PT Portugal, which do not bear interest and have no defined repayment period. Under applicable law, their reimbursement can only be made provided that, after their payment, shareholder equity exceeds the sum of the capital, legal reserves and revaluation reserves not paid-up.

On 31 December 2014 and 2013, this item amounted to Euro 1,236,466,191 and Euro 4,350,466,191. This reduction reflects the return of supplementary payments to the sole stockholder in December 2014, amounting to Euro 3,114,000,000.

**21.3 Legal reserve**

Commercial law and the Company's articles of association provide that at least 5% of annual net outcomes must be intended for strengthening the legal reserve until it represents 20% of the share capital. This reserve is not available for distribution, except in the event that the company is dissolved. However, it may be used in order to minimize losses after all other reserves have been exhausted, or in order to be incorporated into capital.

**21.4 Other reserves**

In the fiscal years ended on 31 December 2014 and 2013, movements under this heading were the following:

	Net actuarial losses	Free reserves euros	Total
<b>Balance on January the 1st, 2013</b> .....	<b>(403,232,650)</b>	<b>699,003,873</b>	<b>295,771,223</b>
Actuarial losses calculated in the period			
Base (Note 11.7) .....	(138,786,000)	—	<b>(138,786,000)</b>
Tax effect (Note 15) .....	34,696,499	—	<b>34,696,499</b>
Tax rate change (Note 15) .....	(13,548,560)	—	<b>(13,548,560)</b>
<b>Balance on December the 31st, 2013</b> .....	<b>(520,870,711)</b>	<b>699,003,873</b>	<b>178,133,162</b>
Actuarial losses calculated in the period			
Base (Note 11.7) .....	(266,425,695)		<b>(266,425,695)</b>
Tax effect (Note 15) .....	61,257,366		<b>61,257,366</b>
Tax rate change (Note 15) .....	(4,787,967)		<b>(4,787,967)</b>
<b>Balance on December the 31st, 2014</b> .....	<b>(730,827,007)</b>	<b>699,003,873</b>	<b>(31,823,134)</b>

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

21. Shareholders' equity (Continued)

21.5 Adjustments in financial assets

In the fiscal years ended on 31 December 2014 and 2013, the movements under this heading were the following:

	Unassigned profits	Exchange variations <sup>(a)</sup>	Other equity variations	Total
	euros			
<b>Balance on January the 1st, 2013</b> ..	<b>76,300,853</b>	<b>(581,254,011)</b>	<b>48,130,916</b>	<b>(456,822,242)</b>
Equity method .....	—	(534,611,613)	(6,826,726)	<b>(541,438,339)</b>
Unallocated profits .....	250,643,469	—	—	<b>250,643,469</b>
CTM Alienation (Note 20 (b)) .....	—	927,038	879,912	<b>1,806,950</b>
PT Brasil Alienation .....	—	5,667	8,605	<b>14,272</b>
Deferred tax adjustments (Note 15.2) .....	—	182,856	—	<b>182,856</b>
<b>Balance on December the 31st,</b>				
<b>2013</b> .....	<b>326,944,322</b>	<b>(1,114,750,063)</b>	<b>42,192,707</b>	<b>(745,613,034)</b>
Equity equivalence .....	—	1,150,781,386	(5,914,389)	<b>1,144,866,997</b>
Unallocated profits .....	(324,950,462)	—	—	<b>(324,950,462)</b>
Other equity variations <sup>(b)</sup> .....	—	—	(42,075,661)	<b>(42,075,661)</b>
<b>Balance on December the 31st,</b>				
<b>2014</b> .....	<b>1,993,860</b>	<b>36,031,323</b>	<b>(5,797,343)</b>	<b>32,227,840</b>

- (a) The negative exchange adjustments recorded in 2013, in the context of the application of the equity equivalence method, mainly reflect the impact of the devaluation of the Brazilian Real against the Euro in the investment in Oi, which had been held directly by Bratel Brazil since 31 March 2011, an entity which, in turn, was indirectly owned by EN Móveis. The positive currency exchange conversion adjustments recorded in 2014 include (1) a gain of 151 million euros mainly reflecting the impact of the Brazilian Real's appreciation against the Euro in the investment in Oi, held until 2 May 2014, and (2) a gain of 1,000 million euros corresponding to the transfer to net results of the accrued value of negative exchange conversion adjustments, related to the investment in Brazil Bratel following the divestment of Bratel BV (a company that held the investment in Brazil Bratel), completed on 2 May.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**21. Shareholders' equity (Continued)**

(b) This movement reflects essentially other changes in equity related to the investment in Oi, which were transferred to retained earnings following the indirect sale of this investment through the sale of Bratel BV by PT Móveis (Note 1 (b)).

The movements related to the application of the equity method were recorded against financial investments valued according to the equity equivalence method, as follows:

	2014	2013
	euros	
Shares in subsidiary and associated companies (Note 10) . . . . .	1,144,865,151	(541,439,013)
Provisions for negative financial investments (Note 22.5) . . . . .	1,846	674
	<b>1,144,866,997</b>	<b>(541,438,339)</b>

**21.6 Revaluation surplus**

In the fiscal years ended on 31 December 2014 and 2013, the movements under this heading were the following:

	2014	2013
	euros	
<b>Initial balance</b> . . . . .	<b>567,494,032</b>	<b>589,044,034</b>
Constitution of revaluation reserves		
Base . . . . .	(42,808,894)	(44,956,340)
Tax effect . . . . .	9,415,602	10,526,934
Impact of tax rate changes (Note 15.2) . . . . .	847,511	12,879,404
<b>Final balance</b> . . . . .	<b>534,948,251</b>	<b>567,494,032</b>

In accordance with current legislation and accounting practices in Portugal, revaluation surpluses are not distributable to shareholders, and may only, in certain circumstances and under statutory provisions, be used in future increases of the share capital of the Company.

Revaluation surpluses acknowledged under this section include not only (1) surpluses related to the assets classes that continue to be measured according to the revaluation model of 31 December 2014 (Note 6.2), which correspond to sites and buildings and other constructions, but also (2) surpluses related to assets classes that have been revalued in previous years, whether as free revaluations (ducts network) or under legal acts, but on 31 December 2014, were no longer recognised in accordance to the revaluation model, since the Company, in the context of SNC adoption and as authorized by NCRF 3, adopted the cost model. The primary reason to consider both revaluation surpluses in this section is that they are not distributable to shareholders, as mentioned above.

Moreover, the company annually transfers revaluation reserve surpluses achieved during the fiscal year to retained earnings, mainly through the depreciation in the fiscal year of the asset increase that originated such reserves. Sums transferred during fiscal years ended on 31 December 2014 and 2013, net of corresponding tax effects, amounted to Euro 33,393,292 and Euro 34,429,406, respectively.

On 31 December 2014, this balance under this heading included (1) Euro 141,576,939 related to the revaluation surpluses initially originated in 2008, as part of the free revaluation of sites, buildings and other constructions (Note 6.2), and (2) Euro 393,371,312 related to other revaluation surpluses, including the free revaluation of the ducts network and reassessments due to legislation.

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

21. Shareholders' equity (Continued)

21.7 Other equity variations

The Company acknowledges in this section the subsidies associated with the acquisition or production of non-current assets (investment subsidies), which were fully received and are not refundable, because the Company is not obliged to comply with any conditions associated with their assignment.

Such subsidies are subsequently allocated on a systematic basis as fiscal year incomes during the lifespan of the assets to which they relate, and incomes were recognised amounting to Euro 2,056,524 in 2014 and to Euro 2,150,776 in 2013 (Note 32). The balance under this heading corresponds to the portion of subsidies not yet assigned to the fiscal year incomes.

21.8 Application of results

In 2013, as decided at the Shareholder's General Assembly of 27 March 2013, the net negative result in the fiscal year of 2012 was entirely transferred to the section "Retained earnings".

In 2014, as decided at the Shareholder's General Assembly of 27 March 2014, the net negative result in the fiscal year of 2013 was entirely transferred to the section "Retained earnings".

22. Provisions, contingent liabilities and contingent assets

22.1 Movements in provisions

During the fiscal years ended on 31 December 2014 and 2013, the movements in provisions were the following:

	2014				
	Fiscal processes	Negative financial investments			Total
Ongoing litigation		(Note 12)	Other provisions		
<b>Initial balance</b> .....	<b>5,118,418</b>	<b>6,473,487</b>	<b>400,260</b>	<b>978,408</b>	<b>12,970,573</b>
MEO Merger (Note 1 (b)) ....	1,273,630	10,849,818	2,779	6,888,982	19,015,209
Increases .....	6,252,569	561,274	—	160,000	6,973,843
Reductions .....	(300,257)	(1,301,308)	(28,728)	(5,979,664)	(7,609,957)
Utilisations and other movements (a) .....	15,834,145	—	—	(545,296)	15,288,849
<b>Final balance</b> .....	<b>28,178,505</b>	<b>16,583,271</b>	<b>374,311</b>	<b>1,502,430</b>	<b>46,638,517</b>
Current .....	28,178,505	16,583,271	—	1,502,430	46,264,206
Non Current .....	—	—	374,311	—	374,311
	2013				
	Fiscal processes	Negative financial investments			Total
		Ongoing litigation	(Note 12)	Other provisions	
<b>Initial balance</b> .....	<b>14,908,002</b>	<b>9,674,993</b>	<b>297,348</b>	<b>61,240</b>	<b>24,941,583</b>
Increases .....	1,321,681	1,343,448	102,912	1,646,721	4,414,762
Reductions .....	(5,896,106)	(4,544,954)	—	—	(10,441,060)
Utilisations .....	(5,215,159)	—	—	(729,553)	(5,944,712)
<b>Final balance</b> .....	<b>5,118,418</b>	<b>6,473,487</b>	<b>400,260</b>	<b>978,408</b>	<b>12,970,573</b>
Current .....	5,118,418	6,473,487	—	978,408	12,570,313
Non Current .....	—	—	400,260	—	400,260

(a) In 2014, the section of provisions for fiscal processes included: (i) an amount of Euro 17,423,074 regarding provisions for certain fiscal processes that were transferred from Portugal Telecom to the Company under the corporate restructuring of the Group Portugal Telecom, and (ii) utilisations in the amount of Euro 1,588,929, corresponding to payments on account of IRC for 2010.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**22. Provisions, contingent liabilities and contingent assets (Continued)**

**22.2 Fiscal processes and ongoing Litigation**

**a) Litigation with probable losses**

Provisions for tax and judicial processes underway are intended to cover liabilities arising from litigation brought against the Company, estimated based on information by its tax and legal advisors.

On 31 December 2014 and 2013, the company, in accordance with “NCRF 21 Provisions, Contingent Liabilities and Contingent Assets” (“NCRF 21”) and based on the opinion of legal advisors and internal and external tax inspectors, had classified as probable losses various ongoing legal and arbitration actions and fiscal contingencies, in order to deal with the likely outgoing of resources as a result of these actions. The nature of these actions is the following:

	2014	2013
	euros	
Lawsuits in course		
Civil liability .....	10,468,987	1,372,668
Labor liability .....	2,534,942	2,130,323
Other liabilities .....	3,579,342	2,970,496
	<b>16,583,271</b>	<b>6,473,487</b>
Fiscal contingencies .....	28,178,505	5,118,418
	<b>44,761,776</b>	<b>11,591,905</b>

Because there is an effective likelihood of risk for part of the additional income tax and VAT payments for Marconi regarding the fiscal year of 1998 , the Portugal Telecom S.A. fiscal year of 1999 and the Meo S.A. fiscal years from 2002 to 2012, among others, the company presented a provision on 31 December 2014, at the amount of Euro 28,178,505 corresponding to the respective taxes and interest rates, although appeals and judicial reviews of the settlement values have been made.

**b) Lawsuits with possible losses**

On 31 December 2014 and 2013, the Company, in accordance with NCRF 21 and based on the opinion of legal advisors and internal and external tax inspectors, classified several lawsuits and arbitration processes and fiscal contingencies in course as possible losses. The nature of these processes is the following:

	2014	2013
	euros	
Lawsuits in course		
Civil liability .....	71,075,893	70,241,929
Labor liability .....	390,595	542,461
Other liabilities .....	13,863,071	13,682,689
	<b>85,329,559</b>	<b>84,467,079</b>
Fiscal contingencies .....	3,751,608	1,764,553
	<b>89,081,167</b>	<b>86,231,632</b>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**23. Provisions, contingent liabilities and contingent assets (Continued)**

**22.3 Description of the main processes with regulators and other processes**

The following processes relate the main complaints, lawsuits and fiscal contingencies brought by regulators against Meo Comunicações, some of which the Company considers, based on the opinion of its internal and external legal advisors, unlikely to produce losses, according to the NCRF 21 definitions.

**a) Lawsuits related to municipal rights-of-way fee**

According to the Law of 1 August 1997, as a basic telecommunications network carrier, Portugal Telecom was exempted from the obligation to pay municipal taxes, duties and other fees related to the network and to the obligations inherent to the Concession. Additionally, in the past, the Portuguese State informed Portugal Telecom that this legislation confirmed the exemption from payment of fees established in the Concession agreement, and that it would continue to take the necessary actions to ensure that Portugal Telecom could keep the economic benefits foreseen in the Concession Contract.

Law no. 5/2004, of 10 February, established a new regime for rights of way in Portugal, in which local governments may impose a tax of 0.25% on the billing of each customer that has a network subscription in the municipality. This regime was implemented in 2005, and was not applied retroactively, and therefore had no impact on the processes listed above. However, Decree-Law no. 123/2009, of 21 May, clarified that no other tax should be charged by municipal governments in addition to the regime established by Law no. 5/2004. This interpretation was confirmed by the *Supremo Tribunal Administrativo de Portugal* (Supreme Administrative Court of Portugal) in several lawsuits.

Nevertheless, some municipalities continue to defend that Law no. 5/2004 does not prohibit other taxes that they may want to establish, since the law is not applicable to the public municipal domain. Currently there are legal actions by some municipalities on this issue.

**b) Regulatory processes**

Portugal Telecom's operations are regularly subject to investigations and inspections by the *Autoridade Nacional de Comunicações* [National Communications Authority] (ANACOM), the national telecommunications regulating authority, the European Commission and the *Autoridade da Concorrência* [Competition Authority], in the context of verification of compliance with applicable rules and regulations. The Competition Authority is currently investigating MEO, S.A. for alleged anti-competitive practices in the digital terrestrial television market. The company believes that it has consistently complied with the legislation in force. The company continuously revises its commercial offerings in order to reduce the risk of non-compliance with competition law. The company believes that most allegations resulting from these investigations will be rejected, due to the nature of the alleged abuses and the recent nature of competition law. However, if MEO, S.A. is found guilty of non-compliance with the applicable law as part of these or other investigations, it may be subject to penalties, fines or other sanctions. However, based on national legislation, the interposition of judicial appeal is permitted with respect to any adverse decision on these matters.

**c) Other legal proceedings**

In March 2004, TV TEL Grande Porto—Comunicações, S.A. ("TV TEL"), a telecommunications company based in Porto, opened a lawsuit against MEO, S.A. in the Court of Lisbon, claiming that since 2001, MEO, S.A. restricted and/or illegally refused access to its telecommunications pipelines in Porto, thereby delaying the installation and development of TV TEL's telecommunications network. TV TEL alleges that MEO, S.A. intended to benefit itself and CATVP-TV Cabo Portugal, S.A., a subsidiary



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**Notes to the Financial Statements (Continued)**

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**23. Provisions, contingent liabilities and contingent assets (Continued)**

of PT Multimédia and direct competitor of TV TEL. TV TEL is suing Portugal Telecom for the approximate amount of 15 million euros, for damages and losses allegedly caused as a result of delays in the installation of its telecommunications network in Porto. Additionally, TV TEL has requested that MEO, S.A. be obliged to ensure full access to its telecommunications pipelines in Porto. MEO, S.A. has contested said action, arguing that: (1) TV TEL does not have a right of free access to its network of pipelines; (2) all requests from TV TEL were legally and promptly responded to by MEO, S.A., in accordance with its general policy of management and access to its infrastructure; and (3) the losses and damages claimed by TV TEL were not factually supported. In February 2013, the Court decided in favour of compensation relative to the added financing costs incurred and the value resulting from the loss of customers, to be paid to TV TEL. Both parties submitted an appeal of this decision. On 5 June 2014, the Lisbon Court of Appeals decided in favour of PT Comunicações, which broadened the factual basis, by which the scheduling of a new trial date is pending.

In March 2011, Optimus - Comunicações S.A. ("Optimus") initiated a lawsuit against the Company in the Judicial Court of Lisbon for the amount of approximately 11 million euros, in connection with a case brought by the Competition Authority, which prescribed in 2011, in relation to a fine which the Authority had applied to the company for the approximate amount of 45 million euros. Optimus supports its position by arguing that it suffered losses and damages as a result of the Company's conduct.

**22.4 Fiscal contingencies**

In addition to the aforementioned fiscal contingencies, whose risk of loss was considered likely or possible (Note 22.2), there are other fiscal contingencies currently in the process of judicial complaint and review, in the total amount of 242.3 million euros, which essentially include: (1) additional settlements paid by fiscal management on the 1997 and 1998 corporate income tax of Portugal Telecom, S.A. and Marconi, and the 2002 and 2010 corporate income tax of MEO, S.A.; and (2) additional VAT settlements from 2000 to 2004. Based on the opinions of its tax advisors, MEO, S.A. believes that the possibility of loss associated with these contingencies is remote.

**22.5 Provisions for negative financial investments**

The provisions for negative financial investments are intended to deal with losses in companies in which shares are held, which have negative equity (Note 12), and are calculated according to the proportion of shares held in the capital of those companies. Movements in these provisions during the financial years ending on 31 December 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
	<u>Euros</u>	
Equity method		
Losses in subsidiary and associated companies (Note 27) . . . . .	—	2,446
Earnings in subsidiary and associated companies (Note 27) . . . . .	(27,482)	(2,446)
Adjustments in financial assets (Note 21.5) . . . . .	(1,846)	(674)
Reduction of capital of PT Cloud and Data Centre (Note 4 (b)) . . . . .	600	—
Acquisition of Yunit (notes 1(b) and 4(e)) . . . . .	—	103,584
	<u>(28,728)</u>	<u>102,912</u>

**22.6 Contingent assets**

The main contingent assets existing on 31 December 2014 refer to a request for transmission of tax losses generated by companies merged by incorporation of their assets and liabilities in PT.Com in the 2004 financial year, amounting to 56 million euros, which is under consideration. The

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

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**23. Provisions, contingent liabilities and contingent assets (Continued)**

recoverability of this amount depends on the acceptance of the request submitted by the company. The request submitted by the company was the subject of refusal by the Secretary of State for Fiscal Affairs on 2 February 2007, which the company contested on 15 May 2007 via special administrative action. This challenge is currently pending final decision.

**23. Loans obtained**

The loans obtained on 31 December 2014 and 2013 are composed as follows:

	2014		2013	
	Not current	Current	Non-current	Current
	Euros			
Loans from companies within the Group (Note 12.3) . . . . .	6,045,355,460	—	3,779,000,000	—
System of centralized treasury (Note 12.3) . . . . .	—	10,719,760	—	342,322,714
Internal loans . . . . .	—	24,730	—	—
Commercial paper . . . . .	813,400,000	—	3,086,750,000	—
Financial leasing . . . . .	13,943,289	12,722,175	11,656,946	20,576,337
	<b><u>6,872,698,749</u></b>	<b><u>23,466,665</u></b>	<b><u>6,877,406,946</u></b>	<b><u>362,899,051</u></b>

**23.1 Loans from companies within the Group**

In the months of February, March, April and May of 2014, the company obtained loans from PT Portugal in the amounts of EUR 742,350,000, EUR 893,850,000, EUR 897,150,000 and EUR 25,000,000, respectively, having repaid in December 2014 the amount of EUR 291,994,540. The net effect of these flows amounted to a net receipt of EUR 2,266,355,460 (Note 4 (f)), by which the amount owed increased to EUR 6,045,355,460. These loans do not have a defined maturity, and may be refunded, in whole or in part, for more than a year, according to the availabilities of the company. The interest of these loans is indexed to the cost of funds of PT Portugal (Note 35).

**23.2 Centralized treasury**

In previous years, Portugal Telecom implemented a centralized management model of all receipts and payments of Group companies based in Portugal.

As part of the internal restructuring of Grupo Portugal Telecom, the company liquidated the balances owed to Portugal Telecom, replacing this entity with PT Portugal in the centralized management of all cash receipts and payments relative to Group companies based in Portugal, with PT Portugal becoming a creditor of the Company.

The financing obtained by the Company within the scope of this centralized treasury system has short-term maturities and bears interest rates indexed to the cost of funds of PT Portugal.

**23.3 Commercial paper**

On 25 June 1999, Portugal Telecom established a programme contract for the issuing of commercial paper, to which the Company adhered on 2 January 2003. This contract was the subject of several amendments and on 31 December 2014 had a maximum amount of EUR 4,400,000,000. The contract is in force until 7 July 2015, being automatically renewable for successive periods of two years, until 7 July 2025, unless terminated by either party. On 31 December 2014 and 2013, the issues made by the company and fully underwritten by PT Finance, within the framework of this programme, totalled EUR 718,400,000 and EUR 898,400,000, respectively.

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**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**23. Loans obtained (Continued)**

On 1 June 2000, Portugal Telecom established another program contract for the issuing of commercial paper, to which the company adhered on 2 January 2003. This contract was the subject of several amendments and had, on 31 December 2014, a maximum amount of EUR 3,000,000,000, effective until 1 June 2016, being automatically renewable for successive periods of two years, until 1 June 2020, unless terminated by either party. On 31 December 2014 and 2013, the issues made by the company and fully underwritten by PT Finance, within the framework of this programme, totalled EUR 95,000,000 and EUR 2,188,350,000, respectively.

Due to the nature of these programmes, the amounts outstanding under these programmes are due in the short term. However, being these intra-group transactions, the Group's policy provides that the final maturity of these amounts in debt is indexed to the maturity of external funding contracted by PT Finance, which is why both the company and PT Finance classify these loans as liabilities and non-current assets, respectively.

**23.4 Leasing**

Obligations with financial leasing contracts result essentially from: (i) vehicle leasing contracts, which generally entail purchase options upon their term; and (ii) contracts for the acquisition of satellite capacity, by which the Company has the right to use this capacity in the normal course of its telecommunications operations, a right that is registered by the Company as an intangible asset. Purchase options are not provided for in contracts for the procurement of satellite capacity, but usually the Company has rights of first refusal on capacity allocation of future transponders.

On 31 December 2014 and 2013, the Company had registered in the balance sheet the following goods under the financial leasing regime:

			2014		2013	
	Gross value	Accumulated amortizations	Accounting value	Gross value	Accumulated amortizations	Accounting value
	euros					
<b>Fixed tangible assets</b>						
Transportation						
equipment . . . . .	22,284,017	8,014,149	14,269,868	25,273,664	10,407,145	14,866,519
Other fixed tangible						
assets . . . . .	3,473,833	2,226,920	1,206,913	1,699,129	869,412	829,717
	<u>25,757,850</u>	<u>10,281,069</u>	<u>15,476,781</u>	<u>26,972,793</u>	<u>11,276,557</u>	<u>15,696,236</u>
<b>Intangible assets</b>						
Industrial property and						
other rights . . . . .	52,382,619	51,209,540	1,173,079	52,443,905	43,169,946	9,273,959
	<u>78,140,469</u>	<u>61,490,609</u>	<u>16,649,860</u>	<u>79,416,698</u>	<u>54,446,503</u>	<u>24,970,195</u>

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**23. Loans obtained (Continued)**

The maturity of the minimum payments of financial lease contracts on 31 December 2014 and 2013 was as follows:

	Capital	Interest	2014 Total	Capital	Interest	2013 Total
	euros					
Up to 1 year . . . . .	12,722,175	638,952	13,361,127	20,576,337	733,795	21,310,132
Between 1 and 2 years . . . . .	4,450,360	521,431	4,971,791	5,592,304	310,728	5,913,032
Between 2 and 3 years . . . . .	3,043,845	392,724	3,436,569	1,910,966	241,731	2,152,697
Between 3 and 4 years . . . . .	2,051,547	325,467	2,377,014	1,725,636	183,241	1,908,877
Between 4 and 5 years . . . . .	2,559,307	177,784	2,737,091	876,091	145,655	1,021,746
More than 5 years . . . .	1,838,230	30,767	1,868,997	1,551,949	25,464	1,577,413
	<b>26,665,464</b>	<b>2,087,125</b>	<b>28,752,589</b>	<b>32,233,283</b>	<b>1,650,614</b>	<b>33,883,897</b>

**23.5 Other information**

On 5 May 2014, the Company ceased to be a borrower of a credit facility amounting to 800 million euros, with maturity in June 2016. On 16 September 2014, the Company ceased to be a borrower of an export credit facility amounting to 180 million euros.

Despite the current liabilities exceeding current assets, the Company incurs no liquidity risk, as it has the possibility of financing itself within the Oi Group.

**24. Suppliers**

On 31 December 2014 and 2013, the headings “Suppliers” and “Investment suppliers” are comprised of the following:

	2014	2013
	euros	
<b>Suppliers current account</b>		
Current account . . . . .	386,410,733	319,470,088
Bills in receipt and conference . . . . .	25,701,011	25,651,226
	<b>412,111,744</b>	<b>345,121,314</b>
<b>Investment suppliers</b>		
Current account . . . . .	176,270,931	74,443,261
Bills in receipt and conference . . . . .	15,703,778	25,684,107
	<b>191,974,709</b>	<b>100,127,368</b>

The increase under this heading mostly reflects the impact of the merger of Meo, S.A. (formerly TMN), whose accounts payable are included in the company’s balance sheet of 31 December 2014.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**25. Creditors for accrued costs**

On 31 December 2014 and 2013, this heading is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Interest and other financial expenses to be paid . . . . .	96,127,406	107,973,460
Direct costs of services provided . . . . .	73,113,962	84,806,581
Costs with vacations, vacation subsidies and other personnel costs . . . .	55,158,273	42,964,245
Support services . . . . .	48,266,065	8,186,121
Other external supplies and services . . . . .	29,695,276	16,132,996
Commissions . . . . .	27,020,973	(54,013)
Credit to be issued relative to billing . . . . .	26,821,195	10,153,020
Specialized work . . . . .	8,791,725	3,176,246
Rents and leasing . . . . .	7,599,854	4,495,887
Marketing and advertising . . . . .	4,394,301	2,192,106
Maintenance and repairs . . . . .	3,441,860	3,957,839
Other . . . . .	22,552,227	9,320,332
	<u><b>402,983,117</b></u>	<u><b>293,304,820</b></u>

The increase in the total number of creditors for accrued expenses, and in particular under support services, commissions, credit to be issued and other creditors for accrued expenses, mainly reflects the impact of the merger of Meo, S.A. (formerly TMN), whose liabilities were included for the first time in the company's balance sheet of 31 December 2014.

**26. Services provided and sales**

During the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Services provided		
Mobile telephone service . . . . .	708,976,448	—
Television service, including package offers . . . . .	603,405,384	564,564,801
Fixed telephone service . . . . .	506,958,033	540,650,828
Broadband internet access . . . . .	145,512,996	154,984,006
Information technology systems solutions and outsourcing . . . . .	92,313,616	91,639,476
Data communication . . . . .	66,292,378	74,362,602
Leasing of Circuits and capacity <sup>(b)</sup> . . . . .	48,734,450	165,101,692
Roaming <sup>(a)</sup> . . . . .	56,342,337	—
Advertising . . . . .	33,046,756	37,167,294
Others . . . . .	60,193,033	57,781,781
Sales <sup>(c)</sup> . . . . .	95,199,931	21,975,806
	<u><b>2,416,975,362</b></u>	<u><b>1,708,228,286</b></u>

(a) These items relate solely to services provided in 2014 by Meo, S.A. (formerly TMN) on behalf of the Company, following the merger on 29 December 2014, with effect from 1 January.

(b) In 2013, this item includes 106.9 million euros for services provided by the Company to Meo, S.A. (formerly TMN), which ceased to exist in 2014 following the merger of Meo, S.A. into the Company.

(c) The increase under this item reflects essentially the sales of mobile phones made in 2014 by Meo, S.A. (formerly TMN) on behalf of the Company, amounting to 86 million euros, following the merger between the two entities.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**27. Gains (losses) in subsidiary companies**

During the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
Earnings and losses in subsidiary companies (Note 15.3)		
Earnings .....	1,248,697	202,449,949
Losses .....	(1,017,600,025)	(783,412)
Earnings and losses from the divestment of subsidiary companies		
Earnings <sup>(a)</sup> .....	—	32,729,421
Losses <sup>(b)</sup> .....	—	(521)
	<b><u>(1,016,351,328)</u></b>	<b><u>234,395,437</u></b>

(a) The earnings recognized in 2013 correspond to the accounting capital gain obtained from the sale of CTM (Note 20).

(b) The losses recognized in 2013 refer to accounting capital losses from the sale of the stake in PT Brazil (Note 10).

In the financial years ending on 31 December 2014 and 2013, the earnings and losses in subsidiary companies, arising from application of the equity accounting method (Note 12), were recognized against the following items:

	2014	2013
	euros	
Financial investments (Note 10)		
Janela Digital .....	1,213,056	—
Capital Criativo .....	8,159	32,811
Meo, SA .....	—	202,353,668
PT Brasil .....	—	127
Auto Sapo .....	(15,421)	(3,526)
PT Blue Chip .....	(28,531)	36,234
Infonet .....	(237,774)	(777,439)
Multicert .....	(238,252)	24,664
Sportinveste Multimédia .....	(597,672)	—
PT Móveis .....	(1,016,482,375)	—
	<b><u>(1,016,378,810)</u></b>	<b><u>201,666,539</u></b>
Provisions for negative financial investments (Note 22)		
PT Prestações .....	1,249	2,444
PT Cloud and Data Center .....	3,435	(2,446)
Yunit Serviços .....	22,798	—
	<b><u>27,482</u></b>	<b><u>(2)</u></b>
	<b><u>(1,016,351,328)</u></b>	<b><u>201,666,537</u></b>

(a) In 2013, PT Móveis was owned by Meo, S.A. (formerly TMN), by which the indirect participation of the Company in the results of this entity is reflected in the Company's participation in the results of Meo, S.A. In effect from 1 January 2014, Meo, S.A. was merged into the Company, by which the Company came to directly take possession of PT Móveis' results. The losses calculated by PT Móveis in the financial year ending on 31 December 2014 fundamentally reflect: (1) the loss of 950 million euros (Note 1) registered by this Company under the scope of the sale to Portugal Telecom of its 100% stake in Bratel BV, a Company which indirectly held an investment in Oi; and (2) the participation of this Company in the losses of Bratel BV until the date of sale.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**28. Direct costs of services provided**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Telecommunications costs <sup>(a)</sup> .....	276,332,084	318,059,050
Programming costs .....	128,654,047	127,947,120
Rental of base stations <sup>(b)</sup> .....	21,572,145	—
Internet content and mobile service .....	18,344,704	9,364,310
Telephone directories .....	17,125,533	20,672,485
Other .....	14,239,184	16,129,936
	<u><b>476,267,697</b></u>	<u><b>492,172,901</b></u>

(a) The reduction under this item is the result of two effects: (i) expenses incurred by the Company with Meo, S.A. (formerly TMN) amounting to 103.7 million euros, which ceased to exist in 2014 following the merger of that entity by incorporation into the Company; and (ii) the direct impact of this merger, as a result of which this item includes in 2014 about 53.7 million euros of costs incurred by Meo, S.A. (formerly TMN) on behalf of the Company.

(b) The increase under this item reflects the impact of the merger of Meo, S.A. (formerly TMN), since in 2014 this item includes costs incurred by this entity on behalf of the Company.

**29. Supplies and external services**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	<u>2014</u>	<u>2013</u>
	euros	
Support services <sup>(a)</sup> .....	283,774,613	173,456,303
Maintenance and repair .....	89,577,318	74,354,917
Committees <sup>(a)</sup> .....	124,683,684	61,380,164
Electricity .....	41,907,194	32,832,623
Income and rents .....	34,432,136	22,500,926
Specialized work .....	34,223,950	17,553,741
Communication .....	10,649,358	13,684,748
Fuel, water and other liquids .....	7,032,283	7,215,780
Other .....	36,320,242	28,068,032
	<u><b>662,600,778</b></u>	<u><b>431,047,234</b></u>

(a) The increase in this item is explained by the expenses incurred by Meo, S.A. (formerly TMN) on behalf of the Company in 2014, in the amount of 89 million euros and 64 million euros, respectively, as a result of the merger of Meo, S.A. into the Company.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**29. Supplies and external services (Continued)**

On 31 December 2014, the future liabilities of the Company with lease agreements and operating leases are due as follows:

	2014
	euros
Up to 1 year .....	27,511,027
Between 1 and 2 years .....	15,673,863
Between 2 and 3 years .....	13,827,800
Between 3 and 4 years .....	11,831,489
Between 4 and 5 years .....	9,798,758
More than 5 years .....	23,474,858
	<b>102,117,795</b>

**30. Staff costs**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
Salaries .....	240,193,339	201,499,220
Social charges .....	32,459,825	22,821,971
Social action .....	3,467,916	2,360,328
Healthcare .....	2,804,027	2,234,429
Training .....	2,177,403	1,227,334
Others .....	1,536,043	1,746,627
	<b>282,638,553</b>	<b>231,889,909</b>

The increase under this heading mainly reflects the staff expenses incurred by Meo, S.A. in 2014 on behalf of the Company, following the merger of these two entities.

**31. Indirect taxes and rates**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
Anacom rates <sup>(a)</sup> .....	28,685,988	10,772,408
Added value tax .....	1,341,740	528,635
Direct taxes .....	1,254,075	1,286,790
Other .....	3,928,361	1,597,751
	<b>35,210,164</b>	<b>14,185,584</b>

(a) The increase under this item reflects expenses with Anacom rates relating to spectrum use incurred by Meo, S.A. (formerly TMN) on behalf of the company in 2014, following the merger of these two entities.



**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**32. Other income and gains**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
Supplementary income		
Studies, projects and technical assistance .....	610,586	3,229,295
Renting of spaces .....	8,723,602	16,420,759
Other supplementary income <sup>(a)</sup> .....	29,549,403	68,283,235
Income and gains from non-financial investments <sup>(b)</sup> .....	29,046,527	3,724,625
Recovery of debts to be paid .....	4,763,078	1,222,790
Default interest .....	3,525,003	1,879,164
Differences of favorable exchange rates .....	3,327,823	1,123,165
Subsidies to investment (Note 21.7) .....	2,056,524	2,150,776
Income from investment properties (Note 7) .....	621,088	620,062
Other <sup>(c)</sup> .....	8,231,403	747,836
	<b>90,455,037</b>	<b>99,401,707</b>

(a) The reduction under this item mostly reflects a gain of 32 million euros, recorded in 2013 relative to compensation to be received from the Government of Portugal following the agreement to revoke the concession contract (Note 1 (a)). This compensation was received in September 2014.

(b) The increase under this item mainly reflects capital gains on the sale of tangible fixed assets to other companies in the Group, within the framework of internal restructuring that occurred in the Group.

(c) In 2014, this item includes a gain of 4.3 million euros, corresponding to the impact of a reassessment of the rates paid to Anacom in previous years

**33. Other expenses and losses**

During the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
Impairment from Goodwill <sup>(a)</sup> .....	1,107,000,000	—
Tangible fixed asset write-offs .....	7,021,932	6,097,136
Donations .....	4,071,277	3,290,318
Losses in inventory .....	2,599,001	1,556,527
Differences from unfavorable exchange rates .....	2,497,494	1,625,855
Irrecoverable debts .....	1,343,749	(126,491)
Contract penalties incurred .....	601,718	1,625,417
Other <sup>(b)</sup> .....	17,665,305	42,453,501
	<b>1,142,800,476</b>	<b>56,522,263</b>

(a) This impairment loss (Notes 8 and 15.3) was registered in order to adjust the book value of the Company's assets to the corresponding recoverable value underlying Altice's offer to acquire from Oi the domestic businesses of PT Portugal (Note 1).

(b) In 2013, this item includes a loss of EUR 27,964,927 (Note 20), corresponding to the difference between the acquisition value of the investment in Sportinveste Multimédia and its estimated realizable value.

MEO, Serviços de Comunicações e Multimédia, S.A.

Notes to the Financial Statements (Continued)

At of 31 December 2014

(Amounts expressed in euros)

**34. Expenses / (reversals) with depreciation and amortization**

The composition of this heading in the financial years ending on 31 December 2014 and 2013, is as follows:

	2014	2013
	euros	
Tangible fixed assets (Note 6) . . . . .	516,966,585	448,603,042
Intangible assets (Note 9) . . . . .	274,002,044	31,204,987
Investment properties (Note 7) . . . . .	346,876	1,120,137
	<u>791,315,505</u>	<u>480,928,16</u>

**35. Interest and similar income/expenses**

In the financial years ending on 31 December 2014 and 2013, this heading is comprised of the following:

	2014	2013
	euros	
<b>Interest and similar income obtained</b>		
Differences of favorable exchange rates . . . . .	2,051,272	2,991,516
Interest obtained . . . . .	946,662	3,349,339
Other . . . . .	561,744	576,864
	<u>3,559,678</u>	<u>6,917,719</u>
<b>Interest and similar expenses</b>		
Interest expenses . . . . .	346,457,491	358,573,654
Commissions and other bank fees . . . . .	7,653,684	5,556,369
Differences from unfavorable exchange rates . . . . .	1,291,769	4,848,196
Financial leasing . . . . .	991,483	1,319,353
Other . . . . .	743,201	2,748,135
	<u>357,137,628</u>	<u>373,045,707</u>

The details on interest obtained and bore in the financial years ending on 31 December 2014 and 2013 is as follows:

	2014	2013
	euros	
<b>Interest obtained</b>		
Loans granted to companies within the group <sup>(a)</sup> . . . . .	783,692	3,006,362
Other . . . . .	162,970	342,977
	<u>946,662</u>	<u>3,349,339</u>
<b>Interest expenses</b>		
Financing of companies within the group <sup>(b)</sup> . . . . .	264,971,924	197,313,572
Other <sup>(c)</sup> . . . . .	81,485,567	161,260,082
	<u>346,457,491</u>	<u>358,573,654</u>

(a) Decrease under this item reflects interest obtained in 2013 related to funds granted to MEO, S.A. (formerly TMN), amounting to EUR 340,000,000, which were repaid in full during the first half of 2013 (Note 4 (c)).

(b) The increase under this item reflects increased amounts in debt relating to funds obtained from PT Portugal (23.1).

(c) The reduction under this item reflects a reduction in the outstanding values in commercial paper programmes (23.3).

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**36. Net profit/(loss) per share**

The net profit/(loss) per share in the financial years ending on 31 December 2014 and 2013 was calculated as follows:

	2014	2013
Net profit/(loss) . . . . .	(2,271,393,590)	(210,225,304)
Number of shares (Note 21) . . . . .	1,150,000,000	1,150,000,000
<b>Base net profit/(loss) per share . . . . .</b>	<b>(1.98)</b>	<b>(0.18)</b>

There are no circumstances that may cause a dilutive effect. Consequently, the diluted net profit/(loss) per share is equal to the base net profit/(loss) per share.

**37. Guarantees and other financial commitments**

On 31 December 2014 and 2013, the Company had the following guarantees and other financial commitments in favour of third parties:

	2014	2013
	euros	
<b>Bank collateral in favour of courts . . . . .</b>	<b>1,707,417</b>	<b>1,608,722</b>
<b>Bank collateral requested by the company in favour of third parties:</b>		
Anacom . . . . .	18,000,000	—
Motorway builders . . . . .	5,030,089	5,734,356
Ministry of Education . . . . .	3,795,748	3,161,016
CTT . . . . .	3,218,857	2,007,831
Fiscal Administration . . . . .	3,006,551	7,789,951
Local authorities . . . . .	2,260,693	2,496,807
Ministry of Health . . . . .	1,155,000	1,038,512
Other Transfers and write-downs . . . . .	8,049,085	6,714,826
	44,516,023	28,943,299
<b>Total guarantees presented Closing balance . . . . .</b>	<b>46,223,440</b>	<b>30,552,021</b>
<b>Commitment to purchase:-</b>		
Fixed asset suppliers . . . . .	10,919,554	19,956,279
Inventory suppliers . . . . .	31,005,683	20,398,178
Other services . . . . .	35,408,558	46,780,174
	77,333,795	87,134,631

Bank guarantee in favour of the tax administration relates mainly to additional IRC liquidations contested by the Company.

The bank guarantee presented in favour of ANACOM on 31 December 2014, amounting to EUR 18,000,000, was requested by it in the context of the auction of spectrum usage rights, and corresponds to the total amount of loan payments in debt (Note 19).

Purchase commitments refer to orders placed and not met, essentially for acquisition of telecommunications infrastructure materials and equipment, in the normal course of operations.

**MEO, Serviços de Comunicações e Multimédia, S.A.**

**Notes to the Financial Statements (Continued)**

**At of 31 December 2014**

(Amounts expressed in euros)

**38. Events occurring after the balance sheet date**

The financial statements for the year ending on 31 December 2014 were approved by the Board of Directors, and authorised for publishing on 24 March 2015, and are still subject to approval by the General Meeting of Shareholders, in accordance with the legislation in force in Portugal.

**39. Note added for translation**

This is a translation of financial statements and notes originally in Portuguese. In the event of discrepancies, the original version in Portuguese prevails.

# **ALTICE FINANCING S.A.**

Société Anonyme

**Financial statements as at and for the year ended December 31, 2014  
and report of the Réviseur d'Entreprises Agréé**

3, boulevard Royal  
L - 2449 LUXEMBOURG  
R.C.S. Luxembourg: B171.162  
Issued capital: EUR 2.000.000

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**ALTICE FINANCING S.A.**  
**Statement of comprehensive income as at December 31, 2014**  
**(Expressed in EUR)**

	Notes	For the year ended 31, December 2014	For the year ended 31, December 2013
Finance income		408.410.908	270.040.150
Finance costs		(405.432.493)	(226.536.846)
<b>Net finance income</b>	<b>7</b>	<b><u>2.978.415</u></b>	<b><u>43.503.304</u></b>
Administrative expenses	<b>5</b>	(927.866)	(538.136)
Non-recurring expenses	<b>6</b>	-	(3.842.300)
<b>Profit before tax</b>		<b><u>2.050.549</u></b>	<b><u>39.122.869</u></b>
Income tax (expenses) benefit	<b>8</b>	(46.840.245)	15.593.887
<b>(Loss) / profit for the year</b>		<b><u>(44.789.696)</u></b>	<b><u>54.716.756</u></b>
<b>Other Comprehensive Income</b>			
Currency translation movement		-	3.660.804
<b>Total comprehensive (loss) / profit</b>		<b><u>(44.789.696)</u></b>	<b><u>58.377.560</u></b>

The notes on pages 5 to 35 are an integral part of these financial statements.

**ALTICE FINANCING S.A.**  
**Statement of financial position as at December 31, 2014**  
**(Expressed in EUR)**

<b>ASSETS</b>	<b>Notes</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Non-current assets</b>			
Loans and other receivables	<b>9</b>	3.501.281.211	1.957.724.701
Deferred tax assets	<b>18</b>	2.471.303	42.316.225
<b>Total non-current assets</b>		<b><u>3.503.752.514</u></b>	<b><u>2.000.040.927</u></b>
<b>Current assets</b>			
Restricted cash	<b>11</b>	-	952.694.177
Loans and other receivable	<b>9</b>	106.662.025	36.809.679
Trade and other receivables	<b>10</b>	56.207.097	46.697.437
Cash and cash equivalents	<b>11</b>	25.525.436	2.298.813
<b>Total current assets</b>		<b><u>188.394.558</u></b>	<b><u>1.038.500.105</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>3.692.147.072</u></u></b>	<b><u><u>3.038.541.032</u></u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	<b>12</b>	2.000.000	2.000.000
Foreign currency translation reserve		(186.236)	(186.236)
(Accumulated losses) / Retained earnings		(37.640.562)	7.149.134
<b>Total equity</b>		<b><u>(35.826.798)</u></b>	<b><u>8.962.898</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	<b>15</b>	3.429.946.237	2.807.188.232
Other financial liabilities	<b>15</b>	25.658.273	142.294.656
<b>Total non-current liabilities</b>		<b><u>3.455.604.510</u></b>	<b><u>2.949.482.887</u></b>
<b>Current liabilities</b>			
Trade and other payables	<b>14</b>	730.257	25.432.750
Borrowings	<b>15</b>	256.575.900	47.674.906
Current tax liabilities	<b>18</b>	15.063.203	6.987.591
<b>Total current liabilities</b>		<b><u>272.369.360</u></b>	<b><u>80.095.247</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u><u>3.692.147.072</u></u></b>	<b><u><u>3.038.541.032</u></u></b>

The notes on pages 5 to 35 are an integral part of these financial statements.



**ALTICE FINANCING S.A.**  
**Statement of changes in equity as at December 31, 2014**  
**(Expressed in EUR)**

	<b>Issued capital</b>	<b>Share premium</b>	<b>Foreign currency translation reserve</b>	<b>(Accumulated losses) / Retained earnings</b>	<b>Total equity</b>
<b>Balance as at January 1, 2013</b>	<b>28.872</b>		<b>(3.847.040)</b>	<b>(47.016.095)</b>	<b>(50.834.263)</b>
Effect of change of functional currency	2.128		-	(551.527)	(549.399)
Proceeds from share issuance	1.969.000		-	-	1.969.000
Profit for the year	-		-	54.716.756	54.716.756
Other comprehensive profit for the year	-		3.660.804	-	3.660.804
<b>Balance as at December 31, 2013</b>	<b>2.000.000</b>	<b>-</b>	<b>(186.236)</b>	<b>7.149.134</b>	<b>8.962.898</b>
<b>Balance as at January 1, 2014</b>	<b>2.000.000</b>		<b>(186.236)</b>	<b>7.149.134</b>	<b>8.962.898</b>
Loss for the year	-		-	(44.789.696)	(44.789.696)
Other comprehensive profit/ loss for the year	-		-	-	-
<b>Balance as at December 31, 2014</b>	<b>2.000.000</b>	<b>-</b>	<b>(186.236)</b>	<b>(37.640.562)</b>	<b>(35.826.798)</b>

The notes on pages 5 to 35 are an integral part of these financial statements.

**ALTICE FINANCING S.A.**  
**Statement of cash flows for the year ended December 31, 2014**  
**(Expressed in EUR)**

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
<b>Cash flows from operating activities</b>		
Profit / (Loss) for the year	(44.789.696)	54.716.756
Net finance income	(2.978.415)	(43.503.304)
Income tax expense, (income) recognised in profit and loss	46.845.162	(15.591.881)
Income tax paid	(4.917)	(2.006)
Changes in working capital	(5.078.742)	(4.467.309)
<b>Cash flows used in operating activities</b>	<b><u>(6.006.608)</u></b>	<b><u>(8.847.744)</u></b>
<b>Cash flows from investing activities</b>		
Loans granted to related parties	(1.535.910.774)	(1.075.911.696)
Decrease (Increase) of restricted cash	954.640.675	(954.640.675)
Interest received	216.002.336	41.578.028
<b>Net cash used in investing activities</b>	<b><u>(365.267.763)</u></b>	<b><u>(1.988.974.343)</u></b>
<b>Cash flows from financing activities</b>		
Net proceeds from issuance of shares	-	1.969.000
Net proceeds from debt issuance	759.603.959	2.015.742.811
Interest paid	(367.109.869)	(102.434.772)
<b>Net cash generated by financing activities</b>	<b><u>392.494.090</u></b>	<b><u>1.915.277.039</u></b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	2.006.904	1.070.189
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b><u>23.226.623</u></b>	<b><u>(81.474.860)</u></b>
<b>Cash and cash equivalents at beginning of the year</b>	<b><u>2.298.813</u></b>	<b><u>83.773.673</u></b>
<b>Cash and cash equivalents at end of the year</b>	<b><u>25.525.436</u></b>	<b><u>2.298.813</u></b>

The notes on pages 5 to 35 are an integral part of these financial statements.

ALTICE FINANCING S.A.  
Société Anonyme  
Notes to the financial statements as of December 31, 2014  
(Expressed in EUR)

**1 – Corporate information**

ALTICE FINANCING S.A. (hereafter “the Company”) was incorporated on August 17, 2012 and organised under the laws of Luxembourg as a private limited liability company (“Société Anonyme”) for an unlimited period of time.

The registered office of the Company is established at 3, boulevard Royal, L-2449 Luxembourg, and as at December 31, 2013 its sole shareholder is Altice Finco S.A., itself wholly owned by Altice International S.à r.l.. The consolidated financial statements of Altice International S.à r.l. are available at its registered address: 3, boulevard Royal, L-2449 Luxembourg. The ultimate controlling party is considered to be Patrick Drahi via Next LP.

On January 31, 2014, Next LP contributed all its economic interests in Altice International S.à r.l. (Parent company of Altice Finco S.A.) to Altice S.A. (“Altice”) in exchange for shares in Altice S.A..

On August 9, 2015, Altice S.A. merged with Altice N.V., which became the new parent company of Altice Group.

Altice N.V. shares are listed on Euronext in Amsterdam. The consolidated financial statements of Altice N.V. are available at its registered address: Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.

The Company may carry out all transactions pertaining directly or indirectly to the taking of participating interests in any entities in whatsoever 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 entities, 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 entities 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 and raise funds in any form by way of public offer or exempted public offer. It may issue any kind of debt instruments (including, but not limited to notes, bonds and debentures), whether convertible or not, and/or equity securities, which may be unlisted or listed.

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 corporate object or which are liable to promote its development provided that the Company will not enter into any transaction which would constitute a regulated activity of the financial sector.

The financial statements correspond to the financial year started on January 1 and ended on December 31.

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## 2 – Accounting policies

### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”). The financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at revalued amounts or at fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### 2.2 Changes in accounting policy and disclosures

#### (a) New and amended standards adopted by the company

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

##### - IFRS 13 Fair Value Measurement

The Company 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 Company 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 recognized in the financial statements.

##### -Amendment to IAS32 – Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IAS32 – Offsetting financial assets and liabilities for the first time in the current period. The amendments to IAS32 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 Company 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 financial statements.

##### -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.

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**-IAS 39 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 in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations.

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

**-Other standards issued but not yet effective**

In addition, the following standards were issued but are not yet effective:

- Amendments to IAS 1 Disclosure initiative
- Annual improvements cycle 2010-2012, 2011-2013, 2012-2014.

**(a) New standards and interpretations not yet adopted**

In its financial statements, the Company has not anticipated the following standards and interpretations, for which application is not mandatory for periods beginning from January 1, 2014. Their impact on the Company financial statements is estimated not to be significant and/or not applicable.

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments issued on July 24, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

With respect to the classification and measurement under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The standard is applicable for annual periods beginning on or after January 1, 2018.

The Board of Directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company performs a detailed review.

IFRS 9 has not yet been endorsed in the European Union.

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**2.3 Summary of significant accounting policies**

**(a) Foreign currency translation**

***(i) Functional and presentation currency***

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the “functional currency”), which was the US dollar (“USD”) until June 30, 2013.

Following raise of additional debt and loans granted to other group entities the functional currency changed from USD to EUR as at July 1, 2013.

The financial statements are presented in EUR, which is the Company’s presentation currency, except when stated otherwise.

***(ii) Transactions and balances***

Transactions in a currency other than EUR are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in a currency other than EUR are retranslated in EUR at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated in EUR at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a currency other than EUR are not retranslated in EUR. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

At the end of each reporting period, all statement of financial position items are translated in EUR at the rates prevailing at that date and all statement of profit and loss items denominated in foreign currencies are retranslated in EUR at the rates of exchange prevailing at the dates of the transactions. Exchange differences are recognised in the statement of profit or loss in the period in which they arise.

**(b) Financial instruments – initial recognition and subsequent measurement**

***(i) Date of recognition***

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

***(ii) Initial measurement of financial instruments***

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. All financial instruments are measured initially at their fair value. Transaction costs, that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***(iii) Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition). Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

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***(iv) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

***(v) Classification as debt or equity***

Debt and equity instruments issued by an 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.

***(vi) 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 an entity are recognised at 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 Group's own equity instruments.

***(vii) Financial liabilities***

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities at amortized cost:

*Financial liabilities at amortized cost*

These financial liabilities are measured at amortized cost calculated based on the effective interest rate method. 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.

*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 Company assesses whether embedded derivatives are required to be bifurcated from host contracts when the Company 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.

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***(viii) Derivatives financial instruments***

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 Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including-, cross-currency swaps, forward foreign exchange contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

***(ix) Financial assets***

The Company 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.

*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 income statement.

*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 and other receivables as well as loan to associate and to non-consolidated entities.

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.

*Held-to-maturity financial assets*

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

They are reviewed for impairment on an individual basis if there is any indication that they may be impaired. Financial assets measured at fair value through profit or loss



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***(x) Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**(c) Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

**(d) Impairment of financial assets**

The Company assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired, other than those at fair value through profit or loss. A financial asset or a group of financial assets, other than those at fair value through profit or loss, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter in bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

***(i) Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Finance income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate ("EIR"). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**(e) Finance costs and income**

Finance costs and income 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;
- Interest income relating to cash and cash equivalents; and
- Gains/losses on extinguishment of debt.

**(f) Cash and cash equivalents**

Cash consists of cash in banks and deposits.

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

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**(g) Provisions**

A provision is recognized in the statement of financial position when the Company 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.

**(h) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**(i) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

For the year 2014, the global tax rate amounts to 29.22% (2013: 29.22%).

**(ii) Deferred tax**

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.

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.

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.

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.

All deferred tax assets and liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset if an enforceable legal right exists, which enables the offsetting of a current tax asset against a current tax liability and the deferred taxes relate to the same entity, which is chargeable to tax, and to the same tax authority.

**3 – Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Going concern**

The Company's Directors considered the loss registered during the year and have proceeded to an assessment of the ability of the Company to continue as a going concern. The loss for the year is mostly due to valuation of derivatives. The Company has a current shareholder equity negative. The Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

In view of the current financial statements of the Company, the Directors are confident that the Group will continue to act as a going concern for the next twelve months from reporting date, given its earnings and cash flow generating ability.

**Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 15.

**Impairment losses on loans and other receivables**

The Company reviews its individually significant loans and other receivables at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, the directors' judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and other receivables that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including country risk and the performance of different individual groups).

**Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies (See Note 8). Tax losses can be used indefinitely.

The valuation of derivatives can also generate deferred tax assets.

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**4 – Segment Information**

The Board of Directors has determined that there is only one segment based on their existing lending activity. This segment corresponds to the level to which the Board of Directors analyzes the activity of the Company.

**5 – Administrative expenses**

	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>
Legal fees	602.132	260.255
Accounting fees	51.750	45.921
Audit fees	15.000	41.616
Attest fees in relation to bonds issuance	-	139.186
Other expenses	258.985	51.159
<b>Total administrative fees</b>	<b>927.866</b>	<b>538.136</b>

**6 – Non-recurring expenses**

	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>
Success fees	-	3.842.300
<b>Total administrative expenses</b>	<b>-</b>	<b>3.842.300</b>

The success fees have been paid to Altice International S.à r.l. in connection with the different bond issuances.

**7 – Net Finance income**

	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>
Interest income on loans and other receivables (note 9)	283.816.202	139.361.736
Interest income on cash and cash equivalents	-	106.442
Net foreign exchange gains	-	121.664.041
Gain arising on fair valuation of financial instruments (note 15.5)	124.594.706	-
Other finance income	-	8.907.931
<b>Finance income</b>	<b>408.410.908</b>	<b>270.040.150</b>
Borrowings (note 15)	(241.968.116)	(124.052.918)
Loss arising on fair valuation of financial instruments (note 14.5)	-	(95.509.381)
Net foreign exchange losses	(159.925.517)	-
Other finance costs	(3.538.860)	(6.974.547)
<b>Finance costs</b>	<b>(405.432.493)</b>	<b>(226.536.846)</b>
<b>Net finance income</b>	<b>2.978.415</b>	<b>43.503.304</b>

Other finance costs are composed of the fees regarding the commitment fees (3,2 M EUR) charged by the banks for unused credit facility made available to the Company and guarantee fees paid to Altice International S.à r.l. for an amount of 0,3 M EUR.

Net foreign exchange losses are mainly composed of the revaluation of the bonds and loans denominated in ILS and USD.

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**8 – Income tax**

	For the year ended December 31, 2014	For the year ended December 31, 2013
Current tax:		
Current tax on profit for the loss	(3.282)	(3.320)
Foreign withholding tax on interests	(10.513.384)	(9.407.408)
<b>Total current tax</b>	<b>(10.516.666)</b>	<b>(9.410.729)</b>
Deferred tax :		
Origination of temporary differences	(36.323.580)	25.004.616
<b>Total deferred tax</b>	<b>(36.323.580)</b>	<b>25.004.616</b>
<b>Total income tax</b>	<b>(46.840.246)</b>	<b>15.593.887</b>

The movement in the deferred tax balance is due to the recognition of the fair value adjustment of the derivatives financial instruments described in note 15.5.

The tax on the Company's profit / loss before tax differs from the theoretical amount that would arise using the average tax rate applicable as follows:

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Income for the year</b>	<b>2.050.549</b>	<b>39.122.868</b>
Tax calculated at domestic tax rate (29.22%)	(599.171)	(11.431.702)
<b>Tax effects of:</b>		
Effect of unrecognised losses	(595.889)	(11.428.382)
<b>Current tax expense</b>	<b>(3.282)</b>	<b>(3.320)</b>

The amount of unrecognized tax losses amounts EUR 24.858.850 (2013: EUR 26.909.399). The effect of unrecognised losses are linked to the change of the fair value of the derivatives instruments.

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**9 – Loans and accrued interest receivable**

The details of loans and accrued interest receivable is as follows:

	December 31, 2014	December 31, 2013
<b>Non-current assets:</b>		
Bonds Cool Holdings Ltd.	292.093.541	254.648.915
Bonds H.Hadaros 2012 Ltd	265.098.194	231.114.208
Bonds HOT Telecommunications System Ltd.	339.324.138	397.638.207
Proceed loan Altice Holdings S.à r.l.	906.828.293	906.828.293
Loan Altice International S.à r.l.	174.514.414	167.495.079
Loans Altice Holdings S.à r.l.	1.523.422.631	-
<b>Total non-current assets:</b>	<b>3.501.281.211</b>	<b>1.957.724.701</b>
<b>Current assets:</b>		
Interest on bonds Cool Holdings Ltd.	9.660.446	1.682.908
Interest on bonds H.Hadaros 2012 Ltd	8.767.626	1.527.373
Interest on bonds HOT Telecommunications System Ltd.	960.964	1.113.387
Interest on Proceed loan Altice Holdings S.à r.l.	19.669.076	23.998.892
Interest on loan Altice International S.à r.l.	10.557.341	6.987.119
Interest free loan Altice International S.à r.l.	1.500.000	1.500.000
Interest on loans Altice Holdings S.à r.l.	53.485.468	-
Interest free loan Altice Blue One S.A.S.	375.000	-
Loan Green.CH AG	1.663.478	-
Interest on loan Green.CH AG	22.626	-
<b>Total current assets:</b>	<b>106.662.025</b>	<b>36.809.679</b>
<b>Total loans and accrued interest receivable:</b>	<b>3.607.943.236</b>	<b>1.994.534.381</b>

During the year ended December 31, 2014, the Company loans and other receivables were as follows:

a) **Cool Holdings Ltd. Bonds** issued on December 27, 2012. These are represented by 1.052.800 bonds with a value per bond of NIS 1,000 and bear interest at a rate per annum equal to 14.475%. The total nominal value of the bonds issued is NIS 1.052.800.000 (EUR 222.760.336).

Interests can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year.

Interest has been capitalized for an amount of EUR 38.280.570 during the year ended December 31, 2014 (2013: EUR 34.336.682).

b) **H.Hadaros 2012 Ltd Bonds** issued on December 27, 2012. These are represented by 955.500 bonds with a value per bond of NIS 1.000 and bear interest at a rate per annum equal to 14,475%. The total nominal value of the bonds issued is NIS 955.500.000 (EUR 202.172.778).

Interests can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year.

Interest has been capitalized for an amount of EUR 34.367.046 during the year ended December 31, 2014 (2013: EUR 31.165.064).

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c) **Hot Telecommunication System Ltd. Bonds** issued on December 27, 2012. These are represented by 1.900.000 bonds with a value per bond of NIS 1.000 and bear interest at a rate per annum equal to 6,30%. The total nominal value of the bonds issued is NIS 1.900.000.000 (EUR 402.018.083). During the year 2014, the principal has been repaid for a total amount of NIS 296.501.340.

Interests can either be capitalized at issuer discretion or paid semi-annually on June 15 and on December 15 of each year. Interest has been paid on June 15 and December 15, 2014.

d) **Proceed Loan** with Altice Holdings S.à r.l. issued on July 2, 2013, a credit facility in an aggregate amount of EUR 906.828.293 has been issued as follows:

- Senior Notes Tranche up to EUR 250.000.000 with a maturity in June 2023,
- Term Loan Tranche up to EUR 795.000.000 with maturity in June 2019.

Interest rate of 9% is equal to the Senior Notes Interest rate on its unpaid principal amount for each of the Senior Notes Interest Periods.

Interest rate of 5,50% is equal to the Term Loan Tranche on its unpaid principal amount for each of the corresponding Term Loan Interest Periods.

e) **Loan Altice International S.à r.l.** is composed of several tranches as follows:

- a EUR 133.000.000 tranche with maturity in August 2062 and bearing interests at a rate of 9,379%
- a EUR 30.869.000 tranche with maturity in March 2062 and bearing interests at a rate of 8,379%
- a USD 5.000.000 tranche with maturity in March 2062 and bearing interests at a rate of 8,379%

f) **Loans Altice Holdings S.à r.l.** is composed of several loans detailed as follows:

- a EUR 20.500.000 loan with maturity in December 2019 and bearing interests at a rate of 7,91%
- a EUR 2.571.626 loan with maturity in June 2063 and bearing interests at a rate of 8,504%
- a USD 10.769.231 interest free loan with maturity in October 2019 and bearing no interests
- a proceed loan in an aggregate amount up to EUR 126.000.000 with maturity in December 2063 and bearing interests at a rate of 7,5%.
- a USD 673.077 interest free loan with maturity in December 2019 and bearing no interests
- a USD 1,653,894,225 proceeds loan with maturity in 2024 and bearing interests at a rate 8,275%

g) The Loan Agreement with Altice International S.à r.l. is dated December 2013 for an amount of EUR 1.500.000 is interest free and repayable on demand.

h) The Loan Agreement with Altice Blue One S.A.S. is dated August 2014 for an amount of EUR 375.000 is interest free and repayable on demand.

i) The Loan with Green.CH AG is dated August 2014 for an amount of CHF 2.000.000 and bear interest at a rate per annum equal to 3,75% and repayable on demand.



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**10 – Trade and other receivables**

The detail of trade and other receivables as follows:

	December 31, 2014	December 31, 2013
<b>Current assets</b>		
Advance to related parties	56.035.742	46.530.989
Other receivables	171.355	166.448
<b>Other financial assets</b>	<b>56.207.097</b>	<b>46.697.437</b>

The advance to related parties are mainly composed of different advances made during the year to Altice International S.à r.l. for a total amount of EUR 15.112.265 (2013/ EUR 13.906.127), of amounts receivables from Altice Holdings S.à r.l. for an amount of EUR 29.014.894 and from Altice Finco S.A. for an amount of EUR 10.076.758.

These advances are payable within one year and do not bear any interest.

**11 – Cash and cash equivalents & restricted cash**

	December 31, 2014	December 31, 2013
Cash at bank and in hand	25.525.436	2.298.813
<b>Cash and cash equivalents</b>	<b>25.525.436</b>	<b>2.298.813</b>
Restricted cash (1)	-	952.694.177
<b>Restricted cash</b>	<b>-</b>	<b>952.694.177</b>

(1) Restricted cash referred to cash held on escrow accounts on behalf of the Company, related to the acquisition of Orange Dominicana and Tricom by Altice International Group. The transactions closed during the first and second quarter of 2014.

On March 12, 2014, in relation with the acquisition of Tricom S.A. the funds held on escrow accounts were released for a total amount of USD 900.000.000 and EUR 300.000.000.

Further to this, the Company granted two loans to Tricom S.A. for a total amount of USD 900.000.000 and EUR 285.000.000 which have been assigned to Altice Holdings.

**12 – Issued capital**

As at December 31, 2014 the subscribed capital amounts to EUR 2.000.000 and is divided into 2.000.000 shares fully paid-up with a nominal value per share of EUR 1.

The authorized share capital of the Company is set at EUR 2.000.000 and is divided into 2.000.000 shares of a nominal value per share of EUR 1 and is valid until 5 years after the date of the publication of the authorized and unissued share capital of the Company.

The shares are freely transferable. All shares have equal economic and voting rights.

Each share entitles the holder thereof to a fraction of the Company's assets and profits in accordance with Article 26 of the incorporation deed.

**13 – Legal reserve**

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

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**14 – Trade and other payables**

The balance at year end is composed of unpaid invoices as at December 31, 2014.

**15 – Borrowings and other financial liabilities**

The detail of the borrowings and other financial liabilities is the following:

	<b>Note</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	<b>15.1</b>	833.257.532	738.144.230
Bonds	<b>15.2</b>	1.591.337.162	1.451.080.239
Loans from related parties	<b>15.3</b>	1.005.351.543	617.963.763
Other financial liabilities	<b>15.5</b>	25.658.273	142.294.656
<b>TOTAL</b>		<b>3.455.604.510</b>	<b>2.949.482.888</b>
<b>Current liabilities</b>			
Loans from financial institutions	<b>15.1</b>	134.780.120	7.498.731
Accrued interest payable		32.957.551	15.195.650
Loans from related parties	<b>15.3</b>	88.838.229	24.980.525
<b>TOTAL</b>		<b>256.575.900</b>	<b>47.674.906</b>

**15.1 Loans from financial institutions**

The balance is composed of a Term Loan Credit Agreement with various credit institutions on June 24, 2013 for an aggregate principal amount not in excess of USD 1.034.000.000 with a maturity date June 2019. The interest rate is a rate per annum equal to the Alternate Base Rate plus the Applicable Margin. The interest rate per annum is equal to EURIBOR and margin of 4.5%.

Mandatory payments have been done annually for a total amount of USD 10.340.000, and an amount of USD 10.340.000 is classified as current liabilities.

In addition the Company has drawn two Revolving Credit Facilities amounting to EUR 80.000.000 and USD 56.000.000 as at December 31, 2014. The maturity date is below one year.

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**15.2 Bonds**

The Company has issued Senior Secured Notes in December 2012 and December 2013 to finance various acquisitions:

- USD 460 million senior secured notes, issued in December 2012, bearing a semi-annual coupon of 7,875% and maturing on December 15, 2019.
- EUR 210 million senior notes, issued in December 2012, bearing a semi-annual coupon of 8,0% and maturing on June 15, 2023.
- USD 900 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6,5% and maturing in 2022.
- EUR 300 million senior secured notes issued in December 2013, bearing a semi-annual coupon of 6,5% and maturing in 2022.

The 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.

	Fair value in EUR million December 31, 2014	Coupon	Year of maturity	Carrying amount December 31, 2014	Carrying amount (excluding transaction costs) December 31, 2014	Carrying amount (excluding transaction costs) December 31, 2013
-Senior Secured Notes USD 460 M	391,2	7,875%	2019	367,0	380,1	333,9
-Senior Secured Notes EUR 210M	221,8	8,000%	2019	202,5	210,3	210,5
-New Senior Secured Notes EUR 300M	307,1	6,500%	2022	292,6	300	300
-New Senior Secured Notes USD 900M	720,9	6,500%	2022	729,3	743,2	652,7
<b>Nominal value of bonds</b>	<b>1.641,0</b>			<b>1.591,4</b>	<b>1.633,6</b>	<b>1.497,1</b>

As at December 31, 2014, there was no breaches of covenants for the Senior Secured Notes mentioned below.

*Covenants*

The debt issued by the Company is subject to certain restrictive covenants.

Such debt issued by the Company is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the relevant restricted Company's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to shareholders or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

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In order to be able to incur additional debt under an applicable debt instrument, the relevant restricted group must either meet the ratio test described below (on a pro forma basis for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket described below or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument.

The Senior Secured Debt is subject to an incurrence test of 3:1 (Adjusted EBITDA to Net Debt).

We were in compliance with all our covenants as of December 31, 2015.

### 15.3 Loans from related parties

	For the year ended December 31, 2014	For the year ended December 31, 2013
<b>Non-current related party loans:</b>		
Notes Proceed Loan 12/20 9.875% USD - Altice Finco S.A.	338.951.015	294.285.158
Notes Proceed Loan 13/23 9% EUR - Altice Finco S.A.	245.000.000	245.000.000
Intercompany loan Cool Holdings Ltd.	51.077.528	43.929.227
Interest Free Loan Altice Securities S.à r.l.	35.134.442	34.749.378
Notes Proceed Loan 14/24 8.125% USD - Altice Finco S.A.	330.299.182	-
Interest free loan agreement Altice International S.à r.l.	2.317.750	-
Loan agreement with Altice International S.à r.l.	2.571.626	-
<b>Total non-current related party loans:</b>	<b>1.005.351.543</b>	<b>617.963.763</b>
<b>Current related party loans:</b>		
Notes Proceed Loan 12/20 9.875% USD - Altice Finco S.A.	1.443.984	1.272.280
Notes Proceed Loan 13/23 9% EUR - Altice Finco S.A.	29.300.000	11.943.750
Interest on Intercompany Loan Cool Holdings Ltd.	307.955	323.890
Intercompany Loan Hot Telecommunications System Ltd.	-	7.645.736
Interest on Intercompany Loan Hot Telecommunications System Ltd.	-	366.908
Notes Proceed Loan 14/24 8.125% USD - Altice Finco S.A.	21.916.727	-
Interest on Loan agreement with Altice International S.à r.l.	123.317	-
Interest free loan agreement Altice International S.à r.l.	20.537.295	-
Altice West Europe - Short term loan	3.031.971	-
Altice International - Short term loan repayment RCF 17m	4.410.924	-
Altice International - Short term loan ILS	2.285.176	-
Other debts towards related parties	5.480.880	3.427.961
<b>Total current related party loans:</b>	<b>88.838.229</b>	<b>24.980.525</b>
<b>Total related parties loans:</b>	<b>1.094.189.772</b>	<b>642.944.288</b>

#### **a) Notes Proceeds Loan with Altice Finco S.A.**

The Notes Proceeds Loan represents senior notes proceeds loan agreement with Altice Finco S.A. dated December 27, 2012 with an initial aggregate principal amount of USD 425.000.000 and maturing on December 15, 2020. The loan bears interests at a rate of 9,875% per annum.

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**b) Notes Proceeds Loan with Altice Finco S.A.**

The Company entered in a Senior Notes Proceeds Loan Agreement with Altice Finco S.A. on July 2, 2013 with an aggregate principal amount of EUR 245.000.000 and maturing on June 2, 2023.

The loan bears interests at a rate of 9,0% per annum.

**c) Intercompany Loan with Cool Holdings Ltd.**

The Company entered into an Intercompany Loan with Cool Holdings Ltd. on December 27, 2012 with an initial aggregate principal amount of NIS 184.100.000.

The maturity date has been set to December 15, 2019 which is related to Cool Proceeds Note. The interest rate is 14,475%.

**d) Intercompany loan with Hot Telecommunication Systems Ltd**

The Company entered into a loan agreement with Hot Telecommunication Systems Ltd on June 5, 2013 for an amount of NIS 86.422.985. An amount of NIS 49.886.144 has been repaid during the year 2013 and the balance has been repaid during the current year.

**e) Interest free loan Altice Securities S.à r.l.**

On June 5, 2013 the Company entered into a Facility Agreement with Altice Securities S.à r.l., the total drawn down amount equals to NIS 202.268.460 (equivalent to EUR 42.327.089 on draw down date). This Facility Agreement does not bear any interest and the maturity date is set on December 31, 2016.

The loan has been on initial recognition measured at its fair valuation, and the difference between the nominal amount and the fair value has been recognized in the statement of comprehensive income.

**f) Notes Proceeds Loan with Altice Finco S.A.**

The Company entered into a Senior Notes Proceeds Loan Agreement with Altice Finco S.A. on March 12, 2014 with an aggregate principal amount of USD 400.000.000 and maturing on December 12, 2024.

The loan bears interests at a rate of 8,125% per annum.

**g) Interest Free Loan with Altice International S.à r.l.**

The Company entered into an Interest Free Loan with Altice International S.à r.l. on March 27, 2014 for an amount of ILS 10.954.047 and maturing on December 31, 2016. This loan is interest free and repayable on demand.

**h) Interest Free Loan with Altice International S.à r.l.**

The Company entered into a Loan agreement with Altice International S.à r.l. on June 12, 2014 for an amount of EUR 2.571.626 and maturing on June 30, 2063. The interest rate is 8,504% and this loan is repayable on demand.

**i) Interest Free Loan with Altice International S.à r.l.**

The Company entered into an Interest Free Loan with Altice International S.à r.l. on July 10, 2014 for an amount of EUR 20.537.295 and maturing on December 31, 2014. This loan is interest free and repayable on demand.

**j) Altice West Europe S.à r.l. Short term loan:**

During the year, the Company made some advances to Altice West Europe S.à r.l. for a total amount of EUR 3.031.971. This amount is non-interest bearing and repayable on demand.

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**k) Altice International S.à r.l. Short term loan:**

During the year, the Company made some advances to Altice International S.à r.l. for a total amount of EUR 4.410.924 and EUR 2.285.176 (ILS 10.800.097). These amounts are non-interest bearing and repayable on demand.

**15.4 Currency of borrowings**

	December 31, 2014	Euro (EUR)	US Dollar (USD)	Israeli Shekel (ILS)
		(in euros)		
<b>Non-current liabilities</b>				
Loans from financial institutions	(833.257.532)	-	(833.257.532)	-
Bonds	(1.591.337.162)	(495.090.193)	(1.096.246.969)	-
Loans from related parties	(1.005.351.543)	(247.571.626)	(669.250.197)	(88.529.720)
<b>TOTAL</b>	<b>(3.429.946.237)</b>	<b>(742.661.819)</b>	<b>(2.598.754.698)</b>	<b>(88.529.720)</b>
<b>Current liabilities</b>				
Loans from financial institutions	(134.780.119)	(80.000.000)	(54.780.119)	-
Accrued interest payable	(32.957.551)	(9.570.833)	(23.386.718)	-
Loans from related parties	(88.838.229)	(62.884.388)	(23.360.710)	(2.593.131)
<b>TOTAL</b>	<b>(256.575.899)</b>	<b>(152.455.221)</b>	<b>(101.527.547)</b>	<b>(2.593.131)</b>

**15.5 Derivatives**

As of December 31, 2014, the Company had entered into the following swap transactions:

- A coupon only cross-currency swap transaction covering USD 200 million of the USD 425 million principal of Altice Finco's Senior Notes, based on which the Company 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 460 M million USD Senior Secured Notes, on the basis of which the Company 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 210 million Senior Secured Euro Notes, based on which the Company 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 the Company 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 the Company 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%.

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As of December 31, 2014, the Company 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 the Company 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, the Company 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 425 million Senior Notes with Altice Finco, in which the Company 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 460 million Senior Secured Notes issued by Altice Financing, in which the Company 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 210 million Senior Secured Notes issued by Altice Financing, in which the Company pays Israeli Shekels and receives Euros, with an average hedged exchange rate of 5,036 ILS/EUR.

	December 31, 2014	December 31, 2013
	Liabilities	Liabilities
Forward foreign exchange contracts	58.059.918	104.385.330
Cross currency swaps	(32.401.645)	37.909.326
<b>Total</b>	<b>25.658.273</b>	<b>142.294.656</b>

The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

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**16 - Financial risk factors**

**Introduction**

In course of its business, the Company is exposed to a number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk and settlement risk) and other risks (including equity price risk and settlement risk). This note presents the Company's objectives, policies and processes for managing its financial risk and capital.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

**Impairment assessment**

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- A breach of contract such as a default of payment;
- It becomes probable that the counterparty will enter bankruptcy or other financial reorganisation; and
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

**16.1 Market risk**

**16.1.1 Foreign currency risk management**

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in note 9 and 15.

The Company is mainly exposed to the currency of Israeli shekel ("ILS") and the currency of US Dollar ("USD").

The following table details the Company's sensitivity to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents director's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	<b>December 31, 2014</b>	
	<b>Currency USD impact</b>	<b>Currency NIS impact</b>
Profit or loss	(127.884.491)	81.052.457
	<b>December 31, 2013</b>	
	<b>Currency USD impact</b>	<b>Currency NIS impact</b>
Profit or loss	(139.035.919)	79.691.433



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**16.1.2 Interest rate risk management**

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 Company 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 :

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	(in millions of euros)	
Financial debt at fixed rates .....	2.811,8	2.069,1
Financial debt at variable rates .....	841,8	753,3
<b>TOTAL .....</b>	<b><u>3.653,6</u></b>	<b><u>2,822,4</u></b>

The Company's proportion of variable rate debt remained stable between 2013 and 2014 at 23%.

**16.2.1. Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates non-derivative instruments at the end of the reporting period.

If the interest rates had been 50 basis points higher and all other variables were held constant, the Company's profit for the year ended December 31, 2014 would have decreased by EUR 2 million.

**16.3 Liquidity risk management**

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.

The Company has access to undrawn revolving credit facility for an amount of €501 million which can be activated as and when required to cover any liquidity needs not met by operating cash flow generation.

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**16.3.1 Liquidity and interest risk tables**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayments periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company 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 Company may be required to pay.

**December 31, 2014**

	Less than 1 month	1 month to 1 year	1-5 years	5+ years	Total
<b>Assets</b>					
Loans and other receivables	-	106.662.025	-	3.501.281.211	3.607.943.236
Trade and other receivables	-	56.207.097	-	-	56.207.097
Cash and cash equivalents	25.525.436	-	-	-	25.525.436
Restricted cash	-	-	-	-	-
<b>Total Assets</b>	<b>25.525.436</b>	<b>162.869.122</b>	<b>-</b>	<b>3.501.281.211</b>	<b>3.689.675.769</b>
<b>Liabilities</b>					
Bonds	-	-	366.961.467	1.224.375.695	1.591.337.162
Accrued interest payable	-	32.957.551	-	-	32.957.551
Loans from financial institutions	-	134.780.120	833.257.532	-	968.037.652
Loans from related parties	-	88.838.229	-	1.005.351.543	1.094.189.772
Trade and other payables	-	730.257	-	-	730.257
Current tax liabilities	-	15.063.203	-	-	15.063.203
<b>Total Liabilities</b>	<b>-</b>	<b>272.369.360</b>	<b>1.200.218.999</b>	<b>2.229.727.238</b>	<b>3.702.315.597</b>

**December 31, 2013**

	Less than 1 month	1 month to 1 year	1-5 years	5+ years	Total
<b>Assets</b>					
Loans and other receivables	-	36.809.679	-	1.957.724.701	1.994.534.380
Trade and other receivables	-	46.697.437	-	-	46.697.437
Cash and cash equivalents	2.298.813	-	-	-	2.298.813
Restricted cash	-	952.694.177	-	-	952.694.177
<b>Total Assets</b>	<b>2.298.813</b>	<b>1.036.201.293</b>	<b>-</b>	<b>1.957.724.701</b>	<b>2.996.224.807</b>
<b>Liabilities</b>					
Bonds	-	-	-	1.451.080.239	1.451.080.239
Accrued interest payable	-	15.195.650	-	-	15.195.650
Loans from financial institutions	-	7.498.731	29.994.923	708.149.307	745.642.961
Loans from related parties	-	24.980.525	-	617.963.763	642.944.288
Trade and other payables	-	25.432.750	-	-	25.432.750
Current tax liabilities	-	6.987.591	-	-	6.987.591
<b>Total Liabilities</b>	<b>-</b>	<b>80.095.247</b>	<b>29.994.923</b>	<b>2.777.193.309</b>	<b>2.887.283.479</b>

The following table details the Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

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	December 31, 2014			
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Net settled:				
- cross currency swaps	-	-	-	(32.401.645)
- forward foreign exchange contracts	-	-	-	58.059.918
	-	-	-	<b>25.658.273</b>

	December 31, 2013			
	Less than 1 month	1-3 months	3 months to 1 year	1-5 years
Net settled:				
- cross currency swaps	-	-	-	37.909.326
- forward foreign exchange contracts	-	-	-	104.385.330
	-	-	-	<b>142.294.656</b>

#### **16.4 Fair value of financial instruments**

##### **16.4.1 Fair value of financial instruments carried at amortised cost**

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

##### **16.4.2 Valuation techniques and assumptions applied for the purposes of measuring fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of derivatives instruments are calculated using quote prices. Where 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. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. 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; and
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specially, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

##### **16.4.3 Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from inputs other than 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); and
- 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).

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	Level 1	Level 2	Level 3	December 31, 2014 Total
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	25.658.273	-	25.658.273
<b>Total</b>	<b>-</b>	<b>25.658.273</b>	<b>-</b>	<b>25.658.273</b>

	Level 1	Level 2	Level 3	December 31, 2013 Total
<b>Financial liabilities at FVTPL</b>				
Other derivatives financial liabilities	-	142.294.656	-	142.294.656
<b>Total</b>	<b>-</b>	<b>142.294.656</b>	<b>-</b>	<b>142.294.656</b>

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
	31/12/2014	31/12/2013				
EUR million						
Foreign currency forward contracts	32.4	(104.9)	Level 2	Zero curve	N/A	N/A
Interest rate swaps	(58.1)	(37.9)	Level 2	Zero curve	N/A	N/A

### 16.5 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

As at December 31, 2015 Altice Luxembourg S.A. to which all loans receivables are linked has been assigned the following rating:

- B1 by Moody's Investors Service Inc
- BB- by Standard & Poor's Ratings Service

The Company has been granted the same rating by Moody's and S&P.

	December 31, 2014	December 31, 2013
<b>Cash at bank and short-term deposit bank deposits</b>		
AAA - Cash at bank	25.525.436	2.298.813
<b>Restricted cash</b>		
AAA - Restricted cash	-	952.694.177

The counterparties are the following: CPB Quilvest (cash at bank) and Citibank (restricted cash).

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	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Derivative financial liabilities</b>		
B1 (by Moody's Investors Service Inc)	25.658.273	142.294.656
BB- (by Standard & Poor's Rating Service)	25.658.273	142.294.656

The counterparties are the following: HSBC, Morgan Stanley, Deutsche Bank, Crédit Suisse, Crédit Agricole, BNP Paribas, ING and Goldman Sachs.

**17 - Classification and fair value of financial assets and liabilities**

<b>December 31, 2014</b>			
	<b>Financial assets at amortised cost</b>	<b>other</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Bonds with Cool Holdings Ltd	301.753.987	-	301.753.987
Bonds with H.Hadaros 2012 Ltd	273.865.820	-	273.865.820
Bonds with HOT Telecommunications System Ltd	340.285.102	-	340.285.102
Proceed Loan with Altice Holdings S.à r.l.	926.497.369	-	926.497.369
Loan with Altice International S.à r.l.	185.071.755	-	185.071.755
Loan with Altice Holdings S.à r.l.	1.576.908.099	-	1.576.908.099
Interest free loan with Altice International S.à r.l.	1.500.000	-	1.500.000
Interest free loan with Altice Blue Two S.à r.l.	375.000	-	375.000
Loan with Green.CH AG	1.686.104	-	1.686.104
<b>Total</b>	<b>3.607.943.235</b>	<b>-</b>	<b>3.607.943.235</b>

<b>December 31, 2013</b>			
	<b>Financial assets at amortised cost</b>	<b>other</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Bonds with Cool Holdings Ltd	256.331.823	-	256.331.823
Bonds with H.Hadaros 2012 Ltd	232.641.581	-	232.641.581
Bonds with HOT Telecommunications System Ltd	398.751.594	-	398.751.594
Proceed with Loan Altice Holdings S.à r.l.	930.827.185	-	930.827.185
Loan with Altice International S.à r.l.	174.482.198	-	174.482.198
Interest free with Loan Altice International S.à r.l.	1.500.000	-	1.500.000
<b>Total</b>	<b>1.994.534.381</b>	<b>-</b>	<b>1.994.534.381</b>

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	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Senior Secured Notes 12/19 7.875% USD	-	368.207.831	368.207.831
Senior Secured Notes 12/19 8% EUR	-	203.148.829	203.148.829
Senior Secured Notes 13/22 6.50% USD	-	751.425.857	751.425.857
Senior Secured Notes 13/22 6.50% EUR	-	301.512.197	301.512.197
Notes Proceed Loan 12/20 9.875% USD	-	340.394.998	340.394.998
Notes Proceed Loan 13/23 9% EUR	-	274.300.000	274.300.000
Notes Proceed Loan 14/24 8.125% USD	-	352.215.909	352.215.909
Term Loan B (note 14.1)	-	841.795.766	841.795.766
Intercompany loan Cool Holdings Ltd	-	51.385.482	51.385.482
Interest Free Loan - Altice Securities S.à r.l.	-	35.134.442	35.134.442
Interest free loan agreement Altice International S.à r.l.	-	2.317.750	2.317.750
Interest free loan agreement Altice International S.à r.l.	-	20.537.295	20.537.295
Loan agreement - Altice International S.à r.l.	-	2.571.626	2.571.626
Other debts towards to related parties	-	141.574.155	141.574.155
Derivatives financial instruments	25.658.273	-	25.658.273
<b>Total</b>	<b>25.658.273</b>	<b>3.686.522.137</b>	<b>3.712.180.411</b>

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	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
<b>Liabilities as per balance sheet</b>			
Senior Secured Notes 12/19 7.875% USD	-	321.919.017	321.919.017
Senior Secured Notes 12/19 8% EUR	-	203.532.343	203.532.343
Senior Secured Notes 13/22 6.50% USD	-	639.507.596	639.507.596
Senior Secured Notes 13/22 6.50% EUR	-	293.861.838	293.861.838
Notes Proceed Loan 12/20 9.875% USD	-	295.557.437	295.557.437
Notes Proceed Loan 13/23 9% EUR	-	256.943.750	256.943.750
Term Loan B (note 14.1)	-	753.098.055	753.098.055
Intercompany loan Cool Holdings Ltd	-	44.253.117	44.253.117
Loan Hot Telecom System Ltd	-	8.012.644	8.012.644
Other debts towards to related parties	-	3.427.961	3.427.961
Interest Free Loan - Altice Securities	-	34.749.378	34.749.378
Derivatives financial instruments	142.294.656	-	142.294.656
<b>Total</b>	<b>142.294.656</b>	<b>2.854.863.138</b>	<b>2.997.157.794</b>

**18 – Deferred tax assets and current tax liabilities**

**a) Deferred tax**

The analysis of deferred tax assets is as follows:

	December 31, 2014	December 31, 2013
<b>Deferred tax assets:</b>		
Deferred tax assets to be recovered after more than 12 months	2.471.303	42.316.225
Deferred tax assets to be recovered within 12 months	-	-
<b>Net deferred tax assets</b>	<b>2.471.303</b>	<b>42.316.225</b>

Deferred tax assets have been recognized in connection with the fair value adjustment of the derivatives financial instruments described in note 15.5.

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**b) Current tax liabilities**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Income tax provision	7.995	4.785
Net wealth tax provision	124	62
Foreign withholding tax payable	15.055.084	6.982.744
<b>Total</b>	<b>15.063.203</b>	<b>6.987.591</b>

**19 – Contingencies**

The Company had no material contingencies at December 31, 2014 (2013: none).

**20 – Commitments**

The Company had no material capital commitments at December 31, 2014 (2013: none).

**21 – Assets pledged as security**

The shares, bank accounts and receivables of the Company and other companies of Altice International group: Altice International and its direct or indirect 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., Green.Ch AG, Winreason S.G.P.S and its subsidiaries have been pledged for the issued Senior Secured Notes and the Altice Term Loan Credit Agreement. The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

All pledges applicable for the Senior Secured Notes and the Term Loan Credit Agreement are also applicable to the Revolving Credit Facilities.

**22 – Related party transactions**

**a) Loans to related parties**

The details are disclosed in note 9.

**b) Loans from related parties**

The details are disclosed in the note 15.

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**a) Profit and loss transactions with related parties**

	<b>For the year ended December 31, 2014</b>	<b>For the year ended December 31, 2013</b>
Interest income Bonds Cool Holdings Ltd.	42.283.157	35.833.030
Interest income Bonds H.Hadaros 2012 Ltd	38.403.853	32.519.828
Interest income Bonds HOT Telecommunications System Ltd.	23.723.820	25.267.015
Interest income Altice Holding S.à r.l.	84.127.216	38.436.440
Interest income Altice International S.à r.l.	15.582.285	6.992.815
Interest income RCF - HOT Telecommunications System Ltd.	-	211.154
Interest income Loan Altice Holdings S.à r.l.	79.550.048	-
Interest income Loan Green.CH AG	22.505	-
Interest expense Senior Notes Proceed Loan Altice Finco S.A.	(72.829.129)	(44.825.506)
Interest expense Intercompany Loan Cool Holdings Ltd	(6.659.875)	(5.636.115)
Interest expense Intercompany Loan HOT	(150.107)	(367.510)

**23 – Events after the reporting period**

On January 30, 2015, the Company borrowed from a pool of banks:

- EUR 400 million term loan facility with a maturity of seven years and bearing interest at Euribor (3m) +4.25%, with a Euribor floor of 1%.
- USD 500 million term loan facility with a maturity of seven years and bearing interest at Libor (3m) +4.25%, with a Libor floor of 1%.

At the same date, the Company entered into as borrower and guarantor a revolving facility agreement with a principal aggregate amount of EUR 330 million.

On February 3, 2015, the Company issued together with its Sole shareholder, the following debt instruments:

- Issued by Altice Finco S.A.: USD 385 million 7% Senior Notes due 2025 (the “SN”) pursuant to an indenture,
- Issued by Altice Financing S.A.: EUR 500 million 5¼% Senior Secured Notes due 2023 and USD 2.060 billion 6% Senior Secured Notes due 2023 (the “SSN” and together with the “SN”, the “Notes”) pursuant to an indenture.

The Notes are listed on the official list of the Luxembourg stock exchange and admitted to trading on the EURO MTF market.

On May 28, 2015, the Company entered into an intercompany loan agreement as borrower with Altice Finco S.A. for an amount of USD 385 million.

At the same date, the Company has on-lent to Altice Holdings S.à r.l. the proceeds of the SSN as well as any amount borrowed by it under the intercompany loan agreement with Altice Finco S.A..

On July 14, 2015, the Company entered into an Incremental Loan Assumption Agreement with a pool of banks to borrow EUR 450 million term loan facility with a maturity of seven years and bearing interest at Euribor 3m+3.5% (with a 1% floor).



ALTICE FINANCING S.A.  
Société Anonyme  
Notes to the financial statements as of December 31, 2014  
(Expressed in EUR)

During the year 2015, using the proceeds of the issuance dated July 14, 2015, the Company has also repaid the draw down on its Revolving Credit Facility (“RCF”) of respectively EUR 80 million and USD 56 million and entered into a new RCF for EUR 501 million of which EUR 160 million has been drawn down so far.

In April 2016, the Company issued USD 2.750 Million 7,50% Senior Secured Notes due 2026 pursuant to an indenture. All of the proceeds were used to refinance existing secured debt of the Company. These new notes are listed also on the official list of the Luxembourg stock exchange and admitted to trading on the EURO MTF market.

During the years 2015 and 2016, the Company also entered into new derivative instruments to hedge its exposure to currency and interest rate fluctuations.

**24 – Approval of the financial statements**

The financial statements were approved by the Board of Directors and authorized for issue on June 28, 2016.

To the Sole Shareholder of  
Altice Financing S.A.  
3, Boulevard Royal  
L-2449 Luxembourg

## REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the Sole Shareholder, we have audited the accompanying financial statements of Altice Financing S.A., which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of 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 financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 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 financial statements give a true and fair view of the financial position of Altice Financing S.A. as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

For Deloitte Audit, *Cabinet de révision agréé*



David Osville, *Réviseur d'entreprises agréé*  
Partner

June 28, 2016

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